



Waverley Borough Council
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To: All Members of the AUDIT COMMITTEE
(Other Members for Information)

When calling please ask for:

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Policy and Governance

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Calls may be recorded for training or monitoring

Date: 4 November 2016

Membership of the Audit Committee

Cllr John Gray (Chairman)

Cllr Richard Seaborne (Vice Chairman)

Cllr Mike Band

Cllr Christiaan Hesse

Cllr Nicholas Holder

Cllr Jerry Hyman

Cllr David Round

Dear Councillors

A meeting of the AUDIT COMMITTEE will be held as follows:

DATE: TUESDAY, 15 NOVEMBER 2016

TIME: 7.00 PM

PLACE: COMMITTEE ROOM 1, COUNCIL OFFICES, THE BURYS,
GODALMING

The Agenda for the meeting is set out below.

Yours sincerely

ROBIN TAYLOR

Head of Policy and Governance

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NOTE FOR MEMBERS

Members are reminded that contact officers are shown at the end of each report and members are welcome to raise questions etc. in advance of the meeting with the appropriate officer.

AGENDA

1. **MINUTES**

To confirm the Minutes of the last meeting of the Audit Committee held on 13 September 2016 (to be laid on the table half an hour before the meeting).

2. **APOLOGIES FOR ABSENCE**

To receive apologies for absence.

3. **DISCLOSURE OF INTERESTS**

To receive from Members, declarations of interests in relation to any items included on the Agenda for this meeting, in accordance with the Waverley Code of Local Government Conduct.

4. **QUESTIONS BY MEMBERS OF THE PUBLIC**

The Chairman to respond to any questions received from members of the public of which notice has been duly given in accordance with Procedure Rule 10.

5. **PROPOSED DRAFT 2018 AUDIT COMMITTEE WORK PROGRAMME**
(Pages 7 - 10)

The Audit Committee will be aware that a key area of the Accounts and Audit Regulations 2015 made under the Local Audit and Accountability Act 2014 is the acceleration of financial close arrangements.

From the 2017/18 financial year, the timetable for the preparation and approval of accounts will be brought forward to a draft accounts deadline of 31 May and an audit deadline of 31 July.

For Members information, the current annual recurrent work programme is attached on light green paper. This sets out the major items required to be completed by the Audit Committee each year.

Also attached, on yellow paper, is a draft proposed target recurrent annual work programme to meet the new requirements in 2018.

Officers will be working together with our external auditors between now and 2018 to progress towards achieving the new timeline and the Audit Committee is invited to discuss the plan and consider any changes to the annual meeting schedule that may be required.

Recommendation

It is recommended that the Audit Committee

1. comments upon and notes the current, and the draft proposed target recurrent annual work programme for 2018 onwards

2. considers any changes to the annual meeting schedule that may be required

6. EXTERNAL AUDIT ANNUAL AUDIT LETTER (Pages 11 - 24)

To receive the attached External Audit Annual Audit Letter from Grant Thornton.

Recommendation

It is recommended that the Audit Committee comments upon and notes the Grant Thornton Annual Audit Letter.

7. APPOINTMENT OF EXTERNAL AUDITORS (Pages 25 - 30)

Following the demise of the Audit Commission, new arrangements are needed for the appointment of external auditors for the 2018/19 financial year. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to undertake a local joint procurement exercise to establish an auditor panel and conduct their own procurement exercise.

The attached report considers the options open to the Council.

Recommendation

To recommend to Council that Waverley opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 2018/2019.

8. REVISED GOVERNANCE POLICIES (Pages 31 - 106)

To receive the revised Governance policies in Annexe 1, 2, 3 & 4 that require revision as part of the scheduled cyclical review, to reflect changes in

legislation, organisational restructure affecting job titles and positions and the developed Counter Fraud Strategy in Annexe 5 requires endorsing:-

- a) Annexe 1 Whistleblowing Policy
- b) Annexe 2 Prosecution Policy
- c) Annexe 3 Anti-money Laundering
- d) Annexe 4 Anti Fraud, Corruption and Bribery Strategy
 - a. Code of Conduct for Investigators (Annexe 4a) Policy
- e) Annexe 5 Counter Fraud Strategy

Recommendation

It is recommended that the Committee;

1. endorses and recommends to Council that the revised policies are amended as set out in Annexe 1, 2, 3 & 4, and that the Counter Fraud Strategy as set out in Annexe 5 be adopted; and

2. instructs that officers cascade and publicise these documents.

9. PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2016-17 (Pages 107 - 112)

The Committee's Terms of Reference include provision for the Committee to comment on the progress made in achievement of the Internal Audit Plan. An update on the current position of the review for 2016-17 is presented.

Recommendation

It is recommended that the Committee notes the progress for the Internal Audit Plan 2016-17 as attached at Annexe 1.

10. PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS (Pages 113 - 118)

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by the Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than target date.

Recommendation

It is recommended that the Audit Committee considers the information contained in Annexe 1 and identifies any action it wishes to be taken.

11. COUNTER FRAUD INVESTIGATION SUMMARY (Pages 119 - 124)

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the Housing Tenancy Fraud Investigation work being completed as part of the Surrey Counter Fraud Partnership.

Recommendation

That the Audit Committee comments upon and notes;

1. the success of the investigation activity and continues to support the work being completed to safeguard Waverley's assets and ensuring that only those that are legitimately eligible to receive our services are successful; and

2. the Council's participation in the National Fraud Initiative and the Surrey Counter Fraud Partnership Data Hub to assist in identifying fraudulent activities.

12. RISK MANAGEMENT POLICY (Pages 125 - 154)

To receive the attached report considering the continued effectiveness of the current Risk Management Policy and Process Document.

Recommendation

It is recommended that the Audit Committee;

1. approves the Risk Management Policy and Process Document as set out in Annexe 1; and

2. considers the revised Corporate Risks Register at (Exempt) Annexe 2 and passes comment and observations to officers and the Executive.

13. EXCLUSION OF PRESS AND PUBLIC

To consider the following recommendation on the motion of the Chairman;

Recommendation

That pursuant to Procedure Rule 20 and in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting during consideration of the following item(s) on the grounds that it is likely, in view of the nature of the business to be transacted or the nature of the proceedings, that if members of the public were present during the item(s), there would be disclosure to them of exempt information (as defined by Section 1001 of the Act) of the description specified in the appropriate paragraph(s) of

the revised Part 1 of Schedule 12A to the Local Government Act 1972, namely;

Paragraph 3: *Information relating to the financial or business affairs of any particular person (including the authority holding that information).*

14. ANY OTHER ISSUES TO BE CONSIDERED IN EXEMPT SESSION

To consider any matters relating to aspects of any reports on this agenda which, it is felt, may need to be considered in exempt session.

**For further information or assistance, please telephone
Gary Wood, Trainee Democratic Services Officer, on 01483 523570
or by email at gary.wood@waverley.gov.uk**

AUDIT COMMITTEE CURRENT RECURRENT ANNUAL WORK PROGRAMME

Meeting	Item	Action	Responsibility
MARCH	External Audit Plan	Note	External Audit
	Internal Audit Plan	Approve	Internal Audit Client Manager, Gail Beaton
	Draft Annual Governance Statement	Comment and Note	Head of Policy and Governance, Robin Taylor
JUNE	Review Audit Committee's Terms of Reference	Rec to Council, if necessary	Committee Services
	Internal Audit Charter	Endorse	Internal Audit Client Manager, Gail Beaton
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Client Manager, Gail Beaton
SEPTEMBER	Annual Governance Report	Endorse	External Audit
	Statement of Accounts	Approve	Head of Finance, Peter Vickers
	Annual Governance Statement	Approve	Head of Finance, Peter Vickers and Monitoring Officer
NOVEMBER	External Audit Annual Audit Letter	Note	External Audit
	Risk Management Framework	Approve	Head of Finance, Peter Vickers
	Fraud Policies & Strategies: <ul style="list-style-type: none"> • Anti-fraud Corruption and Bribery Strategy • Counter Fraud Strategy • Whistleblowing Policy • Prosecution Policy • Anti-Money Laundering Policy • Housing Tenancy Fraud Policy (to Note only re approved by Corporate O & S) 	Endorse	Internal Audit Client Manager, Gail Beaton

Please Note:- At every meeting the Committee will receive the following reports:-

Review of progress in the implementation of Internal Audit Recommendations [to note and instruct]; and

Review of the progress in achieving the Audit Plan [To note and instruct]

The Work Programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

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AUDIT COMMITTEE DRAFT PROPOSED TARGET RECURRENT ANNUAL WORK PROGRAMME FROM MARCH 2018 TO TAKE INTO ACCOUNT CHANGES TO DEADLINE FOR 2017/18 FINANCIAL ACCOUNTS

Meeting	Item	Action	Responsibility
MARCH	External Audit Plan	Note	External Audit
	Internal Audit Plan	Approve	Internal Audit Client Manager, Gail Beaton
	Draft Annual Governance Statement	Comment and Note	Head of Policy and Governance, Robin Taylor
	Unaudited Statement of Accounts (Deadline before 31/05/2018)	Approve	Head of Finance, Peter Vickers
JUNE	Review Audit Committee's Terms of Reference	Rec to Council, if necessary	Committee Services
	Internal Audit Charter	Endorse	Internal Audit Client Manager, Gail Beaton
	Annual Internal Audit Report (Activity of previous financial year)	Comment and Note	Internal Audit Client Manager, Gail Beaton
	Statement of Accounts (Deadline before 31/07/2018)		Head of Finance, Peter Vickers
	Annual Governance Statement (Deadline before 31/07/2018)	Approve	Head of Policy and Governance, Robin Taylor
SEPTEMBER	Annual Governance Report	Endorse	External Audit
	Risk Management Framework	Approve	Head of Finance, Peter Vickers
NOVEMBER	External Audit Annual Audit Letter	Note	External Audit
	Fraud Strategies & Policies: <ul style="list-style-type: none"> • Counter Fraud Strategy • Anti-fraud Corruption and Bribery Strategy • Prosecution Policy • Whistleblowing Policy • Anti-Money Laundering Policy • Housing Tenancy Fraud Policy (To note only as approved by Corporate O & S re Housing Improvement Group sub-group) 	Endorse	Internal Audit Client Manager, Gail Beaton

Please Note:- At every meeting the Committee will receive the following reports:-

Review of progress in the implementation of Internal Audit Recommendations [to note and instruct]; and

Review of the progress in achieving the Audit Plan [To note and instruct]

The Work Programme details regular items, but other items can be submitted to each meeting on an ad hoc basis or at the request of the Committee.

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The Annual Audit Letter for Waverley Borough Council

Year ended 31 March 2016

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October 2016

Iain Murray

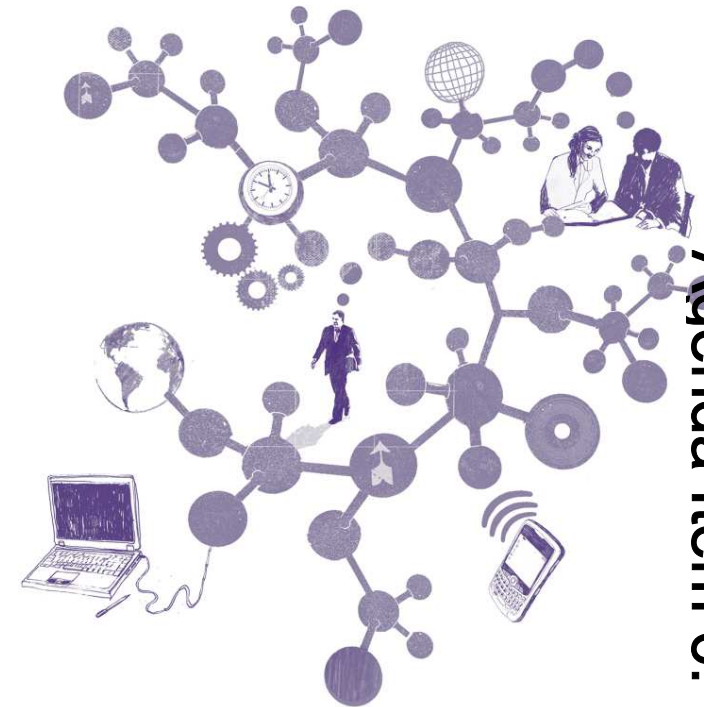
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Agenda Item 6.

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A Reports issued and fees

Executive summary

Purpose of this letter

Our Annual Audit Letter (Letter) summarises the key findings arising from the work that we have carried out at Waverley Borough Council (the Council) for the year ended 31 March 2016.

This Letter is intended to provide a commentary on the results of our work to the Council and its external stakeholders, and to highlight issues that we wish to draw to the attention of the public. In preparing this letter, we have followed the National Audit Office (NAO)'s Code of Audit Practice (the Code) and Auditor Guidance Note (AGN) 07 – 'Auditor Reporting'.

We reported the detailed findings from our audit work to the Council's Audit Committee as those charged with governance in our Audit Findings Report on 13 September 2016.

Our responsibilities

We have carried out our audit in accordance with the NAO's Code of Audit Practice, which reflects the requirements of the Local Audit and Accountability Act 2014 (the Act). Our key responsibilities are to:

- give an opinion on the Council's financial statements (section two)
- assess the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources (the value for money conclusion) (section three).

In our audit of the Council financial statements, we comply with International Standards on Auditing (UK and Ireland) (ISAs) and other guidance issued by the NAO.

Our work

Financial statements opinion

We gave an unqualified opinion on the Council's financial statements on 29 September 2016.

Value for money conclusion

We were satisfied that the Council put in place proper arrangements to ensure economy, efficiency and effectiveness in its use of resources during the year ended 31 March 2016. We reflected this in our audit opinion on 29 September 2016.

Use of additional powers and duties

We are required under the Act to give electors the opportunity to raise questions about the Council's accounts and we consider and decide upon objections received in relation to the accounts.

We did not receive any questions or objections in relation to the Council's accounts for 2015/16.

During the year we considered a formal objection raised by a local elector on the Council's 2014/15 financial statements. On 20 September 2016 we issued a Statement of Reasons in relation to this objection, confirming that we did not consider the objection to have a material impact on the Council's 2014/15 financial statements or indicate circumstances which merited a Report in the Public Interest.

Certificate

We certified that we had completed the audit of the accounts of Waverley Borough Council in accordance with the requirements of the Code on 29 September 2016.

Certification of grants

We also carry out work to certify the Council's Housing Benefit subsidy claim on behalf of the Department for Work and Pensions. Our work on this claim is not yet complete and will be finalised by 30 November 2016. We will report the results of this work to the Audit Committee in our Annual Certification Letter.

We would like to record our appreciation for the assistance and co-operation provided to us during our audit by the Council's staff.

Grant Thornton UK LLP
October 2016

Audit of the accounts

Our audit approach

Materiality

In our audit of the Council's accounts, we use the concept of materiality to determine the nature, timing and extent of our work, and in evaluating the results of our work. We define materiality as the size of the misstatement in the financial statements that would lead a reasonably knowledgeable person to change or influence their economic decisions.

We determined materiality for our audit of the Council's accounts to be £1,598k, which is 2% of the Council's gross revenue expenditure. We used this benchmark, as in our view, users of the Council's accounts are most interested in how it has spent the income it has raised from taxation and grants during the year.

We set a lower threshold of £80k, above which we reported errors to the Audit Committee in our Audit Findings Report.

The scope of our audit

Our audit involves obtaining enough evidence about the amounts and disclosures in the financial statements to give reasonable assurance that they are free from material misstatement, whether caused by fraud or error.

This includes assessing whether:

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

We also read the narrative report and annual governance statement to check they are consistent with our understanding of the Council and with the accounts on which we give our opinion.

We carry out our audit in line with ISAs (UK and Ireland) and the NAO Code of Audit Practice. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach was based on a thorough understanding of the Council's business and is risk based.

We identified key risks and set out overleaf the work we performed in response to these risks and the results of this work.

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>The revenue cycle includes fraudulent transactions</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at Waverley Borough Council, we determined that the risk of fraud arising from revenue recognition could be rebutted, because:</p> <ul style="list-style-type: none"> • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities, including you, mean that all forms of fraud are seen as unacceptable. <p>We did not identify any significant issues to report.</p>
<p>Management over-ride of controls</p> <p>Under ISA (UK&I) 240 it is presumed that the risk of management over-ride of controls is present in all entities.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • reviewed accounting estimates, judgements and decisions made by management; • tested journal entries; and • reviewed unusual significant transactions. <p>We did not identify any significant issues to report.</p>
<p>Operating expenses</p> <p>Creditors understated or not recorded in the correct period (Operating expenses understated)</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • walked through the operating expenses system, updating understanding of the processes and key controls; • substantively tested expenditure; • tested creditor payments, including accruals, for completeness, classification and occurrence; • reviewed control account reconciliations; • performed cut-off testing; and • reviewed expense apportionment/allocation. <p>We did not identify any significant issues to report.</p>

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>Employee remuneration Employee remuneration accruals understated (Remuneration expenses not correct)</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • walked through the payroll system, updating understanding of the processes and key controls; • substantively tested payroll records; • reviewed reconciliation of payroll system to the general ledger; and • carried out trend analysis of employee remuneration expenses. <p>We did not identify any significant issues to report.</p>
<p>Valuation of property, plant and equipment The Council undertakes a rolling revaluation programme of its land and buildings. The risk is revaluation measurements are not correct.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the carrying value of property, plant and equipment is not materially different from fair value at year end; • reviewed the consistency of the financial statements with the valuation report from your valuers; • undertook procedures to confirm the reasonableness of the proposed revaluations, including reference to national trends; • reviewed the competence, expertise and objectivity of management experts used; • reviewed the instructions issued to valuation experts and the scope of their work; • tested the data provided to the valuer; • held discussions with the valuer about the basis on which valuations were carried out, challenging the key assumptions; • tested revaluations made during the year to ensure they were input correctly into the asset register; and • evaluated the assumptions made by management for those assets not revalued during the year, and how management satisfied themselves that these were not materially different to current value. <p>We did not identify any significant issues to report.</p>

Audit of the accounts

These are the risks which had the greatest impact on our overall strategy and where we focused more of our work.

Risks identified in our audit plan	How we responded to the risk
<p>Valuation of pension fund net liability The Council's pension fund asset and liability as reflected in its balance sheet represent significant estimates in the financial statements. The risk is that the valuation of pension fund net liability is not correct.</p>	<p>As part of our audit work we:</p> <ul style="list-style-type: none"> • identified the controls put in place by management to ensure that the pension fund liability is not materially misstated, and assessed whether the controls were implemented as expected and whether they are sufficient to mitigate the risk of material misstatement; • reviewed the competence, expertise and objectivity of the actuary who carried out your pension fund valuation; • gained understanding of the basis on which the IAS 19 valuation was carried out. • undertook procedures to confirm the reasonableness of the actuarial assumptions made; • reviewed the consistency of the pension fund asset and liability and disclosures in notes to the financial statements with the actuarial report; and • tested the data provided to the actuary. <p>Our work identified that the actuary provided the Council with an incorrect estimation for 2015/16 benefits paid in 2015/16. A revised report with the correct figures was provided during the course of the audit.</p> <p>This resulted in changes to the accounts to correct and overstatement of the pension fund liability in the balance sheet and an understatement of Other Comprehensive Income in the Comprehensive Income and Expenditure Statement. There were also revisions to a number of notes in the financial statements.</p>

Audit of the accounts

Audit opinion

We gave an unqualified opinion on the Council's accounts on 29 September 2016, in advance of the 30 September 2016 national deadline.

The Council made the draft financial statements available for audit in advance of the statutory deadline, which demonstrates that you are well-placed to meet the earlier deadlines for producing draft financial statements in 2017/18. Your financial statements were supported by an excellent set of working papers. This coupled with the early testing work that we were able to carry out during our interim audit has also helped us to move towards the earlier deadline for publishing audited accounts by 2017/18. As in previous years your draft financial statements are of a very high standard and this is reflected by the minimal level of issues arising from our work, and the finance team responded promptly and efficiently to our queries during the course of the audit.

Issues arising from the audit of the accounts

We reported the key issues from our audit of the accounts of the Council to the Council's Audit Committee on 13 September 2016.

None of the adjustments we identified in the audit had an impact on the Council's reported financial position. We identified a small number of adjustments to improve the presentation of the financial statements.

Annual Governance Statement and Narrative Report

We are also required to review the Council's Annual Governance Statement and Narrative Report. It published them on its website with the draft accounts in line with the national deadlines.

Both documents were prepared in line with the relevant guidance and were consistent with the supporting evidence provided by the Council and with our knowledge of the Council.

Other statutory duties

We also have additional powers and duties under the Act, including powers to issue a public interest report, make written recommendations, apply to the Court for a declaration that an item of account is contrary to law, and to give electors the opportunity to raise questions about the Council's accounts and to raise objections received in relation to the accounts.

Value for Money conclusion

Background

We carried out our review in accordance with the NAO Code of Audit Practice (the Code), following the guidance issued by the NAO in November 2015 which specified the criterion for auditors to evaluate:

In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people.

Key findings

Our first step in carrying out our work was to perform a risk assessment and identify the key risks where we concentrated our work.

The key risks we identified and the work we performed are set out in table 2 overleaf.

Overall VfM conclusion

We are satisfied 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 ending 31 March 2016.

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Financial position – the Council has set a balanced budget for 2016/17. However, going forward the financial projections for the general fund show a cumulative £3m shortfall for 2017/18-2019/20. Housing Revenue Account capital resources are sufficient to finance 2016/17 and 2017/18 spending plans but a shortfall needs to be addressed from 2018/19 onwards. A fundamental finance review is required to ensure that the Council is able to meet its budgetary requirements in future years.</p>	<p>We met with key officers to discuss key strategic challenges and the Council's proposed response and consider reports to members to:</p> <ul style="list-style-type: none"> • review the outturn position for 15/16 and the budget plans for 16/17 and 17/18 • review the Council's progress in updating its medium term financial strategy • review how the Council works collaboratively with partners to deliver functions and services • review how the Council is making the best use of its asset base 	<p>We concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p>
<p>Local Plan – the drafting of the Local Plan is progressing and due to be submitted in November 2016. If this deadline is missed there is a risk that Government could take over the Council's Local Plan and the Council could also be open to hostile developments in the Borough.</p>	<p>We held discussions with key officers and reviewed reports to consider:</p> <ul style="list-style-type: none"> • what progress is being made to produce and submit the Local Plan • impact of Local Plan not being approved before the end of 2016 	<p>We concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p>

Value for Money

Table 2: Value for money risks

Risk identified	Work carried out	Findings and conclusions
<p>Brightwells Development – following special Executive and Council meetings on 24 May 2016 the development has moved to its next phase. This is a high profile development for the Council with the ambition of providing benefits to the residents of Farnham. The Council needs to ensure that arrangements are in place for the effective monitoring and governance of the development.</p>	<p>We will consider the Council's arrangements to monitor the performance and governance of this project and how it continues to assess whether development contributes to the effective delivery of its strategic objectives, through discussion with officers and review of key documents.</p>	<p>We concluded that the risk was sufficiently mitigated and the Council has proper arrangements.</p>

Appendix A: Reports issued and fees

We confirm below our final fees charged for the audit and non-audit services

Fees

	Planned £	Actual fees £	2014/15 fees £
Statutory audit of Council	53,881	53,881	71,851
Housing benefit grant certification fee*	11,381	TBC	13,240
Shottermill Recreation Ground Trust	2,000	2,000	5,000
Ewart Bequest Trust	2,000	2,000	2,000
Total fees (excluding VAT)	69,262	TBC	92,091

Fees for other services

Service	Fees £
Pooling of housing capital receipts fee	2,800

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* The work on the Council's Housing Benefit Return is still in progress at the report date, in line with the national timetable. Any fee variation in respect of this work will be discussed and agreed with the Council should the need arise, and will be reported to the Audit Committee at a later date if applicable.

Reports issued

Report	Date issued
Audit Plan	March 2016
Audit Findings Report	September 2016
Annual Audit Letter	October 2016



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WAVERLEY BOROUGH COUNCIL

AUDIT 15/11/2016

Title:

Appointment of External Auditors

[Portfolio Holder: Cllr Ged Hall]

[Wards Affected: ALL]

Summary and purpose:

Following the demise of the Audit Commission new arrangements are needed for the appointment of external auditors for the 2018/2019 financial year. The Local Audit and Accountability Act 2014 requires authorities to either opt in to the appointing person regime or to undertake a local joint procurement exercise to establish an auditor panel and conduct their own procurement exercise.

How this report relates to the Council's Corporate Priorities:

Waverley's external auditors give an independent view of the Council's arrangements to secure Value for Money.

Financial Implications:

There is budget provision in the 2016-17 estimates for the audit fees and the fees for other services provided by Grant Thornton.

Public Sector Audit Appointments (PSAA) was set up by the Local Government Association as the body to offer a sector-led procurement framework to satisfy the appointed person option. If this route is not used some additional resource may be needed to establish an auditor panel and conduct our own procurement. Until either procurement exercise is completed it is not possible to state what additional resource may be required for audit fees for 2018/19, although it is anticipated that any increase will be minimised through using PSAA.

Legal Implications:

The Local Audit and Accountability Act 2014 states that the accounts of a relevant authority for a financial year must be audited:

- a) in accordance with the Act and provision made under it, and
- b) by an auditor (a "local auditor") appointed in accordance with the Act or provision made under it.

A local auditor must, in carrying out the auditor's functions in relation to the accounts of a relevant authority, comply with the code of audit practice applicable to the

authority that is for the time being in force. The current code of practice for UK Local Government is the Code of Audit Practice issued by the Audit Commission in 2010. The code adopts the International Standards of Auditing (ISAs) as issued by the FRC.

Section 7 of the Local Audit and Accountability Act 2014 (the Act) requires a relevant authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year i.e. 31 December 2017. Section 8 governs the procedure for appointment including that the authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor.

Section 12 makes provision for the failure to appoint a local auditor. In this event the authority must immediately inform the Secretary of State, who may direct the authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the authority.

Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a Sector Led Body to become the appointing person

Introduction

1. As part of closing the Audit Commission the Government novated external audit contracts to Public Sector Audit Appointments which is a sector-led body set up by the Local Government Association, on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.
2. In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointing person regime through the sector-led body.
3. PSAA have been specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a not for profit company owned by the Local Government Association.

Options for Consideration

Option 1 - To make a stand-alone appointment

In order to make a stand-alone appointment the Council will need to set up an Auditor Panel. The members of the Panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, this excludes current and former Members (or officers) and their close families and friends. This means that Members will not have a majority input to assessing bids and choosing which firm of accountants to award a contract for the Council's external audit. A new independent auditor panel established by the Council will be responsible for selecting the auditor.

Advantages/benefits

Setting up an auditor panel allows the Council to take maximum advantage of the new local appointment regime and have local input to the decision.

Disadvantages/risks

Recruitment and servicing of the Auditor Panel, running the bidding exercise and negotiating the contract is estimated by the LGA to cost in the order of £15,000 plus on-going expenses and allowances.

The Council will not be able to take advantage of reduced fees that may be available through joint or national procurement contracts.

The assessment of bids and decision on awarding contracts will be taken by independent appointees and not solely by Members.

Option 2 - Set up a Joint Auditor Panel/local joint procurement arrangements

The Act enables the Council to join with other authorities to establish a Joint Auditor Panel. Again this will need to be constituted of wholly or a majority of independent appointees. Further legal advice will be required on the exact constitution of such a Panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

Advantages/benefits

The costs of setting up the Panel, running the bidding exercise and negotiating the contract will be shared across a number of authorities.

There is greater opportunity for negotiating some economies of scale by being able to offer a larger, combined contract value to the firms.

Disadvantages/risks

The decision making body will be further removed from local input, with potentially no input from Members where a wholly independent Panel is used or possible only one Member representing each Council, depending on the constitution agreed with the other bodies involved.

The choice of auditor could be complicated where individual councils have independence issues. An independence issue occurs where the auditor has recently or is currently carrying out work such as consultancy or advisory work for that council. Where this occurs some auditors may be prevented from being appointed by the terms of their professional standards. There is a risk that if the Panel choose a firm that is conflicted for this Council then the Council may still need to make a separate appointment with all the attendant costs and loss of economies possible through joint procurement.

Option 3 - Opt-in to a sector led body

The LGA successfully lobbied for councils to be able to 'opt-in' to a Sector Led Body (SLB) appointed by the Secretary of State under the Act. An SLB would have the ability to negotiate contracts with the firms nationally, maximising the opportunities for the most economic and efficient approach to procurement of external audit on behalf of the whole sector. The sector-led body is the Public Sector Audit Appointment (PSAA).

Advantages/benefits

The costs of setting up the appointment arrangements and negotiating fees would be shared across all opt-in authorities.

By offering large contract values the firms would be able to offer better rates and lower fees than are likely to result from local negotiation

Any conflicts at individual authorities would be managed by the SLB who would have a number of contracted firms to call upon.

The main advantages of using PSAA are set out in its prospectus and are copied below.

- * Assure timely auditor appointments
- * Manage independence of auditors
- * Secure highly competitive prices
- * Save on procurement costs
- * Save time and effort needed on auditor panels
- * Focus on audit quality
- * Operate on a not for profit basis and distribute any surplus funds to scheme members.

Disadvantages/risks

Individual Members will have less opportunity for direct involvement in the appointment process other than through the LGA and/or stakeholder representative groups.

In order for the SLB to be viable and to be placed in the strongest possible negotiating position the SLB will need councils to indicate their intention to opt-in before final contract prices are known.

Conclusion

It is likely that a sector wide procurement conducted by PSAA will produce better outcomes for the Council than any procurement we undertook by ourselves or with a limited number of partners. Use of the PSAA will also be less resource intensive than establishing an auditor panel and conducting our own procurement.

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by Full Council (authority meeting as a whole). To comply with this regulation the Audit Committee is asked to make the recommendation below to Council.

Recommendation

1. To recommend to Council that Waverley opts in to the appointing person arrangements made by Public Sector Audit Appointments (PSAA) for the appointment of external auditors from 2018/2019.

Background Papers

PSAA Prospectus

PSAA – Appointing Person – Frequently Asked Questions

CONTACT OFFICER:

Name: Graeme Clark

Telephone: 01483 523099

E-mail: graeme.clark@waverley.gov.uk

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 15 NOVEMBER 2016

Title:

REVISED GOVERNANCE POLICIES

[Wards Affected: All]

Summary and purpose:

To obtain Committee endorsement of the revised policies enabling these to be published on the website and cascaded to all members of staff, members, partners, the Council's suppliers, thus reinforcing Waverley's stance of zero tolerance to Fraud, Corruption and Bribery.

How this report relates to the Council's Corporate Priorities:

Internal audit work and other fraud initiatives contribute to the safeguarding of assets against loss and waste.

Equality and Diversity Implications:

There are no direct equality and diversity implications, although some audit recommendations may individually concern equalities and diversity.

Resource/Value for Money implications:

Internal audit work helps management in achieving good value for money and individual recommendations may have value for money implications.

Legal Implications:

There are direct legal implications, the Council could incur financial loss if we fail to implement and cascade "adequate procedures" to prevent fraud, corruption and bribery as well as keeping abreast of new initiatives reassessing our processes against suggested best practice. By having "adequate procedures" in place this may support a credible defence against any possible prosecution action against the Council.

Introduction

1. The policies in Annexe 1, 2, 3 & 4 require revision as part of the scheduled cyclical review, to reflect in changes in legislation, organisational restructure affecting job titles and positions and the developed Counter Fraud Strategy in Annexe 5 requires endorsing:-
 - a) Annexe 1 Whistleblowing Policy
 - b) Annexe 2 Prosecution Policy
 - c) Annexe 3 Anti-money Laundering
 - d) Annexe 4 Anti-Fraud, Corruption and Bribery Strategy
 - a. Code of Conduct for Investigators (Appendix 2a) Policy
 - e) Annexe 5 Counter Fraud Strategy

Findings

2. Due to the comprehensive nature of the policies and procedures already in place, only minor changes including those that are required to reflect changes in job titles, and suggested changes from best practice guides from third parties i.e. professional institutions. It is proposed that these policies will be review annually by the responsible officers and where necessary endorsed by the Audit Committee every 2nd year. Officers will cascade these policies throughout the authority and provide these to suppliers, contractors and subcontractors where appropriate as part of contract terms and conditions.

Conclusion

3. The changes made to these policies will ensure that staff and those with whom we conduct business with are aware of the contents of policies.

Recommendation

It is recommended that the Committee

1. endorses and recommends to Council that the revised policies are amended as set out in Annexe 1, 2, 3 & 4, and that the Counter Fraud Strategy as set out in Annexe 5 be adopted; and
2. instructs that officers cascade and publicise these documents.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

CONTACT OFFICER:

Name: Gail Beaton
Internal Audit Client Manager

Telephone: 01483 523260
E-mail: gail.beaton@waverley.gov.uk

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WHISTLEBLOWING POLICY
& PROCEDURE

**FOR
STAFF (EMPLOYEES),
CONTRACTORS, PARTNERS
AND COUNCILLORS**

Part A: The Policy
Part B: Procedures for dealing with a report
Part C: Contact details

Owned By:	Internal Audit Client Manager/<u>Strategic HR</u>
Created Date:	2010
Review Date:	November 2016

JCC Consultation Date:	16 October 2014/
Council Approved	Dec 2014/
Date for Review:	2018 or change in legislation

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Policy Statement

THIS POLICY IS INTENDED TO ENCOURAGE AND ENABLE ANYONE TO RAISE ISSUES OF CONCERN ABOUT SUSPECTED IMPROPER CONDUCT IN THE WAY WAVERLEY CARRIES OUT IT'S BUSINESS.

If the matter being raised relates directly to a Councillors conduct, you should contact the Monitoring Officer, please see Part C of this policy for contact details.

Scope of the Policy

Part A:

1. Introduction

- 1.1 Waverley Borough Council is committed to conducting its business properly through the application of a range of procedures including its Contract Procedural Rules, Financial Regulations, and Codes of Conduct. These reinforce the Council's commitment to effective governance, the highest possible standards of openness, honesty and accountability and to encourage an anti-fraud, anti-corruption and anti-bribery culture reinforcing Waverley's zero tolerance to fraud, corruption and bribery.
- 1.2 This policy supports that commitment by encouraging employees and others who may have serious concerns about any aspect of the Council's work to be able to raise those concerns in good faith, in confidence and without fear of recrimination.
- 1.3 Waverley is committed to dealing responsibly and professionally with any genuine concern raised about malpractice, be it danger to staff or the public, financial malpractice, breach of legal obligations or damage to the environment. However, if any Waverley employee makes deliberately false or malicious allegations this will be regarded as a serious disciplinary offence.
- 1.4 This policy is in addition to the Council's complaints procedures and ethical standards framework for Councillors and other statutory reporting procedures. The Council acknowledges the legal protection, under the Public Interest Disclosure Act 1998, provided for employees who make disclosures about improper practice.

2.0 Aim of the Policy

- 2.1 This Policy is intended to encourage anyone who may have concerns about improper conduct of the Council, elected Members or external organisations to disclose any allegation of malpractice within the Council, without fear of recrimination. This Policy is founded on the principle that service users and the public interest come first.

3.0 The Council's rules and procedures

3.1 The council has adopted a number of rules and procedures to ensure the Council's business is properly monitored and controlled. They form part of the Council's internal control process and system of governance and it is important that all members and staff are aware of, and abide by, them.

The most important of these are:

- Codes of Conduct for Employees and Councillors
- Financial Regulations
- Contract Procedure Rules
- Scheme of Delegation
- Employees' Conditions of Service and Staff Code of Conduct

3.2 The Financial Regulations require all cases of actual or suspected fraud, corruption, bribery and theft to be reported immediately to the Section 151 Officer (Director for Finance and Resources) who will inform the Internal Audit Client Manager. The Executive Director, Director of Operations, [Director of Finance and Resources](#) and Heads of Service must ensure that all staff are aware of the reporting requirements.

4.0 Types of Concerns that can be raised as part of this policy involving Fraud, Corruption and Bribery

4.1 Concerns can be raised if there is a reasonable belief that one or more of the following [has occurred](#):

- [any unlawful act \(e.g. theft\);](#)
- [the unauthorised use of public funds \(e.g. expenditure for improper purpose\);](#)
- [a breach of the Code of Conduct for Employee/Councillors;](#)
- [maladministration \(e.g. not adhering to procedures, negligence\);](#)
- [failing to safeguard personal and/or sensitive information \(data protection\);](#)
- [damage to the environment \(e.g. pollution\);](#)
- [fraud and corruption \(e.g. to give or receive any gift/reward as a bribe\);](#)
- [abuse of power;](#)
- [other unethical conduct; and](#)
- [any deliberate concealment of information tending to show any of the above.](#)
- [health and safety risks, either to the public or other employees;](#)
- [the abuse of children and /or vulnerable adults \(physical or psychological\);](#)
- [Similar behaviour not otherwise described](#)

~~Gross mismanagement.~~
~~Actions contrary to the Codes of Conduct relating to staff and Members of the council.~~
~~Actions that is illegal, fraudulent and/or corrupt.~~
~~Actions that compromise health and safety~~
~~The concealment of any previous matters~~
~~Similar behaviour not otherwise described~~
~~Actions that compromise health and safety.~~

5.0 Safeguards

5.1 Harassment or Victimisation

The Council recognises that the decision to report a concern can be a difficult one, not least because of the fear of reprisal from those responsible for the misconduct. The Council will not tolerate harassment or victimisation and will take all reasonable measures to protect those who raise a concern in good faith. This does not mean that, if you are an officer of the Council making the disclosure and are already the subject of disciplinary or redundancy procedures, these will be halted as a result of the disclosure.

5.2 Confidentiality

The Council will protect the identity of the person making the disclosure (wherever possible) where that Officer has requested that his or her name be kept confidential. During the course of an investigation, the Council will keep to a minimum the number of people aware of who raised the matter. However, it must be appreciated that the investigation process may reveal the name of the source of the information, and a statement by the officer making the disclosure may be needed as part of the evidence.

5.3 Anonymous Allegations

This policy encourages those making a disclosure to put their name to the allegations. Concerns expressed anonymously are much less powerful, but they may be considered at the discretion of the Council. In exercising that discretion, the factors to be taken into account would include:-

- I. the seriousness of the issue raised;
- II. the credibility of the concern; and
- III. the likelihood of confirming the allegation from attributable sources.

5.4 Untrue Allegations

If an allegation is made in good faith but is not confirmed by the investigation, no action will be taken against the officer making the disclosure. If, however, a member of staff makes malicious or vexatious allegations, the allegations

will not be taken further and disciplinary action may result. The judgement of whether an allegation is malicious or vexatious rests with the Internal Audit Client Manager, after consultation with other senior officers as necessary.

6. Whistleblowing Procedure Part B: Procedures for dealing with a report

6.1 How to report any concerns

You are advised in the first instance to report your suspicions to the Internal Audit Client Manager who manages the Council's Whistle-blowing arrangements, dealing with concerns that relate to members of staff, and other contractors/partners. Concerns can be reported by calling 01483 523333 and asking for one of the Council officers listed in Part C of this policy or alternatively by e-mailing them. Calls will be answered between 09.00 and 17.00 Monday to Thursday (09.00 to 16.45 on Fridays). If the person you call is not able to take your call, it will be possible to leave a message either on "Voicemail" or with the person answering your call. Reports can also be submitted using the web reporting facility on the Waverley web site www.waverley.gov.uk in "Report it" in fraud and corruption. The more detailed the information provided will provide more assistance in resolving any issues raised.

Letters can also be addressed to:

Internal Audit Client Manager
The Burys
Council Offices
Godalming
Surrey GU7 1HR

Alternatively your suspicions can be reported directly to the Executive Director, Section 151 Officer (Director of Finance and Resources) or Director of Operations. The Internal Audit Client Manager may where necessary suggest that the matter be referred to third parties that may deal with issues of Member conduct, or the Police. If the matter relates to a Councillor, you should contact the Monitoring Officer.

Anyone with concerns may, in confidence and without fear of recrimination, disclose worries of suspected improper conduct at the levels set out below. Concerns are better raised in writing. You are invited to set out the background and history of the concern, giving as much information as possible including names, dates, vehicle details and places where possible, including contact details of the whistle blower to enable the investigating officer to clarify and verify the circumstances and the reason for raising this particular concern. If you feel unable to put a concern in writing, you can telephone or arrange to meet the appropriate officer. It may in some circumstances be necessary if the need arises for the complainant to be called as a witness at a later date, should the need arise.

If you do not wish to go through this reporting mechanism, or you are unhappy with the outcome of any investigation undertaken, please feel free to contact any of the other external organisations listed in this policy.

Employees are advised that they may raise their concerns with other external organisations such as the Citizens' Advice Bureau, addresses and telephone numbers can be found in the telephone directory. Alternatively 'Public Concern at Work' is a registered charity which is able to provide, free of charge, confidential and independent advice to people in these circumstances. Contact details for this organisation are included at the end of this policy.

7.0 How the Complaint will be dealt with

7.1 The Internal Audit Client Manager logs all reports and carries out a preliminary review in each case to determine the most appropriate course of action. The action will depend on the nature and seriousness of the concern. Any matters which fall within the scope of other existing procedures (e.g. complaints or discrimination issues) will be dealt with under these procedures. Some concerns may be resolved by agreed action without the need for investigation. Matters to be investigated may be:

- dealt with internally by the Internal Audit Service or other specialists such as the ~~Benefit Investigations Team~~, Strategic HR Human Resources Advisors or
- referred to the Police or other external agency.

The decision as to who shall complete the investigation will be made by the Internal Audit Client Manager in consultation with the Section 151 Officer and the Monitoring Officer.

Where an allegation is made against Senior Officers of the Council, including members of the Corporate Management Team, Section 151 Officer, Monitoring Officer, Head of Finance or the Internal Audit Client Manager, an appropriate body will be requested to complete the investigation, such as the Council's External Auditors.

7.2 Within **three working days** of a concern being received, the Council will contact the complainant, (if contact details are supplied):

- acknowledging that the concern has been received,
- indicating how it proposes to deal with the matter,

The Council may also ask for more information where this would assist in the investigation.

7.3 Investigations may result in recommendations for changes to procedures and systems which will be incorporated into action plans. Follow-up reviews will be carried out to ensure that recommendations are implemented.

- 7.4 Investigations may lead to disciplinary action against employees conducted in accordance with the Council's Disciplinary Procedures. In this situation, the employee would be informed that the issue has been raised under the Whistleblowing Policy. This may be in addition to any legal proceedings instigated by the police.
- 7.5 Where appropriate the Internal Audit Client Manager will refer findings to the Police for investigation or review, after discussion with the Executive Director, Section 151 Officer or the Monitoring Officer.
- 7.6 If you raise a matter and then later decide to withdraw your concern, the Council will respect your wishes wherever possible. However, if the matter is assessed as serious, then the Council will, where it deems appropriate, continue to investigate, which may result in further evidence being required from you.

8. Whistleblowing Part C: Contact Details

8.1 Internal Contact Details

Internal Audit Client Manager – Gail Beaton

Telephone: 01483 523260 e-mail: gail.beaton@waverley.gov.uk

Executive Director– Paul Wenham

Telephone: 01483-523238 e-mail: paul.wenham@waverley.gov.uk

Director of Finance and Resources (Section 151 Officer) – Graeme Clark

Telephone: 01483-523099 e-mail: graeme.clark@waverley.gov.uk

-Director of Operations – Damian Roberts

Telephone: 01483-523418 e-mail: damian.roberts@waverley.gov.uk

Monitoring Officer – Robin Taylor

Telephone: 01483 523108 e-mail: robin.taylor@waverley.gov.uk

8.2 External Organisation Contact Details

Grant Thornton is the Council's external auditor, an independent body, which may be contacted if you feel that your suspicions of fraud or malpractice have not been satisfactorily dealt with through the internal route.

Grant Thornton

Iain G Murray
Associate Director
Grant Thornton House
Melton Street
Euston Square
LONDON NW1 2EP

Telephone: 020777283328
e-mail: iain.g.murray@uk.gt.com

Public Concern at Work

3rd Floor, Bank Chambers
6-10 Borough High Street
London
SE1 9QQ

Whistleblowing Advice Line

Telephone: 0207 404 6609
General Enquiries 020 3117 2520
Fax 0207 403 8823
Website: www.pcaw.org.uk

E-mail

UK enquiries: whistle@pcaw.org.uk
UK Services: services@pcaw.org.uk

UK Helpline: helpline@pcaw.org.uk

Any concerns relating to Housing Benefits can be reported confidentially on the Department Work and Pensions Fraud hotline: 0800-854-440.

The council welcomes comments and feedback on its policies and procedures. Please contact Gail Beaton, Internal Audit Client Manager of the Internal Audit and Investigation Team if you have any comments on this policy and related procedure.

PROSECUTION POLICY

Owned By:	Internal Audit Client Manager
Created Date:	2010
Review Date:	November 2016
JCC Consultation Date:	16 October 2014/
Council Approved	Dec 2014/
Date for Review:	2018 or change in legislation

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Policy Statement

THIS POLICY IS INTENDED TO ENSURE THAT THE COUNCIL APPLIES THE APPROPRIATE PROCESS WHEN **DECIDING TO COMPLETEING** PROSECUTIONS AGAINST THOSE INDIVIDUALS THAT COMMIT IMPROPER CONDUCT THAT CAN RESULT IN PROSECUTION ACTION BEING ADOPTED.

Scope of the Policy

1. Introduction

- 1.1 Waverley Borough Council is committed to conducting its business properly through the application of a range of policies and procedures this policy relates to the prosecution of individuals who have breached regulatory or legislative requirements. Waverley Borough Council has a zero tolerance policy towards fraud, corruption and bribery. This commitment to preventing fraud and corruption is reinforced through the development of the Council's 'Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy' in order to prevent and minimise its occurrence.
- 1.2 The Council will constantly review and monitor its systems and amend procedures as required.
- 1.3 This policy does not supersede other internal disciplinary codes implemented by the Council, and internal offenders (e.g. Council employees or elected Members) will be subject to general disciplinary procedures in addition to potential prosecution. Where the offender is a contractor or subcontractor the Council would potentially prosecute, and this could result in the cessation of the relevant contract.

2. GENERAL

- 2.1 The Council's policy on fraud is to:
- ❖ Deter it in the first instance
 - ❖ Detect it quickly
 - ❖ Investigate it efficiently and in accordance with the law; and
 - ❖ Prosecute offenders when appropriate
 - ❖ Make it as easy as possible for staff, Members and the Public to report concerns

2.2 In order to prosecute;

- The evidence must be collected according to local procedures and in accordance with the necessary laws, which currently include the Police and Criminal Evidence Act 1984 (PACE), the Criminal Procedures Investigations Act 1996 (CPIA), the Regulation of Investigatory Powers Act 2000 (RIPA) and Prevention of Social Housing Fraud Act 2013.
- The Council must be satisfied that there is sufficient evidence to provide a 'realistic prospect of conviction', meaning that a jury or bench of magistrates or a judge hearing a case alone, properly directed in accordance with the law, is more likely than not to convict the defendant of the charge alleged.
- If there is sufficient evidence to provide a realistic prospect of conviction, the Council must also be satisfied that it is in the public interest to prosecute.

2.3 The council will when considering a prosecution, and throughout the course of a case, always adhere to the principles contained in the Code for Crown Prosecutors issued by the Director of Public Prosecutions.

2.4 In most cases, the Director of Finance and Resources and the Internal Audit Client Manager, and where appropriate in consultation with the Executive Director, or another designated officer, will decide whether reporting the matter to the Police is appropriate. In exceptional circumstances the Internal Audit Client Manager may, after consultation with the Council's Borough Solicitor/Legal Services, refer a matter to the Police direct without prior consultation with the Director of Finance and Resources or the Executive Director. Cases will also be discussed with the Leader of the Council, ~~and~~ the relevant Portfolio Holder and the Audit Committee Chairman will be kept informed of progress.

2.5 In deciding whether a fraud should be reported to the Police, the following factors will be taken into consideration;

- The extent of the fraud/corruption in financial terms and how long the offence has lasted.

- The sufficiency and appropriateness of evidence.
- How the public interest will be best served.

2.6 In general, all cases will be reported to the Police. However, the decision as to whether to prosecute or not ultimately rests with the Police and the Crown Prosecution Service, although the Council reserves the right to instigate proceedings itself if it is considered necessary. Any action will be taken in accordance with underlying principles, which include the following:

Each case will be examined on its own merits;

All persons under suspicion will be treated fairly;

Decisions will only be taken when the facts are known;

The rules of Natural Justice will always prevail.

2.7 The Director of Finance and Resources (Section 151 Officer) in consultation with the Internal Audit Client Manager and the Borough Solicitor/Legal Services, will decide on the sanctions to be imposed should the case be deemed serious. These sanctions can include disciplinary action, criminal prosecution, civil litigation or referral to professional accredited bodies.

2.8 In respect of Housing Benefit fraud, this type of fraud is now investigated by the DWP as part of the Single Fraud Investigation Service.

3. **Publicity**

3.1 The Council's aim, and statutory responsibility, is to prevent the waste, theft and fraud of public money. With that in mind the Council has in place a wide range of measures aimed at preventing fraud, corruption and bribery. These include measures to prevent and deter the commission of offences.

3.2 No details of any fraudulent activity perpetrated against the council will be reported in the public domain until the results of any criminal proceedings have been concluded to prevent the risk of prejudicing the outcome. However as a One such deterrent measure the council will consider the appropriateness of is the publicising eation of the details after aof convictions is obtained. by the Council. The publicity surrounding a conviction for fraud has two positive effects. First, it deters others who may be seeking to commit such offences, and second it generates confidence in the general public that the Council takes a serious view of fraud and is proactive in seeking to prevent it.

- 3.3 The Council will therefore consider publishing the name and address of each person convicted of fraud, together with details of the offence(s) in question. In reaching a decision as to whether to publish the name(s) and address(es), the Council will take the following factors into consideration;
- The specific details of the offence committed.
 - The public interest in disclosing personal information (for example, the deterrent effect referred to above).
 - Whether the publication would be proportionate.
 - The personal circumstances of the offender.
 - Whether any other person may be affected by the publication (for example, family members).
- 3.4 This list is not exhaustive and other factors may be relevant in the circumstances of each individual case.
- 3.5 When having considered the above factors, it is considered appropriate to publish details of a conviction, the Director of Finance and Resources, as Section 151 Officer to the Council, will record the reasons for the publication, and the Monitoring Officer, will maintain a central register of the records.

THIS POLICY IS NOT EXHAUSTIVE AND MAY BE SUBJECT TO CHANGE

The council welcomes comments and feedback on its policies and procedures. Please contact Gail Beaton, Internal Audit Client Manager of the Internal Audit and Investigation Team if you have any comments.

ANTI-MONEY LAUNDERING
POLICY
AND GUIDANCE

Owned by:	<i>Head of Finance Peter Vickers</i>
Created Date:	<i>Nov 2012</i>
Review Date:	<i>Nov 2012/Oct 2014/Oct 2016</i>
JCC Consultation Date:	<i>Oct 2014/Oct 2016</i>
Executive/Council Approval date:	<i>Dec 2014</i>
Date for review:	<i>Oct 2018 or change in legislation</i>

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1.0 INTRODUCTION

- 1.1. The Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007 place obligations on the Council and its employees to establish internal procedures to prevent the use of their services for money laundering.

2.0 SCOPE OF THE POLICY

- 2.1 This Policy applies to all employees of the Council 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 which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations.
- 2.2 Further information is set out in the accompanying Guidance Note in Annexe A. Both this Policy and the Guidance Notes sit alongside the Council's Whistleblowing Policy and Anti-Fraud Anti-Corruption and Anti-Bribery Strategy.
- 2.3 Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary and Capability Procedure.

3.0 WHAT IS MONEY LAUNDERING?

- 3.1 Money laundering is the term used for a number of offences involving the proceeds of crime or terrorism funds. The following constitute the act of money laundering:

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

These are the primary money laundering offences, and are therefore prohibited acts under the legislation. There are also two secondary offences: failure to disclose any of the three primary offences and tipping off. Tipping off is where someone informs a person or people who are, or who are suspected of being involved in money laundering, in such a way as to reduce the likelihood of their being investigated or prejudicing an investigation.

- 3.2 Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The Guidance Note gives practical examples. This Policy sets out how any concerns should be raised.
- 3.3 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation. The key requirement on employees is to promptly report any suspected money laundering activity to the Money Laundering Reporting Officer.

4.0 WHAT ARE THE OBLIGATIONS ON THE COUNCIL?

- 4.1 Organisations conducting “relevant business” must:
- appoint a Money Laundering Reporting Officer (“MLRO”) to receive disclosures from employees of money laundering activity (their own or anyone else’s);
 - implement a procedure to enable the reporting of suspicions of money laundering;
 - maintain client identification procedures in certain circumstances; and
 - maintain record keeping procedures.
- 4.2 Not all of the Council’s business is “relevant” for the purposes of the legislation: it is mainly accountancy and audit services and the financial, company and property transactions undertaken by Legal Services. However, the safest way to ensure compliance with the law is to apply them to all areas of work undertaken by the Council; therefore, **all** staff are required to comply with the reporting procedure set out in section 6 below.
- 4.3 The following sections of this Policy provide further detail about the requirements listed in paragraph 4.1.

5.0 THE MONEY LAUNDERING REPORTING OFFICER

- 5.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Head of Finance, Peter Vickers. He can be contacted as follows:

Peter Vickers
Head of Finance
Waverley Borough Council
Council Offices
The Burys
Godalming
Surrey
GU7 1HR

e-mail: peter.vickers@waverley.gov.uk

Telephone: 01483 523539

- 5.2 In the absence of the MLRO, the Internal Audit Client Manager, Gail Beaton, is authorised to deputise for him. Gail can be contacted at the above address or on telephone number 01483 523260 (direct line).

6.0 DISCLOSURE PROCEDURE

Cash Payments

- 6.1 No payment to the Council will be accepted in cash (including notes, coins or travellers' cheques in any currency) if it exceeds £5,000.

Reporting to the Money Laundering Reporting Officer

- 6.2 Where it is suspected that money laundering activity is taking/has taken place, or an employee becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, this must be disclosed as soon as practicable to the MLRO. The disclosure should be within "hours" of the information coming to the employee's attention, not weeks or months later. **SHOULD THIS NOT BE DONE, THEN THE EMPLOYEE MAY BE LIABLE TO PROSECUTION.**

6.3 Disclosure should be made to the MLRO using the pro forma report attached at Appendix 1 to this policy and guidance. The report must include as much detail as possible, for example:

- Full details of the people involved (including the employee, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc;
- Full details of the nature of involvement;
 - If the employee is concerned that their involvement in the transaction would amount to a prohibited act under sections 327 – 329 of the 2002 Act, then the report must include all relevant details, as the employee will need consent from the Serious Organised Crime Agency (SOCA), via the MLRO, to take any further part in the transaction - this is the case even if the client gives instructions for the matter to proceed before such consent is given.
 - The employee should therefore make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline;
- The types of money laundering activity involved:
 - if possible, cite the section number(s) under which the report is being made e.g. a principal money laundering offence under the 2002 Act (or 2000 Act), or general reporting requirement under section 330 of the 2002 Act (or section 21A of the 2000 Act), or both;
- The dates of such activities, including:
 - whether the transactions have happened, are ongoing or are imminent;
 - Where they took place;
 - How they were undertaken;
 - The (likely) amount of money/assets involved;
 - Why, exactly, you are suspicious – SOCA will require full reasons;

along with any other available information to enable the MLRO to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to SOCA, where appropriate. Copies of any relevant supporting documentation should be enclosed.

6.4 Once the matter is reported to the MLRO, employees must follow any directions he may give. The employee **must NOT make any further enquiries into the matter themselves**: any necessary investigation will be undertaken by SOCA. All members of staff will be required to co-operate

with the MLRO and the authorities during any subsequent money laundering investigation.

- 6.5 Similarly, **at no time and under no circumstances should the employee voice any suspicions** to the person(s) suspected of money laundering, even if SOCA has given consent to a particular transaction proceeding, without the specific consent of the MLRO; otherwise a criminal offence of “tipping off” (see the Guidance Note for further details) may be committed.
- 6.6 No reference should be made on a client file to a report having been made to the MLRO – should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render an employee liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

Consideration of the disclosure by the Money Laundering Reporting Officer

- 6.7 Upon receipt of a disclosure report, the MLRO must note the date of receipt on his section of the report and acknowledge receipt of it. He should also advise the employee of the timescale within which he expects to respond.
- 6.8 The MLRO will consider the report and any other available internal information he thinks relevant e.g.

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

and undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to SOCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with the employee.

- 6.9 Once the MLRO has evaluated the disclosure report and any other relevant information, he must make a timely determination as to whether:
- there is actual or suspected money laundering taking place; or
 - there are reasonable grounds to know or suspect that is the case; and
 - whether he needs to seek consent from SOCA for a particular transaction to proceed.
- 6.10 Where the MLRO does so conclude, then he must disclose the matter as soon as practicable to SOCA on their standard report form and in the prescribed manner, unless he has a reasonable excuse for non-disclosure to SOCA (for example, a lawyer can claim legal professional privilege for not disclosing the information).
- 6.10.1 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then he must note the report accordingly; he can then immediately give his consent for any ongoing or imminent transactions to proceed.
- 6.10.2 In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to SOCA.
- 6.10.3 Where consent is required from SOCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until SOCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from SOCA.
- 6.11 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then he shall mark the report accordingly and give his consent for any ongoing or imminent transaction(s) to proceed.
- 6.12 All disclosure reports referred to the MLRO and reports made by him to SOCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.
- 6.13 ***The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so, through a disclosure being made to him, that another person is engaged in money laundering and he does not disclose this as soon as practicable to SOCA.***

7.0 CUSTOMER DUE DILIGENCE

- 7.1 Where the Council is carrying out certain 'regulated activities' then extra care needs to be taken to check the identity of the customer or client – this is known as carrying out Customer Due Diligence.
- 7.2 Customer due diligence means:
- (a) identifying the customer and verifying the customer's identity on the basis of documents, data or information obtained from a reliable and independent source;
 - (b) identifying, where there is a beneficial owner who is not the customer, the beneficial owner and taking adequate measures, on a risk-sensitive basis, to verify his identity so that the relevant person is satisfied that he knows who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement; and
 - (c) obtaining information on the purpose and intended nature of the business relationship.

7.2 The Regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help decide if it is necessary:

- Is the service a regulated activity (see 7.3)?
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is **no** then there is no need to carry out customer due diligence.

If the answer to all these questions is **yes** then customer due diligence must be carried out before any business is undertaken for that client. If there is uncertainty whether customer due diligence is required then the MLRO should be contacted for advice.

7.3 Regulated activity is defined as the provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of £10,000 or more."

- 7.4 Where customer due diligence is required then evidence of identity must be sought, for example:
- checking with the customer's website to confirm their business address;
 - conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
 - seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.
- 7.5 The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. Ongoing customer due diligence must also be carried out during the life of a business relationship but should be proportionate to the risk of money laundering and terrorist funding, based on the officer's knowledge of the customer and a regular scrutiny of the transactions involved.
- 7.6 If, at any time, it is suspected that a client or customer for whom the Council is currently, or is planning to carry out, a regulated activity is carrying out money laundering or terrorist financing, or has lied about their identity then this must be reported to the MLRO.
- 7.7 In certain circumstances enhanced customer due diligence must be carried out for example where:
- the customer has not been physically present for identification;
 - the customer is a politically exposed person;
 - there is a beneficial owner who is not the customer – a beneficial owner is any individual who: holds more than 25% of the shares, voting rights or interest in a company, partnership or trust.
- 7.8 Enhanced customer due diligence could include any additional documentation, data or information that will confirm the customer's identity and / or the source of the funds to be used in the business relationship / transaction. If it is believed that enhanced customer due diligence is required then the MLRO should be consulted prior to carrying it out.

8.0 RECORD KEEPING PROCEDURES

- 8.1 Each unit of the Council conducting relevant business must maintain records of:
- client identification evidence obtained; and
 - details of all relevant business transactions carried out for clients for at least five years. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.
- 8.2 The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.
- 8.3 An electronic copy of every customer due diligence record must be sent to the MLRO to meet the requirements of the Regulations and in case of inspection by the relevant supervising body.

9.0 CONCLUSION

- 9.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.
- 9.2 Any concerns whatsoever regarding any transactions should be reported to the MLRO.

10.0 FURTHER INFORMATION

- 10.1 Further information can be obtained from the MLRO and the following sources:

www.soca.gov.uk – website of the Serious and Organised Crime Agency

“Proceeds of Crime (Anti-Money Laundering) – Practical Guidance for Public Service Organisations” – CIPFA

“Anti-Money Laundering (Proceeds of Crime and Terrorism) – Second Interim Guidance for Accountants” – CCAB (**www.ccab.org.uk**)

Money Laundering Guidance at **www.lawsociety.org.uk**

SI 2007 No. 2157 The Money Laundering Regulations 2007 at:
http://www.hm-treasury.gov.uk/consultations_and_legislation/money_laundering_directive/consult_moneylaundering_2007.cfm

CONFIDENTIAL

Report to Money Laundering Reporting Officer

Re: Money Laundering Activity

To: Peter Vickers, Money Laundering Reporting Officer

From:

[insert name of employee]

Directorate:

[insert post title and Business Unit]

Ext/Tel No:

DETAILS OF SUSPECTED OFFENCE:

Name(s) and address(es) of person(s) involved:

[if a company/public body please include details of nature of business]

Nature, value and timing of activity involved:

*[Please include full details e.g. what, when, where, how.
Continue on a separate sheet if necessary]*

Nature of suspicions regarding such activity:
[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (as far as you are aware)?

[Please tick the relevant box]

Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

[Please tick the relevant box]

Yes No

If yes, please specify below, explaining why such discussion was necessary:

**Have you consulted any supervisory body guidance re money laundering?
(e.g. the Law Society)**

[Please tick the relevant box]

Yes No

If yes, please specify below:

**Do you feel you have a reasonable excuse for not disclosing the matter to SOCA?
(e.g. are you a lawyer and wish to claim legal professional privilege?)**

[Please tick the relevant box]

Yes No

If yes, please set out full details below:

**Are you involved in a transaction which might be a prohibited Act under
Sections 327- 329 of the Act and which requires appropriate consent from SOCA?**

[Please tick the relevant box]

Yes No

If yes, please enclose details in the box below:

Please set out below any other information you feel is relevant:

Signed:

Dated:

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years' imprisonment.

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE:

Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion, will a report be made to SOCA?

[Please tick the relevant box]

Yes No

**If yes, please confirm date of report to SOCA:
and complete the box below:**

Details of liaison with SOCA regarding the report:

Notice Period: to

Moratorium Period: to

Is consent required from SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts? Yes No

If yes, please confirm full details in the box below:

Date consent received from SOCA:

Date consent given by you to employee:

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to SOCA, please set out below the reason(s) for non-disclosure:

[Please set out any reasonable excuse for non-disclosure]

Date consent given by you to the employee for any prohibited act transactions to proceed:

Other relevant information:

Signed: Dated:

THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

**MONEY LAUNDERING AVOIDANCE –
GUIDANCE NOTES**

1.0 INTRODUCTION

1.1 Legislation concerning money laundering (the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2003) has increased the range of activities caught by the statutory framework. As a result, the obligations impact on areas of local authority business and require local authorities to establish internal procedures to prevent the use of their services for money laundering. Money laundering can be defined as “a process that makes money with an illegal origin appear legal so that it may be used”. Typically, money laundering transactions that might affect Waverley may occur when individuals or organisations make large payments to Waverley in cash, or make significant overpayments which subsequently require large refunds from Waverley. Other examples can be found in the glossary attached to this document.

2.0 SCOPE OF THIS GUIDANCE

2.1 This guidance applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. Within this guidance the term employees refers to all employees and elected Members.

2.2 Anti-money laundering legislation places responsibility upon Council employees 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 involved with monetary transactions

2.3 Under the legislation it is a criminal offence to:

- assist a money launderer
- “tip off” a person suspected to be involved in money laundering that they are suspected or that they are the subject of police investigations
- fail to report a suspicion of money laundering and
- acquire, use or possess criminal property

3.0 PURPOSE OF THIS GUIDANCE

- 3.1 The legislative requirements concerning anti-money laundering procedures are extensive and complex. This Guidance has been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening this legislation.
- 3.2 The object of this guidance is to make all employees aware of their responsibilities.
- 3.3 Any employee could potentially be affected by the money laundering provisions if they suspect money laundering and either become involved with it in some way and /or do nothing about it.
- 3.4 Whilst the risk to the Council of contravening the legislation is low, it is extremely important that all relevant employees are familiar with their legal responsibilities

4.0 ANTI-MONEY LAUNDERING REQUIREMENTS - WAVERLEY'S OBLIGATIONS

4.1 Waverley must:

(a) ensure that relevant officers and staff (or contractors' staff) are aware of and have information on the requirements of the legislation, including the identification of suspicious transactions, identity verification and reporting procedures. *(Common examples of transactions that could appear suspicious are set out in section 5.7.2 but whenever staff have grounds to be suspicious of any transaction the matter should be reported in accordance with the guidance in this document.)*

(b) designate an officer as the Money Laundering Reporting Officer (MLRO) –who will receive any report, keep records and if considered appropriate, make reports to the National Criminal Intelligence Service (NCIS). Waverley's MLRO is set out at section 6.1.

(c) establish procedures for employees to report any suspicions to the Money Laundering Reporting Officer (MLRO). Waverley's procedures are set out from section 5.0.

4.2 Under the legislation employees dealing with money transactions will be required to comply with the procedures as set out below.

5.0 PROCEDURES

- 5.1 Not all of the Council's business is "relevant" for the purposes of the legislation. Relevant services as defined by the legislation include investments, accountancy and audit services and the financial, company and property transactions undertaken by Property Services and Legal Services.
- 5.2 However, when the Council is carrying out "relevant" business and is forming a business relationship or considering undertaking a one off transaction, and any member of staff suspects a transaction involves money laundering, the procedures set out below apply.
- 5.3 Additionally, if in the course of "relevant" business a payment is to be made to Waverley for a series of linked one off transactions involving total payment of £10,000 or more, the procedures set out below apply.

5.4 CLIENT IDENTIFICATION PROCEDURE

5.4.1 Any employee involved in a relevant business transaction should ensure the client provides satisfactory evidence of their personal identity, through passport or a photo-driving license plus one other document with their name and address e.g. utility bill (not mobile) mortgage/building society/bank documents, card documents, pension/benefit book. Satisfactory evidence of corporate identity can be through company formation documents or business rates documents.

5.4.2 In circumstances where the client cannot be physically identified the employee should be aware that :-

- a) there is greater potential for money laundering if the client is not physically present when being identified;
- b) if satisfactory evidence is not obtained the relationship or the 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 other person.

5.5 RECORD KEEPING PROCEDURES

5.5.1 Each Service of 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 five years after the end of the transaction or relationship
- b) Details of all relevant business transactions carried out for clients for at least five years from the completion of the transaction. This is so that

they may be used as evidence in any subsequent investigation by the authorities into money laundering.

5.5.2 The MLRO (see 6.2) must be informed of the existence and location of such records.

5.5.3 The precise nature of the records is not prescribed by law. However, the records must provide an audit trail during any subsequent investigation, e.g. distinguishing the client and the relevant transaction and recording in what form any funds were received or paid.

5.6 INTERNAL REPORTING PROCEDURE

5.6.1 Where an employee is aware that money laundering may have taken place (or may be taking place) he or she must contact the MLRO (see paragraph 6.2) for guidance as soon as possible, regardless of the amount. In such circumstance, no money may be taken from anyone until this has been done.

5.6.2 Any person knowing or suspecting money laundering, fraud or use of the proceeds of crime must report this to the MLRO on the form as attached as Appendix 1.

5.6.3 Upon receiving the report the MLRO will consider all of the admissible information in order to determine whether there are grounds to suspect money laundering.

5.6.4 If the MLRO determines that the information or matter should be disclosed it will be reported to the National Criminal Intelligence Service (NCIS)

5.6.5 During this process the client must not be tipped off.

5.6.6 At no time and under no circumstances should an employee voice any suspicions to the person(s) suspected of money laundering, even if the NCIS has given consent to a particular transaction proceeding, otherwise the employee may be committing a criminal offence of "tipping off". Therefore, no reference should be made on a client file to a report having been made to the MLRO. Should the client exercise their right to see the file, then such a note will obviously tip them off to the report having been made and may render the employee liable to prosecution. The MLRO will keep the appropriate records in a confidential manner.

5.7 OTHER PROCEDURES

5.7.1 The Council will establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering:-

- 5.7.2 **Regular receipts-** The Council in the normal operation of its services accepts payments from individuals and organisations e.g. in relation to council tax, sundry debtors etc. For all transactions under £2,000 the Money Laundering regulations do not apply but if an employee has reasonable grounds to suspect money laundering activities, or proceeds of crime or is simply suspicious, the matter should still be reported to the MLRO.
- 5.7.3 **Cash receipts –** If the money offered in cash is £10,000 or more, then payment must not be accepted until the employee has received guidance from the MLRO.
- 5.7.4 **Refunds-** Care will need to be taken especially with the procedures for refunds. For instance, a significant overpayment which results in a repayment will need to be properly investigated and authorised before payment.
- 5.7.5 In the event of any suspicious transactions, the MLRO will be contacted to investigate the case. The possible perpetrator should not be informed (i.e. not “tipped off”)
- 5.7.6 **Training –** The Council will take, or require its contractor to take, appropriate measures to ensure that relevant employees are:
- a) Made aware of the provisions of these regulations, (under the Proceeds of Crime Act 2002, and the Money Laundering Regulations 2003)
 - b) Given training in how to recognise and deal with transactions which may be related to money laundering.

6.0 THE MONEY LAUNDERING REPORTING OFFICER - MLRO

- 6.1 The Officer nominated as The Money Laundering Reporting Officer who will receive disclosures about money laundering activity within the Council is Peter Vickers, Head of Finance. When he is not available the Deputy MLRO will take his place.
- 6.2.1 The Deputy Money Laundering Reporting Officer is Gail Beaton, Internal Audit Client Manager.

Glossary of terms

AML	Anti Money Laundering
MLRO	Money laundering reporting officer as defined in the Money Laundering Regulations 2003 and the FSA (Financial Services Act)
NCIS	National Criminal Intelligence Service. Provides strategic and tactical intelligence on serious and organised crime, nationally and internationally and is responsible, through its Economic Crime Unit, for receiving reports of money laundering suspicions.

Money Laundering - Warning Signs

The following examples could indicate that money laundering is taking place:

Transactions or trade that appear to make no commercial or economic sense from the perspective of the other party: A money launderer's objective is to disguise the origin of criminal funds and not necessarily to make a profit, A launderer may therefore enter into transactions at a financial loss if it will assist in disguising the source of the funds and allow the funds to enter the financial system;

Large volume/large cash transactions; all large cash payments should be the subject of extra care and before accepting cash the reasons for such payments should be fully understood. Payments should be encouraged through the banking system to avoid problems.

Payments received from third parties: Money launderers will often look to legitimate business activity in order to assist in 'cleaning' criminal funds and making payments on behalf of a legitimate company can be attractive to both parties. For the legitimate company it can be a useful source of funding and for the launderer the funds can be processed through the banking system:

Examples of tell tale signs of organised money laundering:-

1. Use of cash where other means of payment are normal
2. Unusual transactions or ways of conducting business
3. Unwillingness to answer questions/ secretiveness generally
4. Use of overseas companies
5. New companies
6. Overpayments of Council tax/NNDR where refunds are needed.

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ANTI-FRAUD, ANTI-CORRUPTION AND
ANTI-BRIBERY STRATEGY

Created By:	Internal Audit Client Manager
Created Date:	2010
Review Date:	November 2016
JCC Consultation Date:	16 October 2014/
Council Approved	Dec 2014/
Date for Review:	2018 or change in legislation

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POLICY STATEMENT

THIS POLICY IS INTENDED TO INFORM STAFF AND MEMBERS OF WHAT IS EXPECTED OF THEM AND RAISE AWARENESS OF HOW WAVERLEY BOROUGH COUNCIL WILL DEAL WITH ISSUES RELATING TO FRAUD CORRUPTION AND BRIBERY.

1 Introduction

1.1 Waverley Borough Council has a zero tolerance policy towards fraud, corruption and bribery. This commitment to preventing fraud and corruption is reinforced through the development and application of our 'Anti-Fraud, Corruption and Bribery Strategy', in order to prevent and minimise its occurrence. The Council creates a culture of risk mitigation by developing and cascading relevant policies and procedures to all organisations and individuals that it has any dealings with.

The Council is committed to maintaining an environment and culture that is based on the prevention of fraud, corruption and bribery, whether it is an attempt on the Council from outside or within, and is committed to an effective Anti-Fraud, Corruption and Bribery Strategy designed to:

- encourage prevention;
- promote detection; and
- identify a clear pathway for investigation of fraud, corruption and bribery.

1.2 The Council is dedicated to making sure that the opportunity for fraud, corruption and bribery is reduced to the lowest level of risk by having strong internal controls, processes and procedures that assist to limit the opportunity of fraud risks materialising. Where there is the possibility of fraud, corruption or bribery and other areas requiring investigation, the Council will deal with it in a professional and lawful manner.

1.3 The Council expects all people and organisations with whom it is in any way associated to be honest and fair in their dealings with us, our clients and customers. All parties should be prepared to provide any help, information and support needed to help combat fraud, corruption and bribery, and this expectation will be reflected within any contract between the Council and third parties.

1.4 The Council's expectation on propriety and accountability is that our elected Members and employees lead by example in ensuring adherence to legal requirements, rules, procedures and practices.

1.5 The Council's External Auditors have a responsibility to report on the adequacy of the Council's anti-fraud, anti-corruption and anti-bribery arrangements, as well as the power to carry out an independent investigation into fraud, corruption and bribery if the need arose.

2 Definition of Fraud, Corruption and Bribery

2.1 For the purpose of this policy:-

“Fraud” is defined as “the intentional distortion of financial statements or other records by persons internal or external to the Council carried out to conceal the misappropriation of assets or other gain”.

In addition, “fraud” can also be defined as *the intentional distortion of financial statements or other records by persons internal or external to the authority carried out to mislead or misrepresent the truth.*

“Corruption” is defined as “the offering, giving or soliciting or acceptance of an inducement or reward which may influence the action of any person”.

“Bribery” is “an inducement or reward offered, promised or provided in order to gain any commercial, contractual, regulatory or personal advantage”

The Bribery Act 2010 contains four offences:

- Offering, promising or giving a bribe (section 1)
- Requesting, agreeing to receive, or accept a bribe (section 2)
- Bribing a foreign official (section 6)
- Failing to prevent bribery (section 7)

It will also be taken to include failure to disclose an interest in order to gain financial or other pecuniary benefit.

3 Prevention

3.1 The Council has carefully considered its own internal corporate governance arrangements in order to regulate the actions of elected Members and employees and to ensure that appropriate procedures are in place to prevent fraud, corruption and bribery. A range of policy documents has been in existence for a number of years and these have been used to regulate and govern the Council’s business dealings. These include: -

- Financial Regulations
- Contract Procedure Rules (CPRs)
- Waverley Code of Conduct for Staff
- Whistleblowing Policy
- Waverley Local Code of Conduct for Members
- The Council’s Constitution
- Employees’ Conditions of Service
- IT Acceptable Use Policy
- Scheme of Delegation

- Any other Codes of Conduct adopted by the Council
- Members' Register of Interests and gifts and hospitality
- Staff register of gifts and hospitality.

These documents receive periodic review and are updated as appropriate.

- 3.2 As part of the requirements of the Codes of Conduct, Members and employees are formally reminded each year to declare any interests that they may have.
- 3.3 Individual Council Services are responsible for ensuring that there are adequate and appropriate controls in place to minimise the risk of fraud, corruption and bribery occurring. Examples include accounting control procedures, working manuals and operating procedures. Heads of Service are required to ensure that staff have access to these rules and regulations and that staff receive suitable training in respect of them.
- 3.4 Heads of Service must ensure that suitable levels of internal controls are included in working practices, particularly where there is a financial element. It is important that duties are organised so that no one person can carry out a complete transaction without some form of checking process by another person being built into the system. In addition to the formal rules mentioned above each manager has a responsibility to implement systems of internal control to
- ensure adherence to Council Policies and directives in order to achieve the Council's objectives;
 - safeguard assets;
 - secure the relevance, reliability and integrity of information, so ensuring as far as possible the completeness and accuracy of records; and
 - ensure compliance with statutory requirements.
- 3.5 Council must ensure that proper procedures are followed in full when employing new staff. All staff including temporary and permanent staff and those employed through an agency will be checked through Disclosure Scotland. Where it is assessed as applicable due to the job function being fulfilled an enhanced check with the Disclosure and Barring Service will be completed, particularly for jobs where risk of fraud, corruption and/or bribery is greater. The full procedures are set out in the Council's Recruitment and Selection Procedures.

4 Collaborative working with Others

- 4.1 The Council is committed to working and co-operating with other organisations to prevent organised fraud, corruption and bribery. Wherever possible, we will help and exchange information with other organisations to deal with fraud in accordance with appropriate legislation, including the Data Protection Act 1998, Freedom of Information Act 2000, Environmental

Information Regulations 2004, Human Rights Acts 1998, Regulation of Investigatory Powers Act 2000, Fraud Act 2006 and the Prevention of Social Housing Fraud Act 2013.

5 How the Council expects Members and employees to behave

- 5.1 The Council's Codes of Conduct for Members and employees set out an approach to work that is both honest and fair. Both Members and employees must act in line with the relevant Codes and the law at all times.
- 5.2 The Council is committed to tackling fraud, corruption and bribery in all areas. The Council recognises that both its staff and its Members are its ambassadors in its stance on fraud, corruption and bribery and they are therefore positively encouraged to raise any concerns that they may have on these issues. Such concerns will be treated in confidence and properly investigated. Victimising staff members or deterring them from raising a concern about fraud or corruption is a serious disciplinary matter. The Council's Whistleblowing Policy details the process that should be followed for reporting known or suspected fraud, corruption and bribery and how these will be investigated.
- 5.3 The Council will deal with all information fairly and confidentially. The Council will endeavour not to reveal the names of the people who give information unless their permission is given to do so.
- 5.4 The Council expects its Corporate Management Team to deal firmly and efficiently with anyone who is responsible for fraud, corruption or bribery. The Executive Director or Director of Finance and Resources in consultation with the Internal Audit Client Manager may refer matters to the Police if it is suspected that any criminal activity has been carried out.
- 5.5 The Council must ensure that any investigative process is not misused and, therefore, any abuse, such as raising unfounded malicious allegations, will be dealt with as a disciplinary matter.
- 5.6 If anyone is found to have breached these rules and regulations the appropriate formal action will be taken. This may include disciplinary action that could result in the ending of their employment with the Council (in respect of employees). In respect of elected Members, matters will be dealt with by the Council's Monitoring Officer. Where a contractor or subcontractor breaches the Council's policies on fraud, corruption and bribery which form part of the terms and conditions of the appropriate contract, the Council will consider terminating the contract forthwith.

6 Detecting and Investigating Fraud, Corruption and Bribery

- 6.1 As the Council's Section 151 Officer, the Director of Finance and Resources has the overarching responsibility for the investigation of fraud and corruption.

The Internal Audit Section has responsibility for all types of fraud and corruption investigations, with the exception of Housing Benefit and Council Tax Benefit fraud as the Department of Work and Pensions dedicated Benefit Investigations Team now fulfil undertake this function.

- 6.2 All investigative work carried out by the Internal Audit Section will comply with the procedures contained in the Audit Manual and Fraud Response Plan. Investigating officers will receive the necessary training to carry out their work effectively. All proven cases of fraud, corruption or bribery will be reported to the Audit Committee and the Executive.
- 6.3 The Council believes that if it is to combat fraud, corruption and bribery effectively, it must pay due attention to prevention. It is therefore essential that clear rules and procedures are in place which Members, employees, consultants and contractors must work within. This includes those that are set out in Paragraph 3.1.
- 6.4 The Council's Codes of Conduct, Whistleblowing Policy and Financial Regulations require employees to report any suspected cases of fraud, corruption and bribery to the appropriate manager, or, if necessary, directly to the Internal Audit Client Manager. The Council's Whistleblowing Policy provides full guidance on reporting procedures. Reporting cases in this way is essential to the anti-fraud, corruption and bribery strategy and makes sure that:
- Suspected cases of fraud, corruption and bribery are investigated promptly and properly
 - The fraud response plan is followed
 - There is a standard process for dealing with all suspected cases of fraud, corruption and bribery; and
 - People and their interests are protected.
- 6.5 It is acknowledged to be the responsibility of senior management to prevent and detect fraud, corruption and bribery. However, it is often the alertness of employees, Members and the public to raise concerns that enables detection to occur and the appropriate action to take place when there is evidence that fraud, corruption or bribery may have been committed, or is in progress.
- 6.6 The Council's Whistleblowing Policy is intended to encourage staff to raise any concerns they may have. Employees reporting in this way are afforded certain rights through legislation (Public Interest Disclosure Act 1998).
- 6.7 The Internal Audit Client Manager will work with the Corporate Management Team and the Borough Solicitor to decide on the type and course of the investigation. This will include referring cases to the Police where necessary. The Council will prosecute offenders and invoke its disciplinary procedures where appropriate, ensuring that any internal proceedings do not prejudice any criminal case. All investigations will be carried out in accordance with the

principles contained within the Code of Conduct for Investigators attached as Appendix A.

7 Training

- 7.1 The Council recognises that the continuing success of its Anti-Fraud, Corruption and Bribery Strategy and its general credibility and reputation will depend largely on the effectiveness of programmed training and the responsiveness of employees throughout the organisation. Therefore, proper training is essential, particularly for employees involved in internal control systems. However, induction programmes are provided to all staff and members to give a basic level of awareness.
- 7.2 The investigation of fraud, corruption and bribery centres on the Council's Internal Audit Service. It is necessary, therefore, that employees involved in this work should be properly and regularly trained; the training plans of these employees will reflect this requirement.

8 Conclusion

- 8.1 The Council is committed to tackling fraud, corruption and bribery whenever it happens within its business dealings. It will be robust in dealing with financial malpractice and will deal swiftly and thoroughly with any Councillor, member of staff, contractor or member of the public who attempts to defraud the Authority or who are thought to be corrupt, through the awarding of a bribe or the acceptance of a bribe. The Council's response will be as effective and organised as possible and will enact the principles included in this document.
- 8.2 The Council will continue to review its **processes** and procedures to ensure that this strategy document remains effective in the combat of fraud, corruption and bribery.

Code of Conduct For Investigators

Introduction

This Code of Conduct relates to the staff conduct, responsibilities and duties of Investigating Officers (IO). Its aim is to outline the principles that guide the conduct of investigators whilst carrying out their duties.

This Code does not restrict the discretion of the Investigator, but aims to define the conduct on which their discretion should be exercised. It also applies to Investigators when not at work (where their actions may reflect on their integrity or professional status with regards to their employment).

Code of Conduct

The IO will act in accordance with the approved staff Code of Conduct.

1. The Officer must be aware he or she is an employee of the Council and act as a direct representative of the Council;
2. The Officer will perform the duties and undertake the responsibilities as specified in the Role Profile and Job Description of the relevant post in a professional and responsible manner.
3. Duties must be performed with no prejudices and in a manner showing courtesy to all concerned.
4. When carrying out duties the Officer must:-
 - a) Provide the highest standards of professionalism, integrity, confidentiality, financial propriety and personal conduct
 - b) Always work within the legal and regulatory frameworks affecting the practice and working of colleagues and never encourage, assist or act in collusion with any person who may be engaged in any improper or unlawful conduct.
 - c) Act honestly and fairly and in a courteous, polite and considerate manner towards any person they come into contact with in the performance of their duties.
 - d) Never knowingly mislead any person about the extent of their powers, the nature of representation or what can be competently delivered and achieved.
 - e) Never misuse their position or any information received during the course of their duties for any improper or unlawful gain or benefit, whether for themselves or another likely to bring the Council into disrepute, confidentiality must be obtained at all times.
 - f) Declare in writing to the Monitoring Officer any conflict of interest or circumstances which may give rise to one as soon as the conflict arises.
 - g) Disclose to the Monitoring Officer as appropriate any financial, business or personal interest they may have with any person or organisation with whom their duties bring them into contact.

- h) Carry out all work in an objective and impartial manner with particular regard to Waverley, and/or those contracting their services, equality and diversity policies and relevant equality legislation.
 - i) Ensure any information or evidence is obtained or accessed in accordance with relevant legislation and codes of practice, including:
 - Fraud Act 2006
 - Prevention of Social Housing Fraud Act 2013
 - Theft Act 1968
 - Human Rights Act 1998
 - Police and Criminal Evidence Act 1984
 - Criminal Procedures and Investigations Act 1996
 - Regulation of Investigatory Powers Act 2000, and any related regulations
 - Data Protection Act 1998
 - Social Security Administration Act 1992
 - Social Security Fraud Act 2001
 - Race Relations Act 1976 and the Race Relations (Amendment) Act 2000
 - Equality Act 2010
 - Criminal Justice Act 1967 (and subsequent amendments)
 - Identity Card Act 2006
5. The Officer must perform duties in line with the Council's Anti-Fraud and Corruption Policy and all associated Corporate Anti-Fraud, Anti-Corruption and Anti-Bribery Strategy including related protocols, policies and plans.
 6. The Officer must have due regard for their own health and safety and that of others in the course of business. The Officer will not be expected to take any action which may cause harm of a physical or mental condition to themselves or others;
 7. The Officer will take all necessary precautions and follow the Council's Lone Worker Policy and the Health and Safety Policy to ensure safety when working alone and out of hours; where contact is made with a vulnerable person in the course of their duties, this must be reported to their line manager at the earliest opportunity complete with a written narrative describing the encounter.
 8. The Officer must dress in a manner in line with corporate policy;
 9. The Officer will be expected to maintain a high level of knowledge of relevant legislation and procedures to enable the duties to be performed at the required standard;
 10. An Officer in breach of any of the above rules may be subject to the Disciplinary Procedures of the Council.

Counter Fraud Strategy

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Council Approved	
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1.0 Introduction

- 1.1 As with other organisations the Council is at risk of losses through fraud, bribery and corruption. The Council recognises that as well as causing financial loss such activities are also detrimental to the provision of services and damaging to the reputation of and confidence in the Council. To safeguard itself the Council is committed to making sure that the opportunity for fraud, bribery and corruption is reduced to the lowest possible risk within existing resources.
- 1.2 To help organisations recognise and address their fraud risks, the Chartered Institute of Public Finance & Accountancy (CIPFA) produced a Code of Practice on Managing the Risk of Fraud and Corruption. The Code consists of the following five principles:
- Acknowledge the responsibility of the governing body for countering fraud and corruption.
 - Identify the fraud and corruption risks.
 - Develop an appropriate counter fraud and corruption strategy.
 - Provide resources to implement the strategy.
 - Take action in response to fraud and corruption.
- 1.3 Following the Council's comprehensive review of its fraud policies and the reassessment of specialist corporate fraud resources, an exercise has been undertaken to identify the fraud and corruption risk to the Council assessing the residual risk and identifying risk owners. The next stage in the process is this strategy and the associated proactive and responsive plan of action.
- 1.4 This strategy outlines the Council's commitment and approach to tackling fraud, bribery and corruption and applies to all those who work for, or interact with the Council including employees, Members, contractors, suppliers and service users. Fraud against the Council is not acceptable in any form and the Council will seek full redress through criminal and/or civil courts to counter any internal or external fraudulent activities perpetrated against it.

2.0 Aims & objectives

The general aims and objectives of this strategy are to:

1. Create and promote a robust "anti-fraud" culture across the organisation, highlighting the Council's zero tolerance of fraud, bribery and corruption, which is also acknowledged by others outside the Council.
2. Encourage individuals to promptly report suspicions of fraudulent or corrupt behaviour and provide them with effective means for doing so.
3. Protect the Council's valuable resources and minimise the likelihood and extent of losses through fraud and corruption.

4. Enable the Council to apply appropriate sanctions and recover all losses.
5. Direct the Council's counter fraud resources on the key areas of fraud risk and ensure that the resources dedicated to combatting fraud are sufficient and those involved are appropriately skilled.
6. Work with partners and other investigative bodies to strengthen and continuously improve the Council's resilience to fraud and corruption.

2.1 This strategy contributes towards the achievement of the Council's vision to 'Make Waverley a Better Place to Live and Work' and in particular the corporate objective "Value for Money" by increasing the Council's resilience against fraud, bribery and corruption, thereby minimising the extent of losses and maximising the financial resources available to achieve positive outcomes for the community. It is reflective of the fraud policies and procedures of the Council as well as other strategies, policies and procedures that may be relevant (recruitment, procurement etc.).

3.0 Responsibility

- 3.1 The Section 151 Officer has overall responsibility for the maintenance and operation of the overarching Anti-Fraud, Bribery & Corruption Policy in liaison with the Corporate Management Team supported by the Internal Audit Client Manager and the HR Manager to ensure that it continues to remain compliant and meet the requirements of the Council. From a statutory perspective the ultimate duty to prevent and detect fraud and corruption lies with the Chief Financial Officer, a duty is set out in Section 151 of the Local Government Act 1972. The Internal Audit Service, under the management of the Section 151 Officer, is charged with delivering the strategy and the work programme.
- 3.2 All Managers are responsible for fraud risk management in their particular service area with support from the Corporate Management Team as a collective in providing resources appropriate to the risks and by reporting on the management of the risk to Members. Management should embed strong counter fraud controls and systems; support counter fraud and corruption activities and training; and ensure other governance papers, strategies and policies include fraud and corruption risks wherever relevant.
- 3.3 The Audit Committee monitors the effectiveness of the control environment, including arrangements for ensuring value for money and for managing the authority's exposure to the risk of fraud and corruption.

4.0 Loss and harm caused by counter fraud

- 4.1 Losses from fraud are evident in a range of public and private sector services such as education, healthcare, government, insurance and agriculture. The annual financial cost of fraud in the UK is estimated at £52 billion, which is broken down as follows:

Private Sector £21.2 billion
 Public Sector £20.6 billion
 Individuals £9.1 billion
 Not-for-profit sector (charities) £147 million

- 4.2 Within these figures it is estimated that fraud against local government accounts for £2.1 billion of public sector fraud (excluding benefit fraud). Housing Benefit and Council Tax Reduction (formerly known as Council Tax Benefit) continue to contribute towards the highest losses of detected fraud with £129 million identified in 2013/14. However the focus of local government investigative resource is changing. Now that Housing Benefit investigations for this Council has now transferred to the Single Fraud Investigation Service (SFIS), run by the Department for Work & Pensions (DWP), greater emphasis is being placed on the detection and investigation of non-benefit frauds within local authorities. In 2013/14 the financial cost of these non-benefit fraud losses was £59 million (excluding tenancy fraud).
- 4.3 The estimated annual loss of fraud against local government provided by the National Fraud Authority (NFA) before it was abolished is further broken down in the table below 2. Although these figures exclude one of the main areas of income generation (business rates) they are useful for contextual purposes nonetheless.

Category	Annual (£million)	loss	Fraud level (%)
Procurement	876		1% of spend
Housing tenancy	845		4% of London housing stock, 2% non-London stock, multiplied by £18,000
Housing benefit	350		0.7% (in 2013). Subsequently updated by DWP.
Payroll	154		Not disclosed by NFA.
Council tax discount	133		4% on discounts and reliefs claimed
Blue badges	46		20% of badges misused
Grants	35		1% of spend
Pensions	7.1		NFA – based on NFI detection levels.

- 4.4 The table above excludes social harm caused by fraud. Although fraud against local authorities is commonly perceived as a victimless crime, it can have a substantial impact on residents, businesses and vulnerable individuals within the local area. Losses attributable to fraud reduce the financial capacity to provide services and may have a dramatic impact on the wellbeing of residents within the community. For example, the local family in temporary

accommodation who cannot be allocated a council home because of fraudsters' illegally sub-letting council homes for profit. This has been shown to have a long term detrimental effect on health, education and socio-economic opportunities for the families concerned. Fraud also diminishes public trust in local authorities.

- 4.5 It is strongly believed that the above measure of the scale of loss represents a significant underestimate of the true loss incurred annually by councils to fraud.

5.0 Heightened threat of fraud

- 5.1 There are three conditions that are commonly found when fraud occurs –

Opportunity,

Incentives or pressure

and rationalisation

- 5.2 The perpetrators experience some incentive or pressure to engage in misconduct. There must be an opportunity to commit fraud and the perpetrators are often able to rationalise or justify their actions.

- 5.3 The current economic climate in the United Kingdom and the Government policy of significantly reduced public spending have the potential to increase the risk of fraud as never seen before in the public sector, due to:

- Increased incentives or pressures, primarily as a result of employees' fear of losing their jobs.
- More opportunities to commit fraud as internal controls are weakened or in some cases removed.
- People's ability to rationalise.

- 5.4 Following cuts in funding and identified savings in budgets it is essential the Council continues to maintain strong defences against fraud and irregularity, directing its resources most effectively to mitigate the risk of fraud. This will involve working closely with partners, contractors and volunteers to overcome any barriers to effective fraud fighting and making the best use of available information and intelligence.

6.0 Current and emerging fraud risks

- 6.1 Despite the transfer of housing benefit fraud to SFIS it is still likely that the related aspect of Council Tax support and discounts will continue to be the key fraud risk facing the Council particularly in terms of caseload. Nationally a third of households claim single person discount on Council Tax, although this

varies significantly between individual councils. In addition to our participation in the National Fraud Initiative (periodical data matching exercises between various datasets) we have adopted a strategy of undertaking additional exercises ourselves or in collaboration with others. An exercise is currently being explored by the Surrey Counter Fraud Partnership, in partnership with other local authorities, to review Single Person Discount (SPD) across Surrey. Non-benefit type fraud is categorised in the table below.

Main 'Other' frauds (value based) against councils in 2013/14 and 2014/15

Fraud type	Number of cases 2014/15	Value 2014/15	Number of cases 2013/14	Value 2013/14	Changes in case number 2013/14 to 2014/15	Change in case value 2013/14 to 2014/15
Right to Buy*	411	£30,247,573	193	£12,361,858	113.0	144.7
Abuse of position*	221	£9,747,682	341	£4,020,580	-35.2	142.4
Insurance*	473	£9,172,614	226	£4,776,300	109.3	92.0
No Recourse to Public Funds*	444	£7,115,446	N/A	N/A	N/A	N/A
Social Care	291	£4,286,767	438	£6,261,930	-33.6	-31.5
Debt fraud*	1,083	£2,890,638	1,061	£1,789,365	2.1	61.5
Economic and third sector support*	102	£2,392,773	36	£741,867	183.3	222.5
Procurement *	86	£2,349,352	127	£4,437,965	-32.3	47.1
Disabled parking concessions (Blue Badge)	4,371	£2,185,500	4,055	£2,027,500	7.8	7.8
Business rates*	171	£1,089,780	84	£1,220,802	103.6	-10.3
Payroll (incl. recruitment)*	Not provided		432	£1,400,000	N/A	N/A
Sources: The former Audit Commission's "Protecting the Public Purse" PPP2014 (13/14 figures) and The European Institute for Combatting Corruption and Fraud (TEICCAF) (14/15 figures) Those of relevance to this authority either directly or indirectly from the services provided.						

6.2 Each fraud type referred to in this section of the strategy has been appended with an indicative fraud risk (High / Medium / Low) in terms of their relevance

to this authority, the effect of financial or social harm and the scope for further work.

- 6.3 Interpreting these results can be problematic, as annual percentage changes in results can be affected by a few costly frauds in either year. **Procurement fraud (High)** is an example of this; detected cases decreased by 32.3 per cent, but detected value increased by 47.1 per cent. Audit work on assessing the key procurement risks and controls, including procurement fraud, is planned for 2015/16 and 2016/17.
- 6.4 **Economic and third sector fraud (Medium)** involves the false payment of grants, loans or other financial support to any private individual or company, charity, or non-governmental organisation including, but not limited to: grants paid to landlords for property regeneration; donations to local sports clubs; and loans or grants made to a charity. Cases have increased by 183 per cent, with values increasing by over 220 per cent.
- 6.5 **Business rates fraud (High)** cases have more than doubled, although the total value detected has dropped slightly. Fluctuations in value are to be expected, given some individual business rate frauds have been worth over £1 million. In part, the increase in cases may have resulted from greater national attention given to this risk in recent years. TEICCAF is due to work more closely with the Institute of Revenues, Rating and Valuations to better understand this type of fraud.
- 6.6 **Insurance fraud (Low)** continues to rise with the value and number of cases nearly doubling. TEICCAF suggested that this is probably as a result of greater attention given to such fraud in recent years by local authorities, rather than an increase in the amount of insurance fraud being committed. From the Council's perspective the number and value of claims is low and are being effectively managed in collaboration with our insurers Zurich.
- 6.7 **Recruitment (Medium)** - Following an investigation in 2014/15 this area has been identified as an organisational learning point and highlighted for review. Work led by the Governance & HR Service is planned to take place during 2015/16. This work will be supported by the Internal Audit Service.
- 6.8 **Debt fraud (Medium)** - the avoidance of debt to the authority including but not limited to Council Tax liabilities (not support or discounts), rent arrears, false declarations, and false instruments of payment or documentation. Nationally the value of debt fraud detected within local authorities continues to rise significantly.
- 6.9 **Social Housing (High)** the Council has social housing including those who have applied for affordable housing and nominates applicants to all Registered Providers working within the District. It also has a financial interest in ex-Council houses sold under the Right to Buy scheme. **Housing tenancy fraud (Medium)** is defined as:

- Subletting a property for profit to people not allowed to live there under the conditions of the tenancy;
- Providing false information in the housing application to gain a tenancy;
- Wrongful tenancy assignment and succession where the property is no longer occupied by the original tenant; or
- Failing to use a property as the sole or principal home, abandoning the property, or selling the key to a third party.

6.10 Nationally the number of social homes (council housing stock) recovered from tenancy fraudsters decreased slightly by 1.2 per cent from 13/14 (3,030) to 14/15 (2,993). In 2012, the government relaxed the qualifying rules and raised the discount threshold for **Right to Buy (RTB) (Medium)** in relation to council homes. This encouraged greater opportunity for tenants of current or in our case previously held council housing to own their own home. Right to Buy (RTB) fraud cases have more than doubled in the last year, a trend that has continued since 2012/13.

6.11 In 2015 the Government introduced legislation to support home ownership and give housing association tenants the chance to own their own home through the “Right to Acquire”. It is recognised that housing associations, with few exceptions, do not have the either an equivalent capacity or capability to tackle this area of fraud. Although tackling housing benefit and Council Tax fraud is important, non-benefit frauds such as this does have a far greater direct financial and social harm impact on local people and local taxpayers. TEICCAF strongly recommends councils give consideration to the social harm caused by fraud when determining their overall strategy. This strategy looks to further investigate this type of fraud looking for opportunities of working with other local authorities and housing associations to determine the scale of fraud and deterrent in place to minimise its effect.

6.12 The emergence of **No Recourse to Public Funds (NRPF) (Low)** is being recognised as a major area of fraud risk, mainly detected within London boroughs. This fraud involves persons from abroad who are subject to certain immigration controls which prevent them from gaining access to specific welfare benefits or public housing. Families who have NRPF may still be able to seek assistance, housing and subsistence from their local authority whilst they are awaiting or appealing a Home Office decision on their status. In some instances councils have been deceived into providing welfare and other state assistance where NRPF has been claimed fraudulently, for example by fraudulently claiming family status with children who, on further investigation, may not be their own. NRPF is a locally administered scheme, thus creating the potential for multiple claims at different locations. This fraud risk does not currently appear to be a significant issue to this Council but certainly a matter for keeping a watching brief given its significant rise up the charts.

7.0 Approach to counter fraud

7.1 The Council's approach for meeting the aims and objectives of the strategy and addressing fraud, bribery and corruption focuses on three core elements:

Prevent: stop fraud, bribery and corruption occurring in the first place

Detect: prompt identification of irregularities that require further

Deter: publicise the punishments for committing offences and the likelihood of being caught

7.2 Everyone who works for, or with, the Council has a responsibility for ensuring public funds and resources are being used appropriately. The Council promotes a zero tolerance culture where fraud, bribery and corruption are recognised as unacceptable behaviour and whistle-blowing of suspected wrongdoers is actively encouraged.

7.3 Prevention of fraud, bribery and corruption against the Council will focus on:

- The identification and routine evaluation of fraud risks to understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the Council and its users.
- Developing a counter-fraud culture to increase resilience to fraud.
- Preventing fraud through the implementation of appropriate and robust internal controls and security measures.
- Developing networks, protocols and arrangements to facilitate joint working or partnerships to manage the Council's fraud risks.

8.0 **Fraud risk assessment:** Fraud risk identification can be achieved in a number of ways by:

- Comparing identified risks with other similar organisations.
- Conducting fraud risk workshops within service areas to make best use of the detailed knowledge of the staff operating policies and processes.
- Using internal auditors, external auditors or a specialist consultant to conduct a fraud risk review.
- Using external reference material to identify the frauds experienced by local authorities in England.

8.1 To date the Internal Audit Service has undertaken an initial assessment to identify inherent fraud risks across all of the Council's operations by using the results from Internal Audit's own planning process and by comparing the fraud risks identified at similar authorities. A draft register of fraud risks has been devised which highlights the existing internal controls. This information has been shared with the Council's Service Managers and the Head of Finance responsible for Risk Management.

- 8.2 The intention is to now complete that work by evaluating the likelihood and significance of each inherent fraud risk together with the existing control environment to highlight any residual risks. Once the fraud register is complete consideration can then be given to integrating the fraud risks into the organisation's risk management arrangements, allowing them to be owned in the same way as other risks.
- 8.3 Ongoing assurance will be provided by Internal Audit's planned audit work and fraud activity will be focused on those fraud risks that are of a high priority or where residual risks have been identified. A more detailed fraud risk work plan will be devised during the course of the strategy. This work plan may change over the period of the strategy to focus on new or emerging fraud threats identified as part of information sharing and intelligence.
- 8.4 A review of the Council's counter fraud arrangements against the checklist within the Fighting Fraud Locally - The Local Government Strategy was undertaken in 2016. The results of this review will be reported to the Audit Committee and has been used to inform the strategy and associated work programme.
- 8.5 This strategy has also taken account of the former Audit Commission's "Protecting the Public Purse" reports and the more recent TEICCAF report. We will continue to contribute to external surveys to ensure we benefit from their results.
- 9.0 Maintain a strong anti-fraud culture to increase resilience to fraud:** The Council promotes a zero tolerance culture to fraud, bribery and corruption and actively encourages whistle-blowing. The Council's commitment to good ethical conduct is evident in the comprehensive framework of policies and procedures that deter fraudulent activity such as the Codes of Conduct for Members and Employees, Finance Regulations and Contract Procedural Rules and the specific anti-fraud policies.
- 9.1 A number of frauds can come to light because of suspicions aroused by the behaviour of certain individuals. Although it is impossible to give a definite list of warning signs, certain factors may suggest the possibility of fraud and warrant further investigation. Promotion of these warning signs among managers and staff is the key approach to aid in the detection of fraudulent activity.
- 9.2 The key actions to maintain a strong anti-fraud culture include:
- Fraud awareness induction and refresher training for all new employees and Members.
 - Service specific fraud awareness training.
 - Enhanced fraud awareness communications among management, employees, contractors and suppliers.

- 9.3 **Joint working and networking:** Joint working and networking with other organisations and agencies is becoming more common to reduce the need for or make better use of resources in single organisations and to enhance the understanding and detection of fraud across public sector. Some arrangements are informal such as the participation in peer / specialist groups or the contribution to national fraud surveys from leading bodies and organisations such as CIPFA and TEICCAF.
- 9.4 If it is determined that more formal arrangements are required to support the mutual interests of the Council, as well as that of other organisations and law enforcement agencies, then frameworks or protocols can be put in place. However, in doing so it is essential that relationships are agreed in advance and issues clarified such as responsibilities, obligations, exchange of information, liaison, communications, meetings with key personnel, and media strategies. These agreements need to concentrate on issues that support operational co-operation, such as areas of mutual interest, joint planning and co-ordinated action. They need to be viable and have suitable arrangements in place to deliver work in line with objectives and goals. The use and sharing of resources can be helpful for either general counter fraud activity or to address a specific fraud issue. For example, the Council may wish co-operate with local housing associations to address tenancy fraud.

10.0 Detect

- 10.1 Despite the best efforts to prevent fraud occurring in the first place, it is difficult to eradicate it from the system entirely. Therefore, measures need to be in place to ensure inappropriate activity is detected and reported for further investigation. Detection and investigation is a key priority of this strategy which will be bolstered by:
- Ensuring protocols are in place to facilitate data and intelligence sharing and analysis, using techniques such as data matching and data analytics, to validate data and detect control failings to support counter fraud activity.
 - Maintaining and enhancing effective whistleblowing arrangements.
 - Effectively investigating fraud referrals.
 - Utilising an appropriate mix of experienced and skilled staff including access to counter fraud staff with professional accreditation.
- 10.2 **Data matching and information/intelligence sharing:** Data matching can help to validate an organisation's risk identification process by comparing the results with similar organisations. Information/intelligence sharing can help to highlight fraud and corruption threats, including enablers to fraud that the organisation may not have considered or identified. The Council already provides information from relevant databases for the purpose of data matching as part of the National Fraud Initiative (NFI), and mostly receives rather than shares information/ intelligence through its subscription to the National Anti-Fraud Network (NAFN). It is the Council's intention to continue

with the existing arrangements and further explore opportunities for data matching both internally between services and externally with neighbouring authorities, and develop links with other external agencies, such as the National Fraud Intelligence Bureau, Surrey Counter Fraud Partnership to enhance opportunities for information sharing.

10.3 Effective confidential reporting and whistleblowing arrangements:

Employees and individuals who work closely with the Council are often the best placed to identify bad practice and wrongdoing. Therefore it is essential that they have the confidence to raise concerns and trust that their concerns will be taken seriously. The Council has in place a Confidential Reporting (Whistleblowing) Policy for employees, agency workers, trainees etc. and an Anti-Fraud, Bribery and Corruption Policy for customers, suppliers, contractors and members of the public, which both outline how to raise concerns and the protection available once those concerns have been raised. To further encourage individuals to report suspicions, this strategy will focus on the following:

- Undertake a review of the whistleblowing arrangements, taking best practice guidance into consideration.
- Internally promote the Confidential Reporting Policy to increase confidence in raising concerns.
- Implementation of a fraud reporting on-line facility “Report IT”.
- Externally promote the Council’s whistleblowing arrangements among the public, key contractors and suppliers.

10.4 Experienced and skilled staff and access to specialist services:

It is vital that “counter fraud” and investigatory officers receive thorough training in the technical requirements of their job to continue to prevent vulnerability within the Council’s systems. Robust training will ensure that employees have an in-depth understanding of all relevant policies and procedures and will strengthen the Council from both internal and external attacks on its systems. To achieve this, employees who undertake investigation duties should receive continual professional development and refresher training to ensure they are fully compliant with appropriate laws and legislation, and have the skills required to correctly and thoroughly investigate all suspicions. There may also be occasions during investigations where specialist skills such as computer forensics and financial investigation are required to lawfully detect and obtain evidence. It is essential these skills are readily available at the time of need. Therefore access to a network of suitably trained contractors and specialist suppliers for use in investigations will be developed.

11.0 Deter

11.1 The Council recognises the importance of deterring individuals from committing fraud, bribery and corruption by:

- Publicising the Council's anti-fraud and corruption stance and the actions it takes against fraudsters.
- Applying sanctions, including internal disciplinary, regulatory and criminal.
- Seeking redress, including the recovery of assets and money where possible.

This strategy looks to develop and enhance these aspects and will concentrate on the following:

- 11.2 **Effective publicity and communication:** The Council's main deterrent focuses on the basis that any punishment would outweigh any potential rewards and as a result the individual would decide not to commit the crime. Robust and effective communication is therefore essential to ensuring that a clear message is sent to potential fraudsters that all remedies available to the Council will be used. Publicising all that is being done to protect the Council against fraud, bribery and corruption helps to raise awareness and reinforces the Council's zero tolerance culture. This strategy will utilise the many forms of media available to the Council to raise the profile of fraud awareness and publicise action taken against fraudsters.
- 11.3 **Enhance existing policies:** Whilst the Council has in place the expected policy framework which supports the implementation of the strategy there is a need to ensure this remains up to date and accurately reflects the various sanctions and redress available to the Council. Sanctions include disciplinary action in respect of employees, which has recently been reviewed, and the prosecution of offenders. Further work is also required to review and publicise the Council's Prosecution Policy.
- 11.4 in terms of redress the Council will undertake a variety of approaches to effect maximum recovery of losses depending on the exact circumstances. These may include salary deduction; agreement to repay on dismissal; a restitution order as part of any prosecution; or civil lawsuit (where the likely recoveries outweigh the potential costs involved). The use of the Proceeds of Crime Act may be used where appropriate to maximise the penalty and the level of recovery by the Council.

12.0 Work programme

- 12.1 The detail of this strategy has been translated into a set of actions that are proportionate to the size and activities of the Council, the risk it faces and the level of resources deployed. Although the strategy covers a three-year period this is the first strategy produced by the Council. Therefore the plan of action has been devised to reflect the current position and early maturity of the counter fraud function.

- 12.2 The Counter Fraud Work Programme to manage the Council's fraud and corruption risks is included at Annex 1 and is structured around the Council's approach for meeting the aims and objectives of the strategy i.e. **prevention** and awareness; **detection** and investigation; and **deterrence**.
- 12.3 Any events adversely affecting the level of resources to deliver the programme will be reported to Corporate Management Team and the Audit Committee at the appropriate time.
- 12.4 The strategy will be regularly reviewed to focus on new or increasing risks identified as part of the Council's risk management work, and this will influence the work programme over the course of the strategy. Consideration will also be given to aligning the Council's strategy and work programme with the Government's next Fighting Fraud Locally Strategy.

13.0 Review and assessment

- 13.1 The Internal Audit Client Manager, submits to the Audit Committee the governance policies that support the authorities arrangements to prevent anti-fraud, bribery and corruption. As part of this process the Internal Audit Client Manager will review these policies to ensure that they meet good practice.

Prevent			
Aim	Actions	Desired Outcomes	Responsibility
To understand specific exposures to risk, changing patterns in fraud and corruption threats and the potential consequences to the organisation and its service users.	To complete and enhance the fraud risk register by: <ul style="list-style-type: none"> Evaluating the likelihood and significance of each inherent fraud risk. Identifying the existing control environment to highlight any residual risk. Identifying risk owners. Integrating the fraud risks into the Council's risk management arrangements. 	A better understanding of the fraud threats facing Council services. Fraud risks considered as part of the Council's risk management arrangements.	Risk Management Group Service Managers Internal Audit Client Manager Managers
To prevent fraud through the implementation of appropriate and robust internal control measures.	Development and implementation of a fraud risk plan tailored to individual fraud risks. Activities to be incorporated into Internal Audit plans, as appropriate.	An improved internal control environment adequately addressing the identified fraud risks to the Council.	Service Managers Internal Audit Client Manager
	Prepare a briefing note for management to act as a prompt when designing or reviewing policies, strategies and procedures. Consideration should be given to incorporating this information into the corporate strategy guidance document.	Managers will give due consideration to the risks of fraud, bribery and corruption when writing new or updating existing policies, strategies or procedures to help prevent fraud entering the system in the first place (fraud prevention by design).	Risk Manager
Recruitment of honest employees	To support management's review of staff recruitment policy and practices to enhance the Council's recruitment	Thorough checks are undertaken to prevent dishonest employees being appointed within the Council.	Head of Policy and Governance

	vetting of prospective employees.		Service Managers
Ensure a clear statement of intent is communicated to the whole organisation to help develop and embed a counter fraud culture.	Annual review of the Council's suite of fraud documents.	The Council continues to provide a clear and coherent message which is reflective of the law and best practice.	Internal Audit Client Manager
Increase fraud awareness amongst employees, Members, and customers.	Continue to ensure appropriate fraud e-learning is provided to all new and existing employees (mandatory) and Members (recommended).	A strong anti-fraud, bribery and corruption culture within the Council.	Internal Audit Client Manager Fraud Investigation Officer
	Continue to disseminate fraud warnings and alerts to relevant managers and officers.	To make managers and officers aware of instances of fraud that have been perpetrated against other council's and public sector organisations to enable them to promptly tighten internal controls as required and heighten their awareness against any threats.	Internal Audit Client Manager Managers / Service Managers
	Undertake service specific fraud awareness training and presentations – ongoing programme to be guided by investigation work (organisational learning) and fraud risks.	A greater understanding of fraud risk within services to better identify instances of fraud and the correct procedures for reporting and investigation.	Internal Audit Client Manager Service Managers

	<p>Enhance fraud communications and update literature including:</p> <ul style="list-style-type: none"> • Introduction of periodical fraud briefings / newsletter for all staff, including publicising the “signs of fraud, bribery and corruption” (Council’s Anti-Fraud, Bribery & Corruption Policy) • Updating of the “awareness and reporting” leaflet for inclusion in employees and Member induction packs. • Update the fraud pages on Backstage and on the Council’s website. 	<p>A strong anti-fraud, bribery and corruption culture within the Council. An increased awareness of the threat of fraud against the Council. Employees and Members are made more aware of the requirement to act in accordance with the Council’s Codes of Conduct and report any suspicions in accordance with set policies and procedures.</p>	<p>Internal Audit Client Manager</p>
	<p>Review the use of the internal fraud e-learning module.</p>	<p>Determine how effective the module has been in increasing awareness. Identify areas for further training.</p>	<p>Internal Audit Client Manager</p>
<p>To develop networks, protocols and arrangements to facilitate joint working or partnerships to manage the Council’s fraud risks.</p>	<p>Explore opportunities for joint working and networking and determine informal and formal arrangements as necessary (e.g. other local authorities and housing associations). Contribute to and consider the results from any national fraud surveys from leading bodies and</p>	<p>Arrangements in place with others external to the Council to improve the efficiency and effectiveness of counter fraud and corruption risk management. (Surrey Counter Fraud Partnership)</p>	<p>S151 Officer, Internal Audit Client Manager Service Manager</p>

	organisations to inform the strategy and fraud risk management (e.g. CIPFA, TEICCAF, DWP etc.).		
Detect			
To ensure protocols are in place to facilitate data and intelligence sharing and analysis, using techniques such as data matching and data analytics, to validate data and detect control failings to support counter fraud activity.	Continue active involvement in data matching exercises, such as NFI & Surrey Data hub. Review existing arrangements to ensure the Council is maximising their use (e.g. NAFN subscription). Develop links with external agencies to enhance opportunities for information sharing. Explore further opportunities for data matching both internally between services and externally with neighbouring authorities.	Fraud, bribery and corruption are identified and investigated.	Internal Audit Client Manager
To maintain and enhance the Council's confidential reporting and whistleblowing arrangements.	Review the Council's whistleblowing arrangements, taking into consideration best practice provided by "Public Concern at Work".	A selection of avenues for reporting suspicions which are suitable for all. An internal policy which is fit for purpose and reflects the latest best practice.	Internal Audit Client Manager
	Internally promote the ReportIT function to increase knowledge of and confidence in reporting suspicious and irregular activity. Externally promote the Council's	Reinforcement of the Council's zero-tolerance approach to fraud and corruption. Increased awareness of the risks of fraud within and against the Council.	Internal Audit Manager Marketing & Communications Manager

	<p>whistleblowing arrangements among the public, key contractors and suppliers including:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Implementation and maintenance of a Fraud Reporting function. <input type="checkbox"/> Communications via the Council's social media outlets. <input type="checkbox"/> Identifying and taking advantage of Council arranged events to raise awareness. <input type="checkbox"/> Reviewing the Council's standard contract terms and conditions. 	<p>Increase in fraud referrals.</p>	<p>Corporate Procurement Officer</p>
<p>Maintain an appropriate mix of experienced and skilled staff and develop access to specialist services to effectively investigate fraud referrals.</p>	<p>Continual learning and professional development of "counter fraud" and investigatory officers.</p>	<p>Continual development will ensure the relevant staff have the skill set and knowledge required to competently undertake their duties.</p>	<p>Internal Audit Client Manager Revenues Manager</p>
	<p>Establish a network of suitably trained contractors and specialist suppliers for use in investigations, such as computer forensics and financial investigators.</p>	<p>The Council will have ready access to suitably trained individuals when undertaking complex investigations.</p>	<p>Internal Audit Client Manager</p>
<p>Deter</p>			

Aim	Actions	Outcome	Responsible Officer
Publicise the deterrent	Periodically publicise the Council's counter fraud stance and activities, including details of any successful cases or initiatives completed.	Individuals are deterred from committing fraud against the Council.	Internal Audit Client Manager Marketing & Communications Manager
Enhance the deterrent	Review and publishing of the Council's prosecution policy.	Individuals are deterred from committing fraud against the Council.	Internal Audit Client Manager Marketing & Communications Manager
	Review the Council's sanctions and redress and reflect these within fraud policies, response plan and procedures.	Appropriate sanctions are applied to individuals following proven allegations and effective action taken to effect maximum recovery for the Council.	Internal Audit Client Manager

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 15 NOVEMBER 2016

Title:

PROGRESS ON THE INTERNAL AUDIT PLAN FOR 2016/17

[Wards Affected: All]

Summary and purpose:

The Committee's Terms of Reference include provision for the Committee to comment on the progress made in the achievement of the Audit Plan. An update on the current position of the reviews in 2016/17 is presented.

How this report relates to the Council's Corporate Priorities:

The work of the Internal Audit service can have an impact upon all the Council's priorities as its work involves exposure to all service areas.

Financial Implications:

There are no specific financial implications from this report, however the delivery of the Audit Plan will contribute towards the Council's sound financial and management processes and help ensure sound probity and governance arrangements are in place.

Legal Implications:

The Council must have an operational plan that must cover a period of no more than a year in order to fully comply with the requirements of the Code of Practice issued by CIPFA, which is given mandatory status by the Accounts and Audit Regulations.

Introduction

1. The progress on the completion of the Internal Audit Plan for 2016/17 is shown as attached at Annexe 1.

Conclusion

2. The Committee is asked to note the progress being made on the 2016/17 Audit Plan.

Recommendation

It is recommended that the Committee notes the progress for the Internal Audit Plan 2016/17 as attached at Annexe 1.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 15 MARCH 2016

Report No.	AUDIT PLAN AS AT 4 NOVEMBER 2016	Proposed No. of Plan Days	Actual Total to date	Days Planned to end March '17	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	No. of Recs in Final Report	Overall Opinion
	Key	2016/17	(d)	(e)						
	Awaiting Draft Report									
	Completed									
	New Review									
	Deferred									
	Systems and Services Audit									
	IT SERVICES									
IA17-00	Agresso Upgrade	10.00	0.00	10.00		Post Implementations of new Agresso upgrade	Q4	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager		
IA17-01A IT	Sharepoint	10.00	12.00	0.00	Final Report on Covalent	Technical Audit - Knowledge of Sharepoint - Resilience re volume of files, structure, hierarchy and permissions documented as to who can see what etc This review resource has being procured from Spelthorne Borough Council who have an experienced specialist IT auditor with Sharepoint knowledge having completed reviews in this area at other authorities.	B/F from 2015/16	Head of Customer, and Corporate Service - David Allum, Linda Frame - IT Development Manager	0	Substantial Assurance
	Contingency	0.00	0.00	0.00						
	IT Total	20.00	12.00	10.00						
	GENERAL SYSTEM REVIEWS									
	Key Financial Systems									
IA17-09	Car Parking	10.00	10.00	0.00	Final Report Stage	Compliance with Agreed Processes	Q1	Head of Environmental Services - Richard Homewood		
IA17-04	Rent Collection	10.00	10.00	0.00	Final Report On Covalent	Accuracy of rent setting, completeness of income and pursuit of arrears.	Q2	Head of Housing Operations - Hugh Wagstaff	1	Substantial Assurance
IA17-00	Payroll	8.00	8.00	0.00	Awaiting Draft Report	Compliance with agreed processes.	Q3	Head of Finance - Peter Vickers		
IA17-00	Creditor Payments	6.00	6.00	0.00	Awaiting Draft Report	Compliance with Agreed Processes	Q3 (24/10/2016)	Head of Finance - Peter Vickers		
IA17-00	Approval of invoices on Agresso	6.00	0.00	6.00	Start Date 16/01/2017	Review of the effectiveness of the systems in operation	Q1 to Q4*	Head of Finance - Peter Vickers		
	Sub total for Key Financial Systems	40.00	34.00	6.00						
IA17-08	Licensing - Environmental Services - Animals, Premises etc	6.00	6.00	0.00	Final Report Stage	To ensure that appropriate policies and procedues are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Q1	Head of Environmental Services - Richard Homewood		
IA17-06	Health & Safety Policy	8.00	8.00	0.00	Final Report on Covalent	Assurance on consistency of application across the Council to ensure that practice is embedded and areas of responsibility are clear.	Q2	Corporate - Head of Environmental Service -Richard Homewood	5	Partial Assurance
IA17-00	Emergency Planning and Business Continuity	10.00	0.00	10.00		Emergency Planning - the Council is designated as a category 1 responder under the Civil Contingencies Act. The Council do not have a direct labour workforce and is reliant on contractors to support an emergency response. Operational controls ensure complaince with Civil Contingencies Act. We will also review the Council's business continuity processes to ensure these are appropriate and in line with our experiences elsewhere.	Q4	Head of Environmental- Richard Homewood		

AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 15 MARCH 2016

Report No.	AUDIT PLAN AS AT 4 NOVEMBER 2016	Proposed No. of Plan Days	Actual Total to date	Days Planned to end March '17	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	No. of Recs in Final Report	Overall Opinion
	Key	2016/17	(d)	(e)						
	Awaiting Draft Report									
	Completed									
	New Review									
	Deferred									
	Systems and Services Audit									
	IT SERVICES									
IA17-02	Recruitment of permanent and agency staff and performance management	10.00	10.00	0.00	Final Report on Covalent	Staff skill and capacity Management - For a high performing and highly engaged team there a a need to recruit develop and retain high performing staff who fit the organisational culture and for Waverley to be an employer of choice. To ensure that staff are only employed where there is an identified need, are recruited appropriately and their employment is then monitored with routine appraisals undertaken and competency frameworks are met. We will consider - how temporary staff are engaged and their continuing engagement monitored, the monitoring of costs associated with recruitment and staff turnover, provision of training for new staff as well as the cost to the Council: and management control of staff retention to retain key staff.	Q1	Corporate - Head of Finance - Peter Vickers	3	Reasonable Assurance
IA17-00	Construction Industry Scheme (CIS)	10.00	0.00	10.00		Provide assurance that the system in operation is compliant with legislative requirements.	Q3/4	Head of Finance - Peter Vickers		
IA17-00	Procurement	8.00	0.00	8.00		We will undertake a rview of the changes made in this operational area to determine whether the control framework has improved	Q4	Head of Finance - Peter Vickers		
IA17-03	Void follow up review of 2014/15	5.00	5.00	0.00	Final Report on Covalent	Follow up of previous audit	Q1	Head of Housing Operations - Hugh Wagstaff	3	Good Progress
IA17-11	Management of Contractors	8.00	8.00	0.00	Draft Report Stage	Accuracy of Invoices for works ordered and compliance with health and safety requirements of the contractual agreements. This review will also cover the management of subcontractors where permitted by contractual arrangements due to reputational concerns to the council.	Q2	Head of Housing Operations - Hugh Wagstaff		
IA17-00	Accuracy of Tenancy Information	7.00	7.00	0.00	Awaiting draft Report	To ensure Orchard Housing Management System is updated promptly to reflect the outcome of Home Visits by the Tenancy and Estates Officers.	Q3	Head of Housing Operations - Hugh Wagstaff		
IA17-00	Health & Safety Compliance	10.00	0.00	10.00	Start Date 08/11/2016	Assurance on the operational aspects of Health & Safety compliance for all council owned properties through the rolling programme. To focus on maintenance processes and compliance specifically electrical testing at all properties.	Q3	Head of Housing Operations (Hugh Wagstaff) & Head of IT and Corporate Services (David Allum)		
IA17-02	Planning Applications and Building Control	10.00	10.00	0.00	Final Report on Covalent	Planning Performance - Government can remove planning powers from councils who perform poorly against measure relating to speed of decision making, appeals and (in Future) progress on Local Development Orders. We will test that Council's compliance with standards and legislation and collection of income to ensure that the standards are being met.	Q1	Head of Planning - Elizabeth Sims	8	Partial Assurance
IA17-10	Licensing - Alcohol	6.00	6.00	0.00	Final Report Stage	To ensure that appropriate policies and procedues are in place to ensure that income due from goods and services is properly identified, charged appropriately and can be collected in full and recorded in the accounts of the Council.	Q1 to Q2*	Head of Policy and Governance - Robin Taylor		
IA17-07	Data Quality	10.00	10.00	0.00	Draft Report Stage	Review of the effectiveness of the systems in operation	Q2	Head of Policy and Governance - Robin Taylor		
IA17-00	Data Protection	10.00	0.00	10.00		Changes in European Legislation are expected in year and thus review will consider the compliance with legislation as well as the preparedness for required changes. Our work will consider the lessons learned and changes made from any complaints received or involvement of the ICO.	Q4	Head of Policy and Governance - Robin Taylor		
	Governance and Risk Reviews									
IA17-05	Risk Management/Assurance Stocktake	8.00	8.00	0.00	Final Report on Covalent	Review of a sample of assurances used to inform the management of risks to determine the adequacy of the assurance, coverage and whether it mitigates the risks as expected.	Q2	Corporate - Head of Finance - Peter Vickers	4	Partial Assurance

AUDIT PLAN AGREED BY AUDIT
COMMITTEE ON 15 MARCH 2016

Report No.	AUDIT PLAN AS AT 4 NOVEMBER 2016	Proposed No. of Plan Days	Actual Total to date	Days Planned to end March '17	Progress	Details	Proposed quarter to be started * indicates change from original plan	Head of Service & Manager Responsible for Area	No. of Recs in Final Report	Overall Opinion
	Key	2016/17	(d)	(e)						
	Awaiting Draft Report									
	Completed									
	New Review									
	Deferred									
	Systems and Services Audit									
	IT SERVICES									
IA17-00	Corporate Governance	8.00	0.00	8.00		Governance failure across the Council there is the potential of a governance failure. Review of the Council's Governance processes against required practice.	Q3	Corporate Head of Corporate Governance and Policy-Robin Taylor		
IA17-00	Project Management	20.00	0.00	20.00	Assignment Planning Stage for November 2016 start	Major capital projects including regeneration - The council is engaged in a number of high level projects to support regeneration areas within the borough. (Brightwells and Ockford Ridge). Specialist review of the Council's approach to the management of projects. This will focus on the Brightwells project, as well as others, and provide the Council with advice as to project management in the future.	Q2 to Q3*	Corporate - Head of Leisure and Special Projects		
IA17-00	Lean Approach Workshop	8.00	0.00	8.00		To provide guidance on this process and how the Council can undertake Lean reviews to maximise efficiency in the service delivery. This could be the provision of training on lean methodology, or to undertake a specific lean review on an area identified by management which will incorporate a workshop and will involve the sharing of the methodology followed. It is likely that this Assurance on the implementation to meet transparency code	Q3	Head of Finance - Peter Vickers		
	Management Contract Liaison Meetings	7.00	3.00	4.00						
	Contingency	11.00	0.00	9.00						
	Sub Total for Operational Reviews (Inc Cont)	174.00	75.00	97.00						
	Subtotal Key Financial Systems Reviews	40.00	34.00	6.00						
	Subtotal of IT Reviews	20.00	12.00	10.00						
	Total Plan Contractor Review Days* (RSM 230, SBC 12)	234.00	121.00	113.00						

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 15 NOVEMBER 2016

Title:

PROGRESS ON THE IMPLEMENTATION OF INTERNAL AUDIT RECOMMENDATIONS

[Wards Affected: All]

Summary and purpose:

To inform the Audit Committee of Senior Management's progress in implementing the recommendations raised by Internal Audit following a review in their service areas. This report will enable the Committee to consider what action is required in respect of those that are overdue or appear likely to be implemented later than the target date.

How this report relates to the Council's Corporate Priorities:

Internal Audit work contributes to the safeguarding of assets against loss and waste and for identifying other value or money issues.

Financial Implications:

Internal audit work helps management in achieving good value for money and, individual recommendations may have value for money implications.

Legal Implications:

There are no direct legal implications, although good governance is strengthened by attention to the matters raised in audit recommendations.

Introduction

1. This report provides the Audit Committee with the latest position regarding the implementation of Internal Audit recommendations.
 2. Annexe 1 provides the current position on recommendations due for completion at the end of the month of the Audit Committee date.
-

Conclusion

3. Recommendations relate to the control environment and hence the overall governance and risk management of the Council and it is important that agreed actions are completed within timeframes agreed with the relevant Head of Service.

Recommendation

It is recommended that the Committee:

1. considers the information contained in Annexe 1 and identifies any action it wishes to be taken;

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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Audit Recommendations overdue or due within next month




Generated on: 3 November 2016


Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

Head of Service Homewood, Richard


Action Code & Description	IA16/23.003 Completeness check	There is no completeness check done to ensure that all referrals have been completed or cancelled. If the Council has received all the income due, or where payments are due to SDK, these have been accounted for and paid. As a result completeness of income cannot be confirmed	Exit Meeting Date	16-May-2016
			Due Date	30-Oct-2016
Audit Report Code and Description		IA16/23 Pest Control Fees and Charges		
Agreed Action		<p>The Council will consider the following options:</p> <p>Going forward, as part of the month end process, each invoice sent to the Council will be accompanied with a list of cancelled referrals from that month. The CATs team will then use this to perform an income completeness check.</p> <p>Alternatively, the Council will request that Client Sign off sheets are completed for both completed and cancelled referrals by SDK staff. A summary report will then be sent to the Council on a monthly and the Council will complete monthly inspections of a certain percentage of client sign offs to gain assurance of job completion status. The CATs team will then rely on the SDK report to close down referrals on the system.</p>		
Status		Overdue	Progress	50%
			Head of Service	Richard Homewood
All Notes		Letter sent to SDK 3/10 requiring information and drawing attention to requirement in contract documents. Letter acknowledged by SDK4/10 awaiting reply. Will follow up on 17/10		12-Oct-2016
		Discussed contractual requirements with team and confirmed requirement to provide such information as the Council may reasonably require. Head of Service will write to SDK drawing this to their attention and asking for a monthly report of both completed and cancelled jobs by 30 September 2016.		22-Sep-2016

Head of Service Taylor, Robin

Action Code & Description	IA16/26.002 Policy	We found the presents of a "statement of recruitment of ex offenders" on the Waverley website and confirmed that these were last updated in 2009 (although later revised in 2014 to change the name of CRB to DBS). A draft Criminal Records Checks and Disclosure Policy (covering the Disclosure and barring (DBS) checks is in development by the Head of Policy and Governance supported by Strategic HR expertise and the policy has been issued for consultation.	Exit Meeting Date	30-Jun-2016	
			Due Date	01-Oct-2016	
Audit Report Code and Description		IA16/26 Disclosure and Barring Service			
Agreed Action		A disclosure policy should be developed to ensure that everyone is working to the same standards.			
Status	 Overdue	Progress	90%	Head of Service	Robin Taylor
All Notes	The draft policy has been completed and shared internally for consultation but still needs to be submitted to CMT for approval.			21-Oct-2016	

Action Code & Description	IA16/26.003 Training	The Responsible Officer signs off DBS checks and is required to make decisions where the results are not favourable but supported by a risk assessment completed by the Head of Service. It was found that the responsible officer has had no specific formal training to provide assurance that safeguards are in place to ensure appropriately informed decisions are made that may affect the future of an individual and or the reputation of the council.	Exit Meeting Date	30-Jun-2016	
			Due Date	01-Oct-2016	
Audit Report Code and Description		IA16/26 Disclosure and Barring Service			
Agreed Action		Appropriate training should be provided to the responsible officer to enable them to fulfil and understand the expectations of the role. Is should be explored when the DBS or neighbouring authorities are providing/having training and explore possibilities of developing the training to suit the different levels of authority levels in the process.			
Status	 Overdue	Progress	50%	Head of Service	Robin Taylor
All Notes	Research has been undertaken but it is not possible to achieve this action as no courses have been found to be available. The Responsible Officer has attended training where this has been offered by the DBS but this has been in respect of specific policy changes rather than the system as a whole.			21-Oct-2016	

Action Code & Description	IA16/26.006 Retention of Documents	From the sample of 20 cases there was only 1(5%) case where the top portion of the DBS could not be located was identified. We were able to ascertain that a DBS had been completed and invoiced for this particular case. Although DBS's were in general retained and held securely. Waverley does not have an up to date written policy on the correct handling and safekeeping of DBS certificate information in accordance with the DBS code of practice.	Exit Meeting Date	30-Jun-2016
			Due Date	01-Oct-2016
Audit Report Code and Description		IA16/26 Disclosure and Barring Service		
Agreed Action		A written policy on the correct handling and safekeeping of DBS certificate information in accordance with the DBS code of practice should be developed and ownership of maintaining and keeping these up to date should be agreed and		

		documented.				
		When completed DBS forms should be held in one place in a locked cupboard with access limited. A record should be maintained as to who has been provided with access to these or if scanned into Sharepoint access permissions need to be set.				
Status		Overdue	Progress	90%	Head of Service	Robin Taylor
All Notes	Document retention policy will be set out as part of the broader criminal records check and disclosure policy, which has been completed and shared internally for consultation but still needs to be submitted to CMT for approval.				21-Oct-2016	

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WAVERLEY BOROUGH COUNCIL

AUDIT COMMITTEE – 15 NOVEMBER 2016

Title:

Counter Fraud Investigation Summary

[Wards Affected: All]

Summary and purpose:

The report provides an update to the Committee on the progress made by Waverley Borough Council officers on the work being completed as part of the Surrey Counter Fraud Partnership, investigating all types of fraud (excluding Housing Benefit which is now investigated by the Department for Work & Pensions through the introduction of the Single Fraud Investigating Service).

How this report relates to the Council's Corporate Priorities:

Resource/Value for Money implications:

Through the detection of instances of fraud, the Council's resources are better safeguarded thus improving value for money by reducing the waiting list for homes and ensuring that members of the public are only provided with housing or Council Tax and Business Rates discounts that they are entitled to. The Housing Revenue Account funds have supported this work through providing funding that has been utilised at Waverley to obtain the services of an experienced Fraud Investigator.

Legal Implications:

It is the Council's duty to safeguard public funds, and there may be legal costs in taking any matters to prosecution. However these costs are out weighed by the Council's belief that fraud perpetrated against the council and its tax payers will not be tolerated.

Introduction

1. This report provides the Audit Committee with an update on the progress being made on fraud investigations that are being completed supported by the funding obtained from the Housing Revenue Account and the residual funding from 2015-16. The Surrey Counter Fraud Partnership (SCFP) membership has now increased to 8 Surrey councils and other social housing providers attend relevant sub groups. The funding enabled Waverley to obtain the services of an experienced Fraud Investigator focusing on Housing Tenancy Fraud since March 2015, which was supported by the introduction of the Prevention of Social Housing Fraud Act 2013 where the maximum penalty is up to 2 years imprisonment or a fine (or both).

Findings

2. A summary of the volumes of cases being investigated is detailed in Annexe 2, for activity up until the end of Quarter 2, 30 September 2016. Audit Committee are provided with updates in each committee meeting throughout the year. Results are collated and provided to Surrey County Council to enable these to be cascade to the Surrey Treasurers and used for publicising the partnerships successes.
3. In this period, results include 5 properties relinquished, and have been made available to be re-let to tenants on our waiting list. This was due to either the properties not being occupied by the tenant in accordance with the Tenancy Agreements terms and conditions, or the tenancy was originally obtained by providing inaccurate information, therefore fraudulently obtaining the tenancy. 5 housing register applications have been refused as the information provided on the application did not reflect the true circumstances. Two Right to Buy applications were withdrawn as the information provided on the applications did not reflect the true circumstances of the applicant's situation that subsequently resulted in the tenants decision to relinquish the tenancy rather than going through prosecution proceedings.
4. The volume of fraud investigation cases is increasing as awareness is cascaded to members of the public and staff through the poster campaign and leaflet drop as part of the council tax billing exercise. Cases that need further investigation or co-operation from other bodies are also continuing to progress.

Conclusion

5. The Fraud Investigation officer supported by the Internal Audit Client Manager will continue to investigate the cases reported and introduce enhancements to policies and procedures to maintain strong working practices, and where possible liaise with others in the partnership to maximise successful outcomes. The team will also continue to raise awareness with tenants that breaches of tenancy agreements will not be tolerated and to minimise the risk of fraudulent activity.

6. The value of financial savings detailed in Annexe 1 for Quarter 2 of 2016-17, is currently £443,661 based on Audit Commission notional figures. However, these notional figures do not include the real value to Waverley Borough Council, as it costs on average £200,000 to build a new house. When tenancies are relinquished these are then allocated to those on our housing waiting list who fulfil the necessary criteria. Therefore the investigation activities have resulted in savings of £1.6m, not being required to replace the 8 tenancies relinquished since the start of April 2016. These outcomes not only highlights the fundamental financial value of continuing to support the work being carried out but the ethical importance to ensure that only those that qualify for social housing are successful, and by securing the return of properties back into housing stock helps Waverley to meet the needs of legitimate housing applicants.

7. In support of the fight against fraud the authority has participated in the National Fraud Initiative in the autumn of 2016 and will contribute to the Surrey Counter Fraud Partnership Data hub when this has been formally agreed. This allows key datasets of information to be data matched with other data contributor's including other local authorities, insurance companies and pension providers etc. This will assist in identifying data anomalies that require investigation to ensure fraudulent practices are not in operation. A progress report will be provided to the Audit Committee as work commences with this exercise after the NFI matches are provided and any updated on the SCFP data hub.

Recommendation

That the Audit Committee notes:-

1. the success of the investigation activity and continues to support the work being completed to safeguard Waverley's assets and ensuring that only those that are legitimately eligible to receive our services are successful; and
2. the Council's participation in the National Fraud Initiative and the Surrey Counter Fraud Partnership Data Hub to assist in identifying fraudulent activities.

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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Name of Partner	Waverley
Quarter	2

Record of cases Investigation in the period covering 01 March 2016 - 30th September 2016

	Cases still being investigated from previous year	Referrals received since 1 April 2016	Investigations Started	Investigations closed	Still under investigation	Positive outcomes includes 2015-16 cases	Properties retained by the Council	Properties Handed Back /Recovered	Housing / Homeless/RTB / Succession/Mutual Exchange/Shared ownership application withdrawn	Financial Value	Prosecutions	Other sanctions
Housing												
Social housing Fraud	13	18	16	19	18	5	5	5		120,000		
Housing Register Fraud	3	9	9	10	1	5			Housing Application Rejected	90,000		
Homelessness Applications												
Right To Buy/Right To Acquire	9	25	25	24	1	2	2	2	Right to Buy and Tenancy Relinquished	191,800		
Shared ownership												
Mutual Exchange	6	12	22	22	0	1	1	1	Mutual Exchange denied/rejected	18,000		
Successions	0	6	6	6		1			Succession denied	18,000		
Council Tax Discount												
SPD & LCTRS	0	2	2	2		5				5,861		
Student Exemptions												
Disability												
Council Tax Support (benefit)												
Business rates												
Other												
	31	72	80	83	20	19	8	8		443,661	0	0

Value of financial savings

Tenancy Recovered £18,000 (Audit Commission notional figure)

Housing/Homeless Application withdrawn £18,000 (as above)

Right To Buy/Right To Acquire withdrawn/terminated Value of individual amount of discount offered by Housing provider - (max discount £77,900)

Council Tax Discount £405 per case (25% discount on avge band C property)

Council Tax Support - actual figure per case based on amount of CTS added back to account from effective date of change to end of current financial year.

Business Rates - actual figure per case

Resources utilised to investigate - 1 full time officer, approx £60,000 per year including on costs (£15K per quarter)

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WAVERLEY BOROUGH COUNCIL
AUDIT COMMITTEE
15 November 2016

Title:

RISK MANAGEMENT POLICY

[Portfolio Holder for Finance: Cllr Ged Hall]

[Wards Affected: N/A]

Note Pursuant to Section 100B(5) of the Local Government Act 1972

An annexe to this report contains exempt information by virtue of which the public is likely to be excluded during the item to which the report relates, as specified in paragraph 3 of the revised part 1 of Schedule 12A to the Local Government Act 1972, namely:-

Information relating to the financial or business affairs of any particular person (including the authority holding that information)

Summary and purpose:

This report considers the continued effectiveness of the current Risk Management Policy and Process Document.

How this report relates to the Council's Corporate Priorities

Management of risk helps to ensure that Waverley achieves its objectives and minimises loss and damage which has a positive impact on the Borough's environment. The community benefits from Waverley's services being provided in an effective, safe manner.

Financial Implications

There are no direct financial implications arising from this report.

Legal Implications

There are no legal implications arising from this report.

Introduction and Background

1. All organisations face risks in undertaking their business. Local authorities, with their wide-ranging responsibilities and duties, face a significant number of risks. A risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives. Clearly Waverley has been, and always will be, faced with many potential risks in all areas of its business and periodically updates its framework that sets out its approach to the management of these risks.
2. The effective management of risks is an essential element in the overall operation of the Council and the delivery of its services and should not be seen as a separate task or function. Local authorities are required to

demonstrate to their community that managing risk is at the heart of their governance framework and that they have effective arrangements in place to identify and respond to the risks that they face.

The Risk Management Policy and Process

3. In June 2011 the Audit Committee approved a revised Risk Management Policy and Process document which the committee had produced in conjunction with officers and this was last reviewed by the Audit committee in March 2014. This document recognises the distinction between corporate risks and operational (service) risks. The Policy requires the Audit Committee to consider this document to ensure that it continues to provide a robust framework for the management of risk at Waverley. The Committee is asked to review this document, which is set out at Annexe 1, and pass any comments and observations to officers to update the policy. This will be brought back to the next Audit committee for approval.

The Key Risks

5. The Corporate risk register has now been comprehensively reviewed to ensure that it aligns to the current key risks facing the Council. It has also been simplified to enable more effective monitoring. This register shows the high-level risks that could prevent the Council from achieving its corporate aims and objectives as set out in the Corporate Plan 2012-15. The Corporate risk register and covering report from Zurich Municipal is attached at (Exempt) Annexe 2 including an `Explanation of Risk Assessment Criteria`, as revised by the Audit Committee on previous occasions. Members are asked to consider the risks and pass any comments to officers as appropriate.

Recommendation

It is recommended that the Audit Committee:

- 1) approves the Risk Management Policy and Process Document set out in Annexe 1; and,
- 2) considers the revised corporate risks register at (Exempt) Annexe 2 and passes comments and observations to officers and the Executive

Background Papers

There are no background papers (as defined by Section 100D(5) of the Local Government Act 1972) relating to this report.

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RISK MANAGEMENT POLICY AND PROCESS DOCUMENT

1. The objectives of effective risk management

1.1 All organisations face risks in undertaking their business in the sense that there exists the possibility that an event or action will adversely affect their ability to achieve objectives. Local authorities, with their wide-ranging responsibilities and duties, face a significant number of risks. It is therefore important that a local authority such as Waverley (“the Council”) should recognise its responsibility to adopt an effective risk management process.

1.2 Effective risk management is necessary to help the Council to:

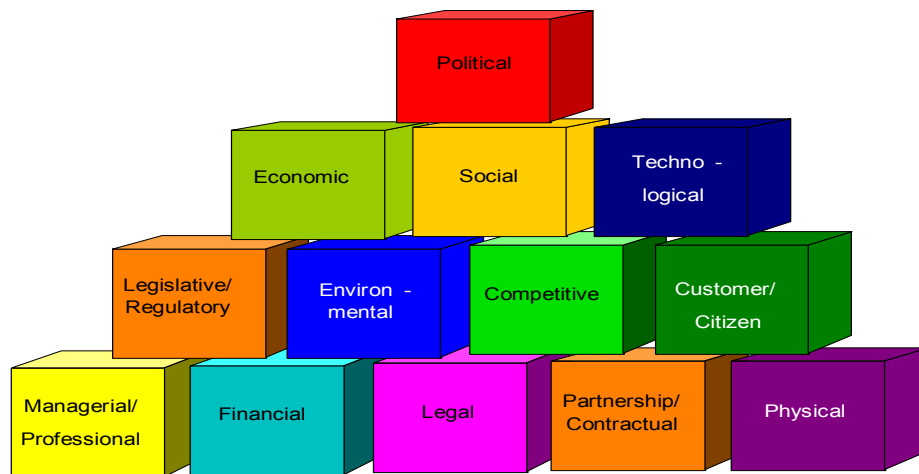
- (a) maintain a high standard of service delivery;
- (b) achieve its objectives as set out in the Corporate Plan and elsewhere;
- (c) ensure its compliance with its statutory obligations;
- (d) safeguard the Council’s employees, Members, service users and all other persons to whom the Council has a duty of care;
- (e) maintain effective control over the Council’s resources and assets and prevent damage or loss;
- (f) protect and promote the image and reputation of the Council; and
- (g) protect the Borough’s environment.

1.3 The Council’s risk management objectives are to:

- (a) establish a Risk Management Process which is designed to ensure that all relevant risks are reviewed, namely identified, evaluated, actioned, and that any action is monitored;
- (b) periodically communicate risk issues to staff, Chief Officers and Members so that their risk awareness is improved and that they understand their risk management responsibilities;
- (c) embed effective risk management practice into the culture of the Council so that the Risk Management Process is implemented effectively and decision-making at all levels is informed by the consideration of risk issues;
- (d) facilitate service and performance improvements through risk-aware innovation in working practice; and
- (e) ensure that the Council’s key partnerships are subject to the same Risk Management Process.

2. The risks that the Council faces

2.1 A risk is defined as the possibility that an event or action will adversely affect the Council’s ability to deliver its services or achieve its other objectives.



2.2 The diagram shown above illustrates some of the main categories of risk that the Council could face. The diagram is provided by Zurich Municipal Management Services who initially provided assistance in developing and reviewing the Council’s Risk Management Process.

2.3 Risks can arise in any of the Council’s services across any of the risk categories shown above. Risks can be external, such as those arising from legislative and other regulatory change, or internal, such as health and safety issues affecting staff or buildings. Risks can arise from factors such as limited resources, increasing responsibilities and demands from customers and from increased litigation against local authorities. The complexity of the risks faced by the Council and the constantly changing nature of the environment in which the Council operates necessitate the adoption of a formal Risk Management Process.

3. The Risk Management Process

3.1 Summary

3.1.1 The Council’s Risk Management Process consists of the regular and methodical review of all relevant risks. Such review consists of four separate stages, namely:

- (a) the identification of relevant risks;
- (b) the evaluation of such risks;
- (c) when necessary, the taking of remedial action (control or mitigation); and
- (d) the monitoring of the effectiveness of such action.

Once a risk is identified, its evaluation consists of considering the probability that a risk will materialise and the scale of the adverse impact if it does materialise. This is important so that management attention and action may be focused primarily on the most significant risks. Where possible, such action will be aimed at controlling or preventing a risk from materialising or, if this is not possible, at mitigating the risk so that the scale of the adverse impact is minimised. After action is taken, its effectiveness will be monitored at intervals for an appropriate period.

3.1.2 Risk categories

For the purposes of applying the Risk Management Process to the Council's activities, all possible risks are considered under headings:

- (a) Corporate Risks (that relate to Corporate Plan Objectives)
- (b) Operational risks (that relate to Service Plan objectives/actions)
- (c) Project/Partnership risks

This categorisation is important in relation to the frequency and extent of review and to the identification process. It is not directly relevant to the evaluation, actioning and action monitoring stages. Project risks and partnership risks are corporate risks or, more usually, operational risks that arise in the course of a project or partnership. They are separately referred to in order to recognise the importance of establishing clear and effective risk ownership in the special circumstances of a project or partnership.

3.2 Identification

3.2.1 Corporate risks

Corporate risks represent the major risks that could have a significantly adverse impact on the Council's achievement of its Corporate Plan objectives. Corporate risks are generally identified and agreed at the time of the adoption of a new Corporate Plan at the start of each four-year Council term and are recorded in the Corporate Risk Register. They are subject to review as described in 4.1 below. The identification process involves senior managers and members of the Executive and the Audit Committee.

3.2.2 Operational risks

Operational risks are specific to approved service plan objectives/actions. The identification and review of these risks is an ongoing process by managers in their service delivery. Operational risks are subject to review as described in 4.2 below.

3.2.3 Project/partnership risks

Specific projects and new partnerships will be subject to a risk assessment which will lead to key risks being identified and evaluated. Risks associated with key Member decisions will be set out clearly in reports to Members together with details of any proposed actions to control or mitigate such risks.

3.3 Evaluation

3.3.1 Identified risks will be evaluated in terms of:

- (a) the likelihood that the risk will materialise (i.e. that loss or damage or the adverse action or event will occur), which is scored [on a scale from 1 (lowest) to 6 (highest)]; and
- (b) the severity of the impact on the Council, service or other objective if the risk does materialise, which is scored [on a scale from 1 (least severe) to 4 (most severe)].

3.3.2 The significance of the risk is then determined by plotting the two scores on a Risk Reporting Matrix. The matrix shows the overall risk significance and sets out the appropriate recording and reporting requirements.

3.3.3 Risks which exceed the agreed 'tolerance' thresholds will be recorded appropriately and reported to senior management in the Corporate Risk Register and, if necessary, to the Executive together with a statement of any action that is proposed to be taken.

3.4 Action

3.4.1 Once a risk has been evaluated, any relevant action must be determined and recorded in the action plan included in the Corporate Risk Register. Action will consist either of *control*, which is designed to reduce or eliminate the probability that the risk will materialise, or *mitigation*, which is designed to reduce the scale of the adverse impact if the risk does materialise.

3.4.2 The options that should be considered are:

- (a) take no action - accept the consequences if the risk materialises (e.g. self-insure minor risks);
- (b) mitigate the risk – take action to reduce the scale of the adverse impact (e.g. set up a recovery site in case the Council offices are flooded);
- (c) control the risk – take action to reduce the probability that the risk will materialise (e.g. install flood defences around the Council offices);
- (d) transfer the risk to a third party – a form of risk control (e.g., take out comprehensive flood insurance); and
- (e) eliminate the risk – another form of risk control achieved by stopping or radically changing a service or activity (e.g. move the Council offices to a site on a hill).

3.4.3 The agreed action must be recorded in the appropriate Risk Report together with the identity of the risk owner and the timetable for completion and subsequent monitoring.

3.4.4 It must be accepted that risks usually cannot be eliminated completely. Actions must be proportionate to the scale of the risk and must not obstruct service provision or the achievement of other significant Council objectives. It is important that the Risk Management Process and actions to control or mitigate risk do not introduce unnecessary bureaucracy.

3.5 Monitoring action

Once action to control or mitigate a risk has been taken, the effectiveness of that action must be monitored at suitable intervals and for as long as is judged necessary and these details must be recorded. If the action fails to achieve its intended objective, the risk must be reported afresh and made subject to further evaluation and action.

4. Risk Management Process review

4.1 Corporate risks

- Comprehensive formal review every 4 years involving senior managers and key Members to coincide with the revision of the Corporate Plan.
- Refresh current Corporate risks at least annually and more frequently if appropriate
- Corporate Management Team considers the Risk Management Process on an annual basis and reports to Audit Committee and the Executive as appropriate
- Heads of Service Team review on 3-monthly basis and report on adequacy of the Risk Management Process to the Corporate Management Team
- New risks or sudden changes to risks or evaluations reported on an exception basis

4.2 Operational risks

- Managers review operational risks and take management action as appropriate and report to 1:1s and CMT if necessary.

- New risks or sudden changes to risks or evaluations are reported to CMT on an exception basis.
- Emergency Planning, Health & Safety Risk Assessments, Business Continuity Planning and First Aid are actively managed by the Emergency Planning and Resilience Officer.
- Internal reporting and Committee reporting templates have a mandatory risk section.
- Risk logs are maintained for projects.
- Annual service plans contain risk assessments and are reviewed at department team meetings.
- Staff appraisals contain a risk assessment and reviewed every 6 months.

4.3 Project/Partnership risks

- Monitored by project teams in accordance with procedures for corporate risks or operational risks as appropriate.
- Project teams should report additionally to CMT on an exception basis.
- Significant partnership risks will be subject to the process for Project risks.

5. Risk management responsibilities of Members and officers

5.1 The responsibility for managing risk extends throughout the Council, including Members. It is important that all Members, managers and staff are aware of their role. The following summarises the various roles and responsibilities.

5.2 Members

- The Audit Committee is responsible for ensuring that the Risk Management Process comprises effective arrangements to identify, evaluate, action and monitor the risks to which the Council is exposed.
- The Portfolio Holder for Finance is responsible for ensuring that the Risk Management Process is implemented effectively so that significant risks that require action are actioned and monitored effectively and reported to the Executive as appropriate.
- Portfolio holders to identify risk issues on an ad-hoc basis when developing service changes with officers within their portfolio.
- Members have a general responsibility to consider risk issues when making key decisions.

5.3 Corporate Management Team (CMT)

- To ensure that the Risk Management Process is fully implemented
- To ensure that agreed action plans are completed.
- To ensure that risk issues are properly considered when making decisions.

5.4 Head of Finance

- To coordinate actions necessary to implement the Risk Management Process.
- To maintain and update the Corporate Risk Register and report to CMT and DMTs in accordance with agreed reporting procedures.
- To provide support to managers in implementing effective solutions to managing risk.
- To facilitate training for key managers to develop skills in tackling risk issues.
- To review the Risk Management Process each year and report to Members as necessary.

5.5 Heads of Service, Service Managers and Project Managers

- To identify the risk of loss, damage or injury in service delivery and to implement appropriate measures to minimise likelihood of occurrence and/or adverse impact on the Council
- To identify risks in their Service Plan.
- To raise awareness of risk issues across the service and promote good risk management practice
- To encourage staff to be risk-aware and to raise risk issues at team meetings/DMTs
- To ensure that an effective control environment exists in all service areas
- To ensure effective communication of the Risk Management Process in their service areas.

5.6 Specific Member/Officer working groups

To consider specific risk areas and ensure management action is taken as appropriate:

- Asset Advisory Group
- Procurement Advisory Group
- Capital Monitoring Group

Reviewed March 2009

Reviewed March 2010

Reviewed June 2011

Reviewed June 2012

Reviewed March 2013

Proposed for Review November 2016

Peter Vickers

Head of Finance

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Version 7.0

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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