

HAVANT BOROUGH COUNCIL
PUBLIC SERVICE PLAZA
CIVIC CENTRE ROAD
HAVANT
HAMPSHIRE P09 2AX



Havant
BOROUGH COUNCIL

Telephone: 023 9244 6019
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20 October 2023

SUMMONS

Dear Councillor

You are requested to attend the following meeting:

Meeting: Audit and Finance Committee
Date: Monday 30 October 2023
Time: 5.00 pm
Venue: Hurstwood Room, Public Service Plaza, Civic Centre Road,
Havant, Hampshire PO9 2AX

The business to be transacted is set out below:

Steve Jorden
Chief Executive

AUDIT AND FINANCE COMMITTEE MEMBERSHIP

Chairman: Councillor Diamond

Councillors Linger (Vice-Chairman), Denton, Guest, Harris, Patel, Rason and Wade

Contact Officer: Mark Gregory 023 9244 6232
Email: mark.gregory@havant.gov.uk

AGENDA

Can councillors please submit any detailed technical questions on the items included in this agenda to the contact officer at least 2 clear working days before the meeting starts.

1 Apologies for Absence

To receive and record any apologies for absence.

2 Minutes

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To approve the minutes of the meeting of the Audit and Finance Committee held on 10 July 2023.

3 Declarations of Interests

To receive and record any declarations of interests from Members present.

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GENERAL INFORMATION

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HAVANT BOROUGH COUNCIL

At a meeting of the Audit and Finance Committee held on 10 July 2023

Present

Councillor: Diamond (Chairman)

Councillors: Linger (Vice-Chairman), Harris, Moutray, Patel, Rason and Wade

Other Councillor: Bowdell
Councillors

8 Apologies for Absence

Apologies for absence were received from Councillor Guest.

9 Minutes

RESOLVED that the minutes of the meeting of the Audit and Finance Committee held on 23 March 2023 were approved as a true record and be signed by the Chairman.

10 Declarations of Interests

There were no declarations of interests relating to matters on the agenda.

11 Internal Audit Charter

Mr Harvey of the Southern Internal Audit Partnership introduced the Internal Audit Charter 2023-24, which had been circulated as part of the agenda.

Mr Harvey and the Section 151 Officer answered questions raised by Members of the Committee

The Internal Audit Charter formally defined the purpose, authority, and responsibilities for internal audit activity.

RESOLVED that the Internal Audit Charter 2023 -24 be approved.

12 Internal Audit Plan

Mr Harvey of the Southern Internal Audit Partnership introduced the Internal Audit Plan for 2023/4 to 2025/6, which had been circulated as part of the agenda.

Mr Harvey and Mr Pink, the Section 151 Officer, answered questions raised by Members of the Committee.

The Internal Audit Plan provided the mechanism through which the Chief Internal Auditor could ensure the appropriate use of internal audit

resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

RESOLVED that the Internal Audit Plan for 2023/4 to 2025/6 be approved.

13 Internal Audit Report 22/23

Mr Harvey of the Southern Internal Audit Partnership introduced the Internal Report for 22/23, which had been circulated as part of the agenda.

Mr Harvey and Mr Pink, the Section 151 Officer answered questions raised by Members of the Committee.

With regard to the debt management audit, which concluded with a “limited Assurance Opinion”, Mr Pink outlined measures being taken, including the adoption of a debt management policy (see Minute 17), to ensure the assurance opinions for this service received at least a “reasonable” level during 2023/24.

RESOLVED that the Internal Audit Plan for 2023/4 to 2025/6 be approved.

14 Annual Governance Statement

Councillor Bowdell, Cabinet Lead for Finance introduced the draft Annual Statement, and gave Members of the Committee an opportunity to comment on it prior to the final version coming for approval alongside the Statement of Accounts 2022/23.

RESOLVED that the submitted Annual Governance Statement 2022-23 be approved for inclusion into the draft Statement of Accounts 2022-23.

15 Corporate Governance and Risk Policy

Councillor Bowdell, Cabinet Lead for Finance introduced the Corporate Governance and Risk Policy, which incorporated the Local Code of Corporate Governance.

RESOLVED that:

- a. the Corporate Governance & Risk Policy be approved;
- b. the Local Code of Corporate Governance be approved; and
- c. the Risk Management Framework and the latest top corporate risks as per the Corporate Risk Register be noted.

16 Verbal Update on External Audit

Mr Pink, the Section 151 Officer, advised the Committee on how the national shortage of auditors was affecting the external audit reports and the publishing of the Council's Statement of Accounts.

RESOLVED that the verbal report be noted.

17 Debt Management Policy

Mr Pink, the Section 151 Officer, introduced the debt management policy and answered questions from Members of the Committee.

RESOLVED that the submitted debt management policy be approved.

The meeting commenced at 5.40 pm and concluded at 7.05 pm

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Chairman

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Name of Committee:	Audit & Finance Committee		
Committee Date:	30 th October 2023		
Report Title:	2021/22 Financial Year Audit progress report		
Responsible Officer:	Steven Pink		
Cabinet Lead:	Councillor Bowdell		
Status:	Non-Exempt		
Urgent Decision:	Yes / No	Key Decision:	Yes/ No
Appendices:	Appendix A – 22 HBC Audit progress report October 23		
Background Papers:	None		
Officer Contact:	Name: Steven Pink Email: Steven.pink@havant.gov.uk		
Report Number:	HBC/042/2023		

Corporate Priorities:

The “external” audit is a legal and statutory requirement for Havant Borough Council.

Executive Summary:

The audit of Havant Borough Council’s 2021/22 financial statements is nearing completion and is expected to be finalised by early in the new calendar year.

Valuations have been an area of difficulty due, in part, to the nature of using 3rd party valuers but also by the increased scrutiny being place on local authority valuation after several high-profile national cases where incorrect valuation led to significant financial issues after the audits were completed and signed off.

Furthermore, the shortage of auditors and audit team’s staff has led to delays in audits being completed nationally.

Havant Borough Council remains in a good position where very few areas of concern have been raised and those that have are being investigated thoroughly and rectified where possible.

The 2021/22 audit is expected to be completed in the next few months.

Recommendations:

The Audit and Finance Committee is requested to:

- A. Note the progress report.

1.0 Introduction

- 1.1 This paper is submitted to Audit and Finance Committee to update the Council on the position of the current audit of the 2021/22 financial statements.

2.0 Background

- 2.1 Local Authorities are required by law to have an annual audit of their financial statements and their financial position and performance.
- 2.2 This includes but is not limited to areas such as:
 - Fraud risk
 - The control environment and management overrides of control
 - Revenue Recognition
 - Classification of Capital expenditure
 - Valuation of assets and liabilities
 - Value for Money
- 2.3 The audits must be completed by an independent external auditor and Havant Borough Council's auditor are appointed under the Public Sector Audit Appointments (PSAA) national scheme.
- 2.4 For the 2021/22 financial year, Ernst & Young have been appointed as the Council's external auditors.
- 2.5 Annual audits are due to be completed by September in the year of the financial year-end (31st March). However, there has been a national shortage of auditors for some years and this has led to severe delays in audits being completed.

- 2.6 Currently there are in excess of 900 public sector audits national that are late or have been delayed, with some delayed audits date back as far as the 2015/16 financial year.
- 2.7 Havant Borough Council have had financial years up to 31st March 2021 audited but the 2021/22 financial year is still work in progress.
- 2.8 Whilst nearing completion, they are not yet ready to be presented to the audit and finance committee and a progress report has been submitted detailing the remaining outstanding issues and highlighting where some areas of assurance can be given thus far.

3.0 Options

- 3.1 Not applicable

4.0 Relationship to the Corporate Strategy

- 4.1 The “external” audit is a legal and statutory requirement for Havant Borough Council.
- 4.2 The Financial Statement are required to present a “true and fair” view of the financial health of the authority, its financial performance during the year and its financial position at the year-end.
- 4.3 The “external” audit aims to verify the statements and provide an “opinion” on whether the statements do achieve that objective. This provides the Council, and users of the financial statements with a level of assurance over the use of the Council’s financial resources and in itself acts as a control measure to prevent financial mismanagement (accidental or deliberate).

5.0 Conclusion

- 5.1 There has been significant progress made on the 2021/22 audit in the last quarter and the audit is nearing completion. The Council can take assurance from the work completed to date and that the remaining work is being given the appropriate attention by both the Auditors and the Officers of the Council to ensure the final statements and the audit opinion is true and fair.

6.0 Implications and Comments

6.1 S151 Comments

Members of the committee can take comfort in the finding of the audit work to date. The Finance team has been fully compliant with the auditors' requests and where any concerns may have been raised they are discussed in detail and rectified where possible. The importance of an "unqualified" audit cannot be understated and therefore it is vital that the auditors take the time required to provide the necessary level of assurance in their final report and should not be rushed.

6.2 Financial Implications

The report itself does not impact directly any financial implications. Failure to complete the audit appropriately could negatively impact the Council's future financial position.

6.3 Comments Received on Behalf of the Monitoring Officer

The Local Audit and Accountability Act 2014 - the External Auditor is required to satisfy themselves that the Council's accounts comply with statutory requirements and that proper practices have been observed in compiling them.

6.4 Equality and Diversity

Not Applicable

6.5 Human Resources

Not Applicable

6.6 Information Governance

Not Applicable

6.7 Climate and Environment

Not Applicable

7.0 Risks

- 7.1 Failure to allow the necessary time to complete all outstanding audit work could prevent a risk to the quality and value of the Council's financial statements.
- 7.2 This could impact our ability to raise funds via grants or borrowing to undertaken important future Council business.

8.0 Consultation

- 8.1 Not applicable

9.0 Communications

- 9.1 No applicable

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	20/10/2023
Executive Head:	Matt Goodwin	20/10/2023
Monitoring Officer:	Sarita Riley (on behalf of)	20/10/2023
Section151 Officer:	Steven Pink	19/10/2023

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Havant Borough Council

Audit progress update

October 2023



Havant Borough Council
Audit and Finance Committee
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

13 October 2023

Dear Audit and Finance Committee Members

Audit Progress Report

Pleased find below our Audit Progress Report.

The purpose of this report is to provide the Audit and Finance Committee with an overview of the current status of the Council's audit status for 2021/22. This report is a key mechanism in ensuring that our audit is aligned with the Committee's service expectations.

Our audit is undertaken in accordance with the requirements of the Local Audit and Accountability Act 2014, the National Audit Office's 2020 Code of Audit Practice, the Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA) Ltd, auditing standards and other professional requirements.

We welcome the opportunity to discuss this report with you as well as understand whether there are other matters which you consider may influence our audits.

Yours faithfully,

Kevin Suter

For and on behalf of Ernst & Young LLP

Enc

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- 01 Progress Update – Financial Statements of the Council 2021/22
- 02 Progress Update – Council Value for Money 2021/22
- 03 Future audits

Public Sector Audit Appointments Ltd (PSAA) issued the “Statement of responsibilities of auditors and audited bodies”. It is available from the PSAA website (<https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>). The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The “Terms of Appointment and further guidance (updated April 2018)” issued by the PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and in legislation, and covers matters of practice and procedure which are of a recurring nature.

This report is made solely to the Audit and Finance Committee and management of Havant Borough Council in accordance with the statement of responsibilities. Our work has been undertaken so that we might state to the Audit and Finance Committee, and management of Havant Borough Council those matters we are required to state to them in this report and for no other purpose. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Audit and Finance Committee, and management of Havant Borough Council for this report or for the opinions we have formed. It should not be provided to any third-party without our prior written consent.



01

Progress Update – Financial Statements of the Council

Status of the audit

2021/22 financial statements

Our audit planning report, issued in March 2023 identified the key areas of focus for our audit of the Council's 2021/22 financial statements. These have not changed as of the date of this progress report. This report sets out any observations and status in relation to these areas, including our views on areas which might be conservative and areas where there is potential risk and exposure. Our consideration of these matters and others identified during the period is summarised below.

Fraud Risk	Findings & Conclusions
Misstatements due to fraud or error	<p>Our work in this area is well progressed. To date we have not identified any material weaknesses in controls or evidence of material management override, instances of inappropriate judgements being applied; or any other transactions during our audit which appear unusual or outside the Council's normal course of business. The remaining journal entries that we need to test are those that were processed between the initial draft statement of accounts, which did not contain the property valuation adjustments, and the final draft.</p>
Risk of fraud in revenue and expenditure recognition, through inappropriate capitalisation of revenue expenditure	<p>Our sample testing of additions to Property Plant and Equipment (PPE):</p> <ul style="list-style-type: none"> • Found costs had been correctly classified as capital and included at the correct value. • Did not identify any revenue items that were incorrectly classified as capital. <p>Our review of judgements taken by management found them to be reasonable.</p> <p>We also tested a sample of Revenue Expenditure Funded from Capital under Statute (REFCUS) and identified one item inappropriately classified as REFCUS relating to the installation of a new artificial bowls surface amounting to £166k. Management have agreed to process a correction to the statement of accounts.</p>
Significant Risk	Findings & Conclusions
Valuation of Investment Properties	<p>Our work in this area is well progressed.</p> <p>We have referred two properties to our internal property specialists (EYRE) and there assessment was that the property valuations were within a reasonable range. For the properties tested by the local team we identified differences in the yields used by the Council's external valuer compare to industry averages and we are currently evaluating these to determine the impact on the audit.</p> <p>We have one further investment property to test which relates to Warblington Farm.</p>

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Status of the audit

2021/22 financial statements (continued)

Area of audit focus / Inherent risk	Findings & Conclusions
Valuation of Land and Buildings	<p>Our work in this area remains in progress as at 13 October 2023 and is still subject to Partner review.</p> <ul style="list-style-type: none"> Assets valued using Depreciated Replacement Cost (DRC) is substantially complete, no significant valuation issues identified to date. For assets valued on a Existing Use Value (EUV) basis, we referred a sample of car parks as well as Havant Bus Station to EYRE for further review as the inputs appeared inconsistent across the car parks valued by the external valuer and in our view the Havant Bust Station was valued using an incorrect methodology, i.e. EUV rather than a DRC valuation. Furthermore, the sample tested by the local team identified an incorrect income figure used in the valuation of Beach Huts. We are currently following this up with the external valuers and the Finance team.
Pension Liability Valuation (Inherent risk)	<p>Our planned work in this area is complete. We obtained assurances from the auditors of Hampshire County Council Pension Fund that the information supplied to the actuary in relation to Havant Borough Council was accurate and complete.</p>

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The following items relating to the completion of our remaining audit procedures were outstanding at the date of this report:

- Debtors – one item pending from management in relation to debtors cut-off testing
- Creditors – three queries remaining relating to goods received but not invoiced, Solent Recreation Migration Strategy and Highways
- Grant income and capital grants and contributions – two queries outstanding relating to Additional Restrictions Grant and Community Infrastructure Levy
- Operating expenditure – housing benefits (HB) expenditure testing is nearing completion after recently receiving the outstanding HB reports
- Related party transactions – review of completeness of officers’ independence declarations
- Update of our subsequent events procedures to the date of our opinion
- Review of the final version of the financial statements
- Receipt of the signed management representation letter
- Completion of procedures required by the National Audit Office (NAO) regarding the Whole of Government Accounts submission

EYRE have provisionally scheduled additional time to review the abovementioned asset valuations in November, with a view to completing the audit by the end of December.



02

Progress Update – Value for Money



Value for money

Responding to identified risks

Where our planning work has identified a risk of significant weakness, the NAO's guidance requires us to consider what additional evidence is needed to determine whether there is a significant weakness in arrangements and undertake additional procedures as necessary, including where appropriate, challenge of management's assumptions. We are required to report our planned procedures to the Audit and Finance Committee.

Reporting on VFM

In addition to the commentary on arrangements, where we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources, the 2020 Code has the same requirement as the 2015 Code in that we should refer to this by exception in the audit report on the financial statements.

However, a requirement under the 2020 Code is for us to include the commentary on arrangements in the Auditor's Annual Report. The 2020 Code states that the commentary should be clear, readily understandable and highlight any issues we wish to draw to the Council's attention or the wider public. This should include details of any recommendations arising from the audit and follow-up of recommendations issued previously, along with our view as to whether they have been implemented satisfactorily.

Status of our 2021/22 VFM planning

Our assessment for the Council of the risk of significant weaknesses in the arrangements supporting each of the specified reporting criteria is under way. Our assessment will focus on a combination of:

- Cumulative audit knowledge and experience.
- Review of Council committee reports,
- Review of other documentary evidence available on the Council's website.
- Consideration of financial and performance reporting and outcomes for the year.
- Regular engagement with Council management.

To date we have not identified a risk of significant weakness from our regular meetings with management or attendance at the Audit and Finance Committee.



03 Future audits



Future Audits

Responding to identified risks

Lee Rowley MP wrote out to s151 officers in July regarding the challenges in local authority financial reporting and auditing. A key aspect within that letter was advocating a system reset, with one of the methods being through the application of backstop dates for audits.

The letter set out that the aim was to provide as much assurance as possible for outstanding years, reporting as normal any significant concerns on an organisation's financial controls, financial reporting as well as financial resilience, governance and risk, together with ensuring the capacity of the sector is focused on the most recent position as soon as possible.

We are waiting for further guidance on this issue, which is not an individual issue just for us in EY or specific to you. It is a system-wide issue that requires significant actions to reset and create a sustainable future for the preparation and audit of local authority accounts. We hope this guidance may be available by the date of the committee meeting, and will provide a further verbal update.

Name of Committee:	Audit & Finance Committee		
Committee Date:	30 th October 2023		
Report Title:	Internal Audit Plan 2023/24		
Responsible Officer:	Steven Pink		
Cabinet Lead:	Councillor Bowdell		
Status:	Non-Exempt		
Urgent Decision:	Yes / No	Key Decision:	Yes/ No
Appendices:	Appendix A – Internal Audit Plan 2023/24		
Background Papers:	None		
Officer Contact:	Name: Steven Pink Email: Steven.pink@havant.gov.uk		
Report Number:	HBC/043/2023		

Corporate Priorities:

Internal audit plays a vital role in helping the Council accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Executive Summary:

The Internal Audit Plan provides the mechanism through which the Chief Internal Auditor can ensure the most appropriate use of internal audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

To ensure the Internal Audit Plan is aligned to the needs of the Council, the plan has been developed following consultation with Council’s Management Team; a review of key documents including the Corporate Risk Register and updated Corporate Strategy; and our understanding of the organisation and key priorities for 2023-24.

The Internal Audit Plan is based upon the reduction of audit days and Illustrative Internal Audit Coverage agreed by the Audit and Finance Committee in July 2023. The Internal Audit Plan will remain fluid and subject to on-going review, and amended in consultation with the relevant officers, to ensure it continues to reflect the needs and capacity of the Council. Amendments to the plan will be identified through the Chief Internal Auditor’s continued contact and liaison with those responsible for the governance of the Council.

The Council’s ‘internal audit charter’ ensures the Chief Internal Auditor has sufficient resource necessary to fulfil the requirements and expectations to deliver an internal

audit opinion. Significant matters that jeopardise the delivery of the plan, or require changes to the plan will be identified, addressed and reported to the Management Team.

Recommendations:

The Audit and Finance Committee is requested to:

- A. Approve the 2023/24 annual audit plan

1.0 Introduction

- 1.1 The purpose of this paper is to provide the Audit and Finance Committee with the Internal Audit Plan for 2023-24.
- 1.2 The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities, systems or processes under review that:
 - The framework of internal control, risk management and governance is appropriate and operating effectively; and
 - Risks to the achievement of the Council's objectives are identified, assessed and managed to a defined acceptable level.

2.0 Background

- 2.1 In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation's goals. In order to provide annual assurance of the Council's framework of governance, risk and internal control, a suitable level of audit coverage is essential.
- 2.2 In January 2023, at the request of the Council's Management Team, we were asked to provide an options paper with a view to reduce audit days in order to make cost savings for the Council and reduce the officer time required to facilitate audits.

- 2.3 The Council then requested a reduction of 50 audit days per annum and received an indicative outline of audit coverage over a three-year period, which was provided as part of a draft audit plan to the Audit and Finance Committee.
- 2.4 The overall cope of the plan and the reduction in days to 250 days was approved at the Audit and Finance Committee held on 10th July 2023.
- 2.5 Following the approval of the audit charter and the number of days, the draft audit plan has been discussed with the Executive officers of the Council and refined before being presented here for final approval.

3.0 Options

- 3.1 Not applicable

4.0 Relationship to the Corporate Strategy

- 4.1 Internal audit plays a vital role in helping the Council accomplish its strategic objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

5.0 Conclusion

- 5.1 The audit plan has been carefully considered between the Southern Internal Audit Partnership in conjunction with the Executive team at Havant Borough Council and with input from portfolio holders and Cabinet members.
- 5.2 The plan will provide an appropriate level of assurance for the Council that its practices and processes are delivered in an effective and compliant manner and minimise the risk of errors or malpractice.

6.0 Implications and Comments

- 6.1 S151 Comments

The Internal Audit Coverage set the outline plan of audit work to be covered over the next 12 months. It will go to form part of a 3-year rolling plan for internal audit work and consists of an average of 250 days audit work per year.

The document shows the key areas that internal audit will focus on and the estimated number of days required to resource each area of focus.

After the separation from East Hampshire District Council, there was a need for significant internal audit work to ensure the new practices and processes were reasonable and operating effectively. However, as we move into financial year 2023/24 the scale of internal audit can move towards a more “business as usual” approach, and the number of audit days has now reduced from 300 to 250 days per year (with an associated reduction in costs) to better reflect the requirements of a smaller stand-alone authority.

It is therefore, also my recommendation that the committee approves the audit plans presented to ensure completion of the plan’s objectives by the end of the financial year.

6.2 Financial Implications

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 250 audit days and will remain fluid throughout the year to meet the changing needs and capacity of the Council.

6.3 Comments Received on Behalf of the Monitoring Officer

The Accounts and Audit Regulations state that a relevant body must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account the Public Sector Internal Auditing Standards

6.4 Equality and Diversity

Not Applicable

6.5 Human Resources

Not Applicable

6.6 Information Governance

Not Applicable

6.7 Climate and Environment

Not Applicable

7.0 Risks

- 7.1 Failure to deliver a coherent and appropriate audit plan would increase the risk of failing within the Council's service delivery.
- 7.2 The audit needs assessment follows a risk-based audit approach taking cognisance of the Council's risk register.

8.0 Consultation

- 8.1 This report has been discussed with the Council's Section 151 Officer who has regular update meetings with the Deputy Head of Southern Internal Audit partnership.

9.0 Communications

- 9.1 No applicable

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	20/10/2023
Executive Head:	Matt Goodwin	20/10/2023
Monitoring Officer:	Sarita Riley (on behalf of)	20/10/2023
Section151 Officer:	Steven Pink	19/10/2023

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Southern Internal Audit Partnership

Assurance through excellence
and innovation

HAVANT BOROUGH COUNCIL

INTERNAL AUDIT PLAN 2023-24 (Draft)

Prepared by: Antony Harvey, Deputy Head of Partnership

September 2023

Introduction

The role of internal audit is that of an:

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

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council's response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

The aim of internal audit's work programme is to provide independent and objective assurance to management, in relation to the business activities; systems or processes under review that:

- the framework of internal control, risk management and governance is appropriate and operating effectively; and
- risk to the achievement of the Council's objectives is identified, assessed and managed to a defined acceptable level.

The internal audit plan provides the mechanism through which the Chief Internal Auditor can ensure most appropriate use of Internal Audit resources to provide a clear statement of assurance on risk management, internal control and governance arrangements.

Internal Audit focus should be proportionate and appropriately aligned. The plan will remain fluid and subject to on-going review and amendment, in consultation with the relevant stakeholders to ensure it continues to reflect the needs of the Council. Amendments to the plan will be identified through the Southern Internal Audit Partnership's continued contact and liaison with those responsible for the governance of the Council.

Your Internal Audit Team

Your internal audit service is provided by the Southern Internal Audit Partnership. The strategic lead will be Antony Harvey, Deputy Head of Partnership, supported by Mark Norton, Audit Manager.

Conformance with Internal Auditing Standards

The Southern Internal Audit Partnership service is designed to conform to the Public Sector Internal Audit Standards (PSIAS). Under the PSIAS there is a requirement for audit services to have an external quality assessment every five years. In September 2020 the Institute of Internal Auditors were commissioned to complete an external quality assessment of the Southern Internal Audit Partnership against the PSIAS, Local Government Application Note and the International Professional Practices Framework (IPPF).

In selecting the Institute of Internal Auditors (IIA) a conscious effort was taken to ensure the external assessment was undertaken by the most credible source. As the authors of the Standards and the leading Internal Audit authority nationally and internationally the IIA were excellently positioned to undertake the external assessment.

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 Considering all sources of evidence the external assessment team concluded:

'The mandatory elements of the IPPF include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles. It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.'

'We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN). We are pleased to report that SIAP conform with all relevant, associated elements.'

Conflicts of Interest

We are not aware of any relationships that may affect the independence and objectivity of the team which are required to be disclosed under internal auditing standards.

Developing the Internal Audit Plan 2023-24

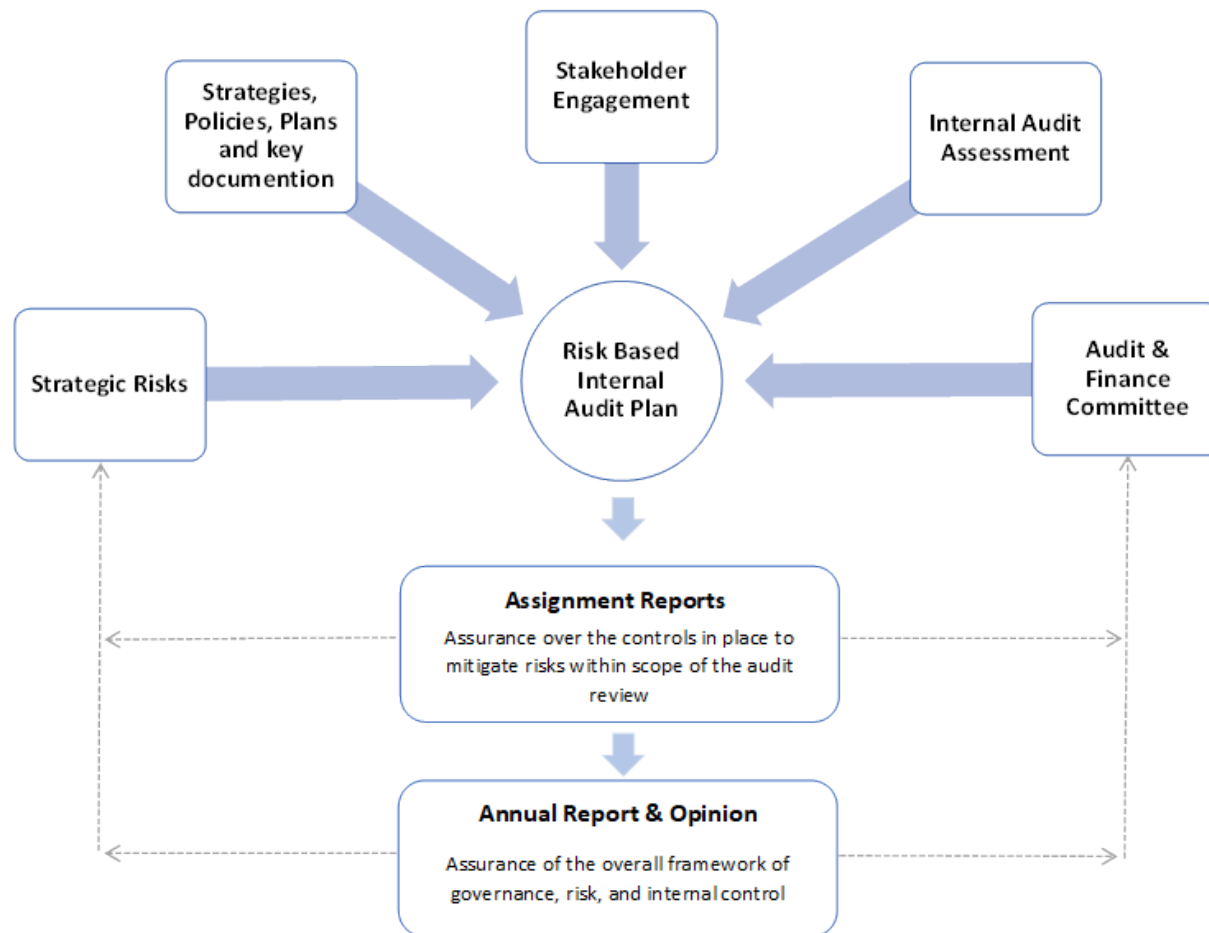
In accordance with the Public Sector Internal Audit Standards there is a requirement that internal audit establish a risk-based audit plan to determine the resourcing of the internal audit service, consistent with the organisation’s goals.

Following agreement of the Illustrative Internal Audit Coverage 23-24 to 25-26 in July 23, and based on conversations with key stakeholders, review of risk registers, key corporate documents and our understanding of the organisation, the Southern Internal Audit Partnership have developed an audit plan for the remainder of 23-24.

Audit planning is a perpetual process throughout the course of the year to ensure we are able to react to new and emerging risks and the changing needs of the organisation.

The Council are reminded that internal audit is only one source of assurance and through the delivery of our plan we will not, and do not seek to cover all risks and processes within the organisation.

We will however continue to work closely with other assurance providers to ensure that duplication is minimised, and a suitable breadth of assurance is obtained.



Internal Audit Plan 2023-24

Audit Review	Audit Sponsor	Indicative Scope	Proposed Timing
Governance			
Financial Stability	CFO	Coverage over a three-year cycle to include medium-term financial strategy; budget setting / forecasting process; and in year budget monitoring to ensure the Council achieves a balanced budget and financial stability.	Q TBC
Contract Management (Norse Governance Arrangements)	EHoC	Assurance over the governance arrangements to manage the Norse SE Environmental Services Joint Venture.	Q TBC
Property/Asset Management	EHoC	Assurance over the arrangements to manage the Council's commercial properties including the implementation of the peer review actions and proposed new Property Asset Management System. 2023-24 focus on Lease Income.	Complete
Strategic / Service Planning and Performance Management	CX	Cyclical assurance over the arrangements to ensure Strategic and Service Plan objectives are realised and performance is managed. 2023-24 focus on how the refreshed Corporate Strategy is reflected within Service Plans and performance reported accordingly.	Q4
Health and Safety	CX	Assurance that there are appropriate arrangements to manage Health and Safety with effective assessments, accountability and issue resolution.	Q TBC
Information Governance	EHoIS	<p>Cyclical assurance over the Council's Information Governance arrangements to ensure compliance with legislative requirements including:-</p> <ul style="list-style-type: none"> • Compliance with GDPR • Records management and retention • FOI / SAR / EIR <p>The 2023-24 plan includes a provision for two reviews. Information Governance (General Framework) and a detailed review of Records Management and Retention.</p>	<p>General Framework – Complete</p> <p>Records Mgmt. Q4</p>
Fraud Framework – NFI	CX	Facilitation of the Council's obligations for participation in the National Fraud Initiate.	Q1-4

Audit Review	Audit Sponsor	Indicative Scope	Proposed Timing
Human Resources	EHoIS	Assurance against key services / risk over a cyclical period, to include: <ul style="list-style-type: none"> • Workforce Strategy • Performance Management • Absence Management • Recruitment • Training & Development • Use of Agency Staff (2023-24 focus) • Use of Volunteers 	Q3
IT			
Cyber Awareness	EHoC	Review of the arrangements to ensure all staff are aware of their obligations for maintaining cyber security.	Q3-4
Cloud Provisioning	EHoC	Assurance over the framework and associated due diligence checks for moving systems to the cloud.	Q4
Finance			
Benefits	EHoC	Cyclical review as a key financial system.	Complete
Accounts Receivable/Debt Management	CFO	Cyclical review as a key financial system.	Q TBC
Service Reviews			
Homelessness	EHoR&C	Assurance over the arrangements to prevent homelessness and rough sleeping / reduce temporary accommodation usage.	Q TBC
Parking and Enforcement	EHoR&C	Assurance over the processes and systems to manage the Council's statutory obligations for Parking and Enforcement, including income collection.	Q TBC
Management		SIAP reports to HBC. Follow-up of agreed actions. Audit forward planning. Liaison	Q1 – Q4

Name of Committee:	Audit & Finance Committee		
Committee Date:	30 th October 2023		
Report Title:	Treasury Management Reports – Outturn 22/23 and Mid-year 23/24		
Responsible Officer:	Steven Pink		
Cabinet Lead:	Councillor Bowdell		
Status:	Non-Exempt		
Urgent Decision:	Yes / No	Key Decision:	Yes/ No
Appendices:	Appendix A – Annual Treasury Management Outturn Report 2022/23 Appendix B - Annual Treasury Management Mid-Year Report 2023/24		
Background Papers:	None		
Officer Contact:	Name: Kimberley Churchill Email: Kimberley.churchill@havant.gov.uk		
Report Number:	HBC/044/2023		

Corporate Priorities:

The financial performance of the authority’s budget and treasury management performance has an overarching impact on all corporate priorities and the council’s ability to deliver against them.

Executive Summary:

The council is required to receive and approve as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals including:

- Prudential and treasury indicators
- Mid-year treasury management report – this will update on the progress of the capital position, prudential indicators and whether any policies require revision.
- An annual treasury report – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to estimates within the strategy.

Recommendations:

Cabinet is requested to note:

- A. 2022/23 Treasury Management Outturn Report (Appendix A)
- B. 2023/24 Treasury Management Mid-Year Report (Appendix B)

1.0 Introduction

- 1.1 This paper is submitted to Audit and Finance Committee to note the 2022/23 Treasury Management outturn position and 2023/24 mid-year position.

2.0 Background

- 2.1 Treasury management is defined as: “The management of the local authority’s borrowing, investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”
- 2.2 The council operates a balance budget, which broadly means cash raised during the year will meet its expenditure. Part of the treasury management function is to ensure this cash flow is adequately planned, with surplus monies being invested in low-risk counterparties, providing adequate liquidity initially before considering optimising investment return.
- 2.3 The second main function of the treasury management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning to ensure the Council can meet its capital spending operations. This management of longer-term cash may involve arranging long or short-term loans, or using longer term cash flow surpluses, and on occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 2.4 In line with the Code and the requirement of the Council’s Treasury Management Strategy, this report provides an update on the borrowing, investments and cash flows, money market and capital market activities for the financial year ended 31st March 2023, and a

mid-year position as at 30th September 2023.

3.0 Options

3.1 Not applicable

4.0 Relationship to the Corporate Strategy

4.1 Investment Income is additional income to the council used to balance the budget, this supports the delivery of the corporate strategy.

5.0 Conclusion

5.1 There has been one non-compliance of our own Treasury Management limits following the investment in a Bond during October 2022. This has since been rectified in the 2023/24 Treasury Management Strategy.

5.2 Otherwise, the Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy

6.0 Implications and Comments

6.1 S151 Comments

The appropriate management of our cash reserves is a vital function of the Council. We have taken professional guidance on setting our risk appetite and only invest in highly secure sources as defined in our Treasury Management Strategy and supported by our independent professional advisors. These risks are reviewed regularly during the year to ensure compliance whilst maximising our investment opportunities.

The returns received have been vital in supporting budget during the year but cannot be relied upon long-term as they are exposed to the fluctuations in Bank of England's base rate of interest and are dependant on the size of our cash balances which will likely reduce as certain projects are undertaken and some our of cash is spent.

6.2 Financial Implications

The report itself does not impact directly any financial implications, but clearly the Treasury Management Strategy it refers to will have a

significant financial impact if any major changes are made in the future.

6.3 Comments Received on Behalf of the Monitoring Officer

The CIPFA Code of Practice on Treasury Management requires the production of performance indicators, a Treasury Management statement and regular reporting of Treasury Management activities.

6.4 Equality and Diversity

Not Applicable

6.5 Human Resources

Not Applicable

6.6 Information Governance

Not Applicable

6.7 Climate and Environment

Not Applicable

7.0 Risks

7.1 Failure to understand the content of this report could mean the Council does not appreciate the value and impact that the current Treasury Management Strategy and its application is/has had on the Council's budget.

7.2 The report plays a vital role in ensure strong oversight of the use of the Council's cash reserves and that they are being invested appropriately and protected to prevent misuse, poor decision or fraud.

8.0 Consultation

8.1 Not applicable

9.0 Communications

9.1 No applicable

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	20/10/2023
Executive Head:	Matt Goodwin	20/10/2023

Monitoring Officer:	Sarita Riley (on behalf of)	20/10/2023
Section151 Officer:	Steven Pink	19/10/2023

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Appendix A – Annual Treasury Management Outturn 2022/23

1. Introduction

The council has adopted the Chartered Institute of Public Finance and Accountancy *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the council to approve treasury management semi-annual and annual reports.

The council's treasury management strategy for 2022/23 was approved at a meeting on 23rd February 2022. The council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the council's treasury management strategy.

The 2021 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The council's Capital Strategy, complying with CIPFA's requirement, was approved by Council on 23rd February 2022.

2. Local Context

On 31st March 2023, the council had net investments of £48.2m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Estimate £m
General Fund CFR	12,884
Less: External Borrowing	-3,052
Internal Borrowing	9,832
Less: Usable Reserves	-43,220
Less: Working Capital Position	-14,817
Net Debt (Investments)	-48,205

The treasury management position at 31st March 2023 and the change during the year is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.03.2022 £	Movement	31.03.2023 £	31.03.23 Rate %
Long-term borrowing	2,921	-100	2,821	4.04%
Short-term borrowing	237	-6	231	4.04%
Total borrowing	3,158	-106	3,052	
Long-term investments	0	8,593	8,593	
Short-term investments	0	30,259	30,259	4.33%
Cash & cash equivalents	54,489	-45,143	9,346	1.48%
Total investments	54,489	-6,291	48,198	
Net borrowing/(investments)	-51,331	6,185	-45,146	

Borrowing

The council did not borrow to invest primarily for commercial return in this period.

Borrowing Update

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions for the council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

Borrowing Strategy and Activity

As outlined in the treasury strategy, the council's chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the councils long-term plans change being a secondary objective. The councils borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

The cost of both long- and short-term borrowing rose dramatically over the year, with rates at the end of March 2023 around 2% - 4% higher than those at the beginning of April 2022. Rates have been driven primarily by inflation and the need for central banks to control this by raising interest rates. Particularly dramatic rises were seen in September after Liz Truss' 'mini budget' included unfunded tax cuts and additional borrowing to fund consumer energy price subsidies: over a twenty-four period some PWLB rates increased to 6%. Rates have now fallen from September peaks but remain volatile and well above recent historical norms. The PWLB 10-year maturity

certainty rate stood at 4.33% on 31st March 2023, 20 years at 4.70% and 30 years at 4.66%.

As at 31st March 2023 the council held £3.052m, a decrease of £0.106m from 31st March 2022. This relates to a loan with the PWLB, with an interest rate of 4.04% for a 30-year period, the council took no further borrowing in 2022/23.

Treasury Investment Activity

CIPFA published a revised Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes on 20th December 2021. These define treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The council holds invested funds, representing income received in advance of expenditure plus balances and reserves held.

The investment position is shown below.

Table 3: Treasury Investment Portfolio

	31.03.22 £m	Net Movement £m	31.03.2023 £m	31.03.23 Income Return %	31.03.23 Weighted Ave Maturity days
Banks & Building societies (unsecured)	54,489	-45,143	9,346	1.48%	1
Local Authorities (short-term)	0	30,259	30,259	4.33%	293
Bonds (long-term)	0	2,593	2,593	4.34%	1,574
Funds (long-term)	0	6,000	6,000	2.36%	-
Total investments	54,489	-6,291	48,498	4.06%	

Both the CIPFA Code and government guidance require the council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

Bank Rate has increased from 0.75% at the beginning of the year to 4.25% at the end of March 2023. Short dated cash rates, which had ranged between 0.7% - 1.5% at the beginning of April, rose by around 3.5% for overnight/7-day maturities and 3.3% for 6-12 month maturities.

Given the risk of short-term unsecured bank investments, the council has invested more with Local Authorities which are more secure with similar yield rates as banks, as shown in the table above.

The progression of risk and return metrics are shown in the extracts from Arlingclose quarterly investment benchmarking in the table below.

Table 4: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Average Maturity (days)	Rate of Return %
31.03.2023	4.85	A+	22%	278	3.90%
Similar LAs	4.74	A+	63%	56	0.59%
All LAs	4.72	A+	59%	13	1.61%

The change in the council's funds' capital values and income earned over the 12-month period is shown in Table 3.

Because these funds have no defined maturity date, but are available for withdrawal after a notice period, their performance and continued suitability in meeting the council's medium- to long-term investment objectives are regularly reviewed. Strategic fund investments are made in the knowledge that capital values will move both up and down on months, quarters and even years; but with the confidence that over a three- to five-year period total returns should exceed cash interest rates.

The council had budgeted £0.225m income from these investments in 2022/23. Income received was £0.390m, with a further £0.310m due to be received in 2023/24.

The DLUHC published a consultation on the IFRS 9 pooled investment fund statutory override for English authorities for fair value gains and losses on pooled investment funds which was due to expire with effect from 2023/24. The options under evaluation were to allow the override to lapse, to extend it, or to make it permanent. The override will be extended for two years and therefore remain in place for the 2023/24 and 2024/25 financial years. Under the Regulations, gains and losses resulting from unrealised fair value movements relating to treasury pooled investment funds, that otherwise must be recognised in profit or loss under IFRS 9, are not charges to the revenue account, and must be taken into an unusable reserve account.

Non-Treasury Investments

The definition of investments in CIPFAs revised 2021 Treasury Management Code covers all the financial assets of the council as well as other non-financial assets which the council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also broadens the definition of investments to include all such assets held partially or wholly for financial return.

The council held £38m of investments in investment properties. These investments generated £1.290m of investment income for the council after taking account of direct costs.

Treasury Performance

The council measures the financial performance of its treasury management activities in terms of its impact on the revenue budget as shown in the table below.

Table 5: Performance

	Actual £000	Budget £000	Variance £000	Actual %
Interest Payable	126	134	-8	5.97%
Interest Receivable	-700	-225	-475	211%

Compliance

Table 6: Debt Limits

	2022/23 Maximum	31.03.23 Actual	2022/23 Operational Boundary	2022/23 Authorised Limit	Complied?
Borrowing	3,158	3,052	143,000	145,000	Yes

Since the operational boundary is a management tool for in-year monitoring, it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure. In any case, borrowing in the financial year was below the operational boundary.

Table 7: Investment Limits

	2022/23 Maximum	31.3.23 Actual	2022/23 Limit	Complied?
DMAF UK Government	-	-	£30m	Yes
UK Government gilts	-	-	20%	Yes
UK Government Treasury bills	-	-	20%	Yes
Money Market Funds	-	-	£10m per fund £25m limit	Yes
Term Deposits with UK banks	£5m	£5m	20% per bank	Yes

Councils Banker	£57.8m	£4.4m	100%	Yes
Strategic pooled funds	£6m	£6m	£15m	Yes
Deposits with Local Authorities	£30m	£30m	£13m per LA	Yes
Real Estate Investment Trusts	-	-	£15m	Yes
Loans to Registered Providers	-	-	20%	Yes
Bonds	£2.5m	£2.5m	N/A	No

A bond investment was entered in to towards the end of the 2022/23 financial year and whilst this was not compliant with our investment limits at the time, the investment was made within an acceptable risk appetite, alongside the advice of our external Treasury Advisors. The investment limits were updated to include Bonds in the 2023/24 refresh of the Treasury Management Strategy.

Treasury Management Indicators

Principal Sums Invested for Periods Longer than a year

The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the long-term principal sum invested to final maturities beyond the period end were:

	Within 1 Year	Between 1 and 2 Years	2+ Years
Limit on principal Invested	Unlimited	£0	£15m
Actual principal invested	£52m	£0	£8.587m
Complied?	Yes	Yes	Yes

Interest Rate Exposures

The purpose of this indicator is to limit the council's risk of reduced investment arising from exposure or lack of exposure to interest rate movements. The council set purposely wide limits in 2022/23 due to changes it was making to its investment strategy.

	2022/23 Actual	2022/23 Limit	Complied?
Fixed Rate Exposure	5.38%	100%	Yes
Variable Rate Exposure	94.62%	100%	Yes

Appendix B – Annual Treasury Management Mid-Year 2023/24

1. Introduction

The council has adopted the Chartered Institute of Public Finance and Accountancy *Treasury Management in the Public Services: Code of Practice* (the CIPFA Code) which requires the council to approve treasury management semi-annual and annual reports.

This report includes the new requirement in the 2021 Code, mandatory from 1st April 2023, of quarterly reporting of the treasury management prudential indicators. The non-treasury prudential indicators are incorporated in the Authority's normal quarterly budget reporting.

The Authority's treasury management strategy for 2023/24 was approved at a Council meeting on 22nd February 2023. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk remains central to the Authority's treasury management strategy.

2. Local Context

On 31st March 2023, the council had net investments of £48.2m arising from its revenue and capital income and expenditure. The underlying need to borrow for capital purposes is measured by the Capital Financing Requirement (CFR), while usable reserves and working capital are the underlying resources available for investment. These factors are summarised in Table 1 below.

Table 1: Balance Sheet Summary

	31.3.23 Actual £m	31.03.24 Forecast £m
General Fund CFR	12,884	12,649
Less: External Borrowing	-3,052	-2,946
Internal Borrowing	9,832	9,703
Less: Usable Reserves	-43,220	-43,220
Less: Working Capital Position	-14,817	-14,817
Net Debt (Investments)	-48,205	-48,334

The treasury management position at 30th September and the change over the six months' is shown in Table 2 below.

Table 2: Treasury Management Summary

	31.3.23 Balance £000	Movement £000	30.9.23 Balance £000	30.9.23 Rate %
Long-term borrowing	2,821	-	2,821	4.04%
Short-term borrowing	231	- 53	178	4.04%
Total borrowing	3,052	- 53	2,999	0
Long-term investments	8,593	- 292	8,301	
Short-term investments	30,259	4,741	35,000	4.86%
Cash and cash equivalents	9,346	7,369	16,715	1.90%
Total investments	48,198	11,818	60,016	0
Net [borrowing / investments]	- 45,146	- 11,871	- 57,017	

Borrowing

The council did not borrow to invest primarily for commercial return in this period.

Borrowing Update

CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions for the council. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes.

Borrowing Strategy and Activity

As outlined in the treasury strategy, the councils chief objective when borrowing has been to strike an appropriately low risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the councils long-term plans change being a secondary objective. The councils borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio and, where practicable, to maintain borrowing and investments below their underlying levels, sometimes known as internal borrowing.

There was a substantial rise in the cost of both short and long-term borrowing over the last 18 months. Bank Rate rose by 1% from 4.25% at the beginning of April to 5.25% at the end of September. Bank Rate was 2% higher than at the end of September 2022.

As at 30th September the council held £2.999m of loans, a decrease of £0.053m from 31st March 2023. This relates to a loan with the PWLB, with an interest rate of 4.04% for a 30-year period.

Treasury Investment Activity

The CIPFA Treasury Management Code now defines treasury management investments as those investments which arise from the Authority's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

The Authority holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During the half year, the Authority's investment balances ranged between £38.6m and £43.6m to timing differences between income and expenditure. The investment position is shown in table 3 below.

Table 3: Treasury Investment Position

	31.3.23 Balance £000	Net Movement £000	30.9.23 Balance £000	30.9.23 Income Return %	30.9.23 Weighted Ave Maturity Days
Banks & building societies (unsecured)	9,346	7,369	16,715	1.90%	1
Local authorities and other govt entities	30,259	4,741	35,000	4.86%	338
Bonds (Long Term)	2,593	-13	2,580	4.34%	1,391
Funds (Long Term)	6,000	- 279	5,721	4.65%	-
Total investments	48,198	11,818	60,016		

Both the CIPFA Code and government guidance require the Authority to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Authority's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income.

As demonstrated by the liability benchmark in this report, the Authority expects to be a long-term investor and treasury investments therefore include both short-term low risk instruments to manage day-to-day cash flows and longer-term instruments where limited additional risk is accepted in return for higher investment income to support local public services.

Bank Rate increased by 1% from 4.25% at the beginning of April to 5.25% by the end of September. Short-dated cash rates rose commensurately, with 3-month rates rising to around 5.25% and 12 month rates to nearly 6%.

The progression of risk and return metrics are shown in the extracts from Arlingclose's quarterly investment benchmarking in Table 4 below.

Table 4: Investment Benchmarking

	Credit Score	Credit Rating	Bail-in Exposure	Weighted Ave Maturity (days)	Rate of Return %
31.03.2023	4.79	A+	13%	310	4.16%
30.09.2023	4.72	A+	48%	179	5.29%
Similar LAs	4.43	AA-	57%	63	3.52%
All LAs	4.47	AA-	59%	13	3.67%

Externally Managed Pooled Funds

£5.7m of the Authority's investments is invested in externally managed strategic pooled funds where short-term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long-term price stability.

These funds generated an average total return of -£0.08m (-1.37%), comprising a £0.155m (2.7%) income return which is used to support services in year, and £-0.233 (-4.07%) of unrealised capital loss.

Statutory Override

In April 2023 the Department for Levelling Up, Housing and Communities published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for two years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Authority will discuss with Arlingclose the implications for the investment strategy and what action may need to be taken.

Non-Treasury Investments

The definition of investments in the Treasury Management Code now covers all the financial assets of the Authority as well as other non-financial assets which the Authority holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and or for commercial purposes (made primarily for financial return).

Investment Guidance issued by the Department for Levelling Up Housing and Communities (DLUHC) and Welsh Government also includes within the definition of investments all such assets held partially or wholly for financial return.

The Authority held £38m of investments made for commercial purposes in directly owned property.

Treasury Performance

	23/24 Estimate £000	23/24 Budget £000	Variance £000
Interest Payable	123	134	- 11
Interest Receivable	- 2,150	- 1,225	- 925

3.Compliance

The Chief Finance Officer reports that all treasury management activities undertaken during the year complied fully with the principles in the Treasury Management Code and the Authority's approved Treasury Management Strategy. Compliance with specific investment limits is demonstrated in table 5 below.

Table 5: Investment Limits

	2023/24 Maximum	31.09.23 Actual	2023/24 Sector Limit	Complied?
The UK Government	-	-	n/a	Yes
Local authorities & other government entities	£35m	£35m	Unlimited	Yes
Secured Investments	-	-	Unlimited	Yes
Banks (unsecured)	£16.7m	£16.7m	Unlimited	Yes
Building Societies (unsecured)	-	-	£5m	Yes
Registered Providers (unsecured)	-	-	£13m	Yes
Money Market Funds	-	-	Unlimited	Yes
Strategic Pooled Funds	£5.7m	£5.7m	£26m	Yes
Real estate investment trusts	-	-	£13m	Yes
Other investments (bonds)	£2.6m	£2.6m	£5m	Yes

Compliance with the Authorised Limit and Operational Boundary for external debt is demonstrated in table 6 below.

Table 8: Debt and the Authorised Limit and Operational Boundary

	2023/24 Maximum £000	30.9.23 Actual £000	2023/24 Operational Boundary £000	2023/24 Authorised Limit £000	Complied?
Borrowing	3,052	2,999	25,000	25,000	Yes

Treasury Management Prudential Indicators

As required by the 2021 CIPFA Treasury Management Code, the Authority monitors and measures the following treasury management prudential indicators.

Asset Benchmark

The asset benchmark is an important tool to help establish whether the council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The asset benchmark itself represents an estimate of the cumulative amount of investment balances the council must hold on to fund its current capital and revenue plans.

	31.03.23 Actual £000	31.03.24 Forecast £000	31.03.25 Forecast £000	31.03.26 Forecast £000
Loans CFR	12,884	12,649	12,414	12,179
External Borrowing	- 3,052	- 2,900	- 2,800	- 2,700
Internal (over) Borrowing	9,832	9,749	9,614	9,479
Balance Sheet Resources	- 58,000	- 52,800	- 50,500	- 50,500
Investments (new borrowing)	48,168	43,051	40,886	41,021

	31.03.23 Actual £000	31.03.24 Forecast £000	31.03.25 Forecast £000	31.03.26 Forecast £000
Treasury Investments	48,168	43,051	40,886	41,021
New Borrowing	-	-	-	-
Net investment requirement	45,100	40,200	38,100	38,400
Liquidity allowance	- 10,000	- 10,000	- 10,000	- 10,000
Asset benchmark	35,100	30,200	28,100	28,400

The council has an asset benchmark rather than a liability benchmark as it does not have a borrowing requirement. The asset benchmark is a useful tool to understand the council's investment horizon.

Maturity Structure of Borrowing

This indicator is set to control the council's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were:

	Upper Limit	Lower Limit	30.9.23 Actual	Complied?
Under 12 months	50%	0%	3.72%	Yes
12 months and within 24 months	50%	0%	3.88%	Yes
24 months and within 5 years	50%	0%	12.60%	Yes
5 years and within 10 years	50%	0%	24.68%	Yes
10 years and above	100%	100%	55.12%	

Long-term Treasury Management Investments

The purpose of this indicator is to control the council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management limits are:

	2023/24 £000	2024/25 £000	2025/26 £000	No fixed date £000
Limit on principal invested beyond year end	20,000	20,000	20,000	10,000
Actual principal invested beyond year end	8,301	8,593	8,593	-
Complied?	Yes	Yes	Yes	Yes

Long-term investments with no fixed maturity date include strategic pooled funds, real estate investment trusts and directly held equity but exclude money market funds and bank accounts with no fixed maturity date as these are considered short-term.

Interest Rate Exposures

This indicator is set to control the council's exposure to interest rate risk. Bank Rate rose by 1.25% from 4.25% on 1st April to 5.25% September.

	2023/24 Target	30.9.23 Actual	Complied?
Upper limit on one-year revenue impact of a 1% <u>rise</u> in interest rates	471,000	361,470	Yes
Upper limit on one-year revenue impact of a 1% <u>fall</u> in interest rates	-371,000	-361,470	Yes

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Name of Committee:	Audit & Finance Committee		
Committee Date:	30 th October 2023		
Report Title:	Financial Conduct Policies Review		
Responsible Officer:	Steven Pink		
Cabinet Lead:	Councillor Bowdell		
Status:	Non-Exempt		
Urgent Decision:	Yes / No	Key Decision:	Yes/ No
Appendices:	Appendix A – Whistle Blowing Policy Appendix B – Anti-Fraud and Corruption Policy Appendix C – Anti-Bribery Policy Appendix D – Anti Money Laundering Policy		
Background Papers:	None		
Officer Contact:	Name: Steve Pink Email: Steven.pink@havant.gov.uk		
Report Number:	HBC/045/2023		

Corporate Priorities:

These policies are of vital importance to help protect the integrity of the Council and its operations. They also protect the finances by providing a rigorous framework to support the appropriate use of council taxpayers' money.

Executive Summary:

Havant Borough Council has a number of financial conduct related policies. Following best practice guidelines, these need to be reviewed every year to ensure they are up-to-date and remain relevant.

The following 4 policies have recently been reviewed:

- Whistle Blowing Policy
- Anti-Money Laundering Policy
- Anti-Bribery Policy
- Anti-Fraud and Corruption Policy

All have been updated into our new Policy format with some minor amendments but no major changes were found to be required.

Recommendations:

The Audit and Finance Committee is requested to:

- A. Approve the updated Whistle Blowing Policy.
- B. Approve the updated Anti-Fraud and Corruption Policy
- C. Approve the updated Anti-Bribery Policy
- D. Approve the updated Anti Money Laundering Policy

1.0 Introduction

- 1.1 This paper is submitted to Audit and Finance Committee to introduce the updated list of Financial Conduct policies for oversight and scrutiny before being approved and adopted.
- 1.2 It is vital that the Council has an appropriate policy to cover each of the four areas of financial conduct and whistle blowing.
 - It is worth pointing out that the whistle blowing policy is not just financial, it covers a far greater scope.
- 1.3 It is also important to ensure not only that these policies are in place, but that they are well communicated, understood and adhered to if/when the circumstances are required.

2.0 Background

- 2.1 Following best practice guidelines (under professional bodies guidance, such as CIPFA, ACAS, the LGA etc) Havant Borough Council has a number of policies in place to protect against malpractice and financial and regulatory negligence or misconduct.
- 2.2 Whilst there is no legal requirement to have these policies in place, the processes and actions within them do require the Council to follow specific legal requirements.

- 2.3 These policies are required to be reviewed on an annual basis and amended for any changes in legislation and the deadline for review of the four policies presented here are now overdue.

3.0 Options

- 3.1 Not applicable

4.0 Relationship to the Corporate Strategy

- 4.1 Having strong policies, processes and guidance helps to promote a responsible and transparent Council with high standards of integrity and support the Council being a employer of choice to work for.

5.0 Conclusion

- 5.1 The pre-existing policies were already inclusive of the latest guidance and regulation and no major changes were required.
- 5.2 The policies have been updated into a new standardised format and now include some additional governance elements to capture version control and review dates.
- 5.3 The policies present continue to ensure that the Council is meeting current best practise standards and help to provide assurance that everything is being done minimise any risks associated with the area's they cover.

6.0 Implications and Comments

- 6.1 S151 Comments

It is essential that the Council has current and appropriate measures to combat, prevent, identify and rectify all potential acts of misconduct covered under the policies listed. These policies are vital in protecting the integrity of the Council and to protect the finances of the organisation.

The Audit and Finance Committee should consider it a key priority in their role to be confident that these policies are appropriate for the Council and will deliver the objectives that they are required to achieve.

6.2 Financial Implications

None

6.3 Monitoring Officer Comments

It is the role of the Audit and Finance Committee to approve and monitor Council policies relating to whistleblowing and anti-fraud and corruption.

6.4 Legal Implications

The updates to the reports are minimal in nature. The legal implications of the adoption of the policies were considered at the relevant time. It is good practice to keep policies under review to ensure that they continue to reflect best practice.

6.5 Equality and Diversity

These policies comply with our internal Equality and Diversity policy and practises where applicable.

6.6 Human Resources

These policies have been considered in line with current HR policies and best practise.

6.7 Information Governance

These policies have been considered in line with current information and governance guidelines.

6.8 Climate and Environment

These policies have no impact in this area.

7.0 Risks

7.1 Failure to implement and approve appropriate policies could lead to significant breaches of conduct, bribery or fraud occurring, Damaging the vital financial resources of the Council and it's reputation.

8.0 Consultation

8.1 Not applicable

9.0 Communications

9.1 No applicable

Agreed and signed off by:		Date:
Cabinet Lead:	Cllr N Bowdell	20/10/2023
Executive Head:	Matt Goodwin	20/10/2023
Monitoring Officer:	Jo McIntosh	19/10/2023
Section151 Officer:	Steven Pink	19/10/2023

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Whistle Blowing Policy

Author	Steven Pink – Chief Finance Officer (S151)
Approved by	Audit & Finance Committee
Approval date	30 th October 2023
Review date	30 th October 2024

1. Purpose

- 1.1 The policy is designed to support the company's values, ensure employees can raise concerns without fear of suffering retribution, and provide a transparent and confidential process for dealing with concerns.

2. Scope

- 2.1 The scope of the Whistleblowing Policy includes, but is not limited to, complaints, reports, or disclosure of information for acts involving actual or suspected violations of Company code of conduct, Company policies, criminal or unlawful acts or omissions, and instances when an act or omission endangers the health and safety of the employees. The policy is applicable to all employees, permanent or contractual, of the company.

3. Introduction

- 3.1 The Council is committed to achieving the highest possible standards of openness, probity and accountability in all of its practices. This policy has been introduced to help you raise a concern you may have about malpractice such as fraud, a danger to health, safety or the environment or a crime, in the right way and without fear.



Whistle Blowing Policy

- 3.2 We all occasionally have concerns about what is happening at work. Usually, these concerns are easily resolved. However, when the concern is about malpractice, it can be difficult to know what to do. You may feel worried about raising an issue and decide to keep your concern to yourself, perhaps feeling that it is none of your business or that it's only a suspicion. Or you may feel that raising the matter would be disloyal to colleagues, managers or the Council itself. Perhaps you have tried to raise the matter but found out you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.
- 3.3 The Council would prefer that you raise any concerns about malpractice at an early stage when it is just a concern, rather than wait for proof. This policy has been introduced to help you raise any concern about malpractice in the right way. It explains the routes open to all Council staff, including employees, temporary workers, agency staff and people working for sub-contractors. This policy does not replace the Council's complaints procedure which is open to all members of the public.
- 3.4 If you have a concern about fraud or corruption, please see the Anti-Fraud and Corruption Policy. If, however, you want to bring a complaint, please use the Grievance Procedure. This whistle blowing policy is primarily for a concern which affects the interests of others such as service users, the public, colleagues or the Council itself. e.g.
- Conduct which is an offence or a breach of law.
 - Disclosures related to miscarriages of justice.
 - Health and safety risks, including risks to the public as well as other employees.
 - Information risk including unauthorised disclosure of information held by the Council.
 - Damage to the environment. [LINK SHOWING EXAMPLES](#)
 - The unauthorised use of public funds.
 - Possible fraud and corruption (see the anti-fraud and corruption plan).
 - Sexual or physical abuse of clients, or
 - Other unethical conduct.

OUR ASSURANCES TO YOU

The Council is committed to this policy.



Whistle Blowing Policy

Your safety

- 3.5 We recognise that it may be difficult to raise a concern. The Council will not tolerate the harassment or victimisation of anyone who has raised a concern in good faith. If you feel that this is happening to you, please tell us and we will treat such conduct seriously. The Council will encourage its contractors to do the same. Provided that you raise a concern honestly, you will not be at risk of losing your job or suffering any form of retribution for doing so even if you are mistaken.
- 3.6 Of course, we do not extend this assurance to someone who maliciously raises a matter they know is untrue and such conduct may be liable to disciplinary action. Furthermore, if disciplinary action or redundancy procedures have already been started, raising a concern will not, of itself, halt them.

Your Confidence

- 3.7 With these assurances, we hope you will raise your concern openly and in the normal way. However, we recognise that there may be some circumstances when you would prefer to speak to someone in confidence. If so, please say when you approach them.
- 3.8 Keeping your confidence means that if you ask us not to disclose your identity, we will not do so without your consent or unless we are legally required to do so. You should understand that there may be times when we are unable to resolve a concern without revealing your identity, for example where your personal evidence is essential. In such cases, we will discuss with you whether and how the matter can best proceed.

Anonymity

- 3.9 Please remember that if you do not tell us who you are it will be much more difficult for us to look into the matter. We will not be able to protect your position or to give you feedback. Accordingly, you should not assume we can provide the assurances we offer in the same way if you report a concern anonymously.
- 3.10 If you are unsure about raising a concern openly or in confidence, you can get independent advice from Public Concern at Work on 0207 404 6609.



Whistle Blowing Policy

4. How to raise a concern

4.1 Please remember that you do not need to have firm evidence of malpractice before raising a concern. However, we do ask that you explain as fully as you can the information or circumstances that gave rise to your concern. Remember the earlier you raise a concern the easier it is to resolve it. Your concerns may be about:

- That which makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to; or
- is against the Council's Constitution and policies; or
- Falls below established standards of practice; or
- Amounts to improper conduct.

Step One

We hope that you will feel able to raise your concern openly with your manager. This may be done orally or, if you prefer, in writing.

Step Two

If you feel unable to raise the matter with your manager for whatever reason, or if you think the concern has not been properly addressed, please raise it with a senior manager in your area or one of the following officers: Monitoring Officer Internal Audit.

Step Three

If you still have a concern, or feel that the matter is so serious that it cannot be dealt with through steps One and Two, then please raise it with:

Chief Executive
Executive Directors
Heads of Service.

These people have been given special responsibility and training in dealing with whistle blowing concerns and in particular the Public Interest Disclosure Act 1998.



Whistle Blowing Policy

- 4.2 If you want to raise the matter in confidence, please say so at the outset so that appropriate arrangements can be made.
- 4.3 You may invite your trade union representative or a colleague to be present during any meetings or interviews in connection with the concerns you have raised.

5. How we will handle the matter

- 5.1 Once you have told us of your concern, we will confirm to you in writing that we have received it. We will then assess it and consider what action may be appropriate. This may involve an informal review, an internal enquiry or a more formal investigation. We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you. Remember, our Employee Assistance Programme (EAP) is also there to help you if you feel you need any support. We will write to you summarising your concern and setting out how we propose to handle it. If we have misunderstood the concern or there is any information missing, please let us know.
- 5.2 We will try to establish, with you, how we can best preserve your privacy and how to communicate with you about your concern. We cannot guarantee that people may not either guess or deduce from other circumstances that it is you who expressed the concern.
- 5.3 When you raise the concern, it will be helpful to know if you have ideas about how the matter might best be resolved. If you have any personal interest in the matter, we do ask that you tell us at the outset. If we think your concern falls more properly within the Grievance Procedure, we will tell you.
- 5.4 We accept that you may want to be assured that the matter has been properly addressed and whenever possible, we will give you feedback on the outcome of any investigation. Please note, however, that we may not be able to tell you about disciplinary or other action, when it infringes a duty of confidence, we owe to third parties.
- 5.5 If you report a concern to your line manager and it is not satisfactorily explained at the time, it must be referred by the Manager in writing to the Monitoring Officer, or in his absence, the Deputy Monitoring Officer. The Monitoring Officer will acknowledge it in writing within two working days. If you do not hear you may approach the Monitoring Officer, directly.



Whistle Blowing Policy

- 5.6 While we cannot guarantee that we will respond to all matters in the way that you might wish, we will handle the matter fairly and properly. By using this policy, you will help us to achieve this.

6. Independent advice

- 6.1 If you are unsure whether to use this policy or you want independent advice at any stage, free advice is available from:
- Your Trade Union if applicable
 - Public Concern at Work either by telephone on 020 7404 6609, or by email at helpline@pcaw.co.uk
- 6.2 If you want advice from other sources, you will have to meet any expenses incurred.

7. External contacts

- 7.1 While we hope this policy gives you the reassurance you need to raise a concern internally, we recognise that there may be circumstances where you can properly report matters to outside bodies, such as to the Audit Commission or other appropriate regulator, or in very serious situations, to the police. If you do so, be careful not to disclose confidential or privileged information.
- 7.2 Public Concern at Work (or, if applicable, your union) will be able to advise you on such an option and on the circumstances in which you may be able to contact an outside body safely.



Whistle Blowing Policy

8. Administration

- 8.1 If you have any questions about the whistle blowing policy and how it applies, you can contact the Head of Organisational Development or the Monitoring Officer who will be pleased to answer your questions.
- 8.2 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy and will report to the Overview and Scrutiny Committee as part of its overall governance and risk management function. The Monitoring Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger staff confidentiality).
- 8.3 This policy was drafted in consultation with Public Concern at Work, taking into account the Public Interest Disclosure Act 1998 which protects genuine whistle blowers. A summary of the Act can be found at www.pcaw.co.uk/legislation
- 8.4 This policy will be reviewed annually by the Governance & Audit Committee.

See also:

The Anti-Fraud and Corruption Policy and Response Plan

The Complaints Policy

The Councillors' Code of Conduct

The Officer Code of Conduct

The Council's Grievance Procedure Employee Assistance Programme (EAP)

Version control record

Version number	Date	Author / reviewer	Comments / changes
V0.1	10/10/2023	Steven Pink	Review and update of existing policy



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Anti-Fraud and Corruption Policy

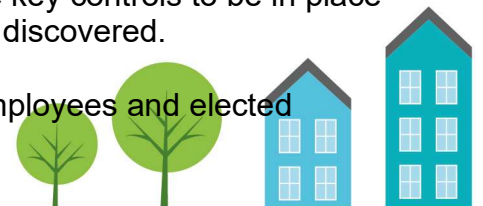
Author	Steven Pink – Chief Finance Officer (S151)
Approved by	Audit & Finance Committee
Approval date	30th October 2023
Review date	30th October 2024

1. Purpose

- 1.1 The policy is designed to support the Council's expectation of propriety and accountability, and that Councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices.
- 1.2 In all their work, they must adhere to the General Principles of Conduct listed in section 4.
- 1.3 The Council also expects that individuals and organisations (e.g. suppliers, contractors, service providers) with whom it comes into contact will act towards the Council with integrity and without thought or actions involving fraud and corruption.

2. Scope

- 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 instances of Fraud or corruption from occurring. The Policy sets out the general principals all employees are expected to uphold the key controls to be in place and the detailed response plan should a breach be discovered.
- 2.2 Within this policy the term employee refers to all employees and elected Members.



Anti-Fraud and Corruption Policy

3. Introduction

3.1 In following best practice (CIPFA / SOLACE guidance on Corporate Governance) and managing its responsibilities, Havant Borough Council is determined to protect itself against fraud and corruption both from within the Council and from external sources. Havant Borough Council already has in place a constitution, which sets out Codes of Conduct for both Councillors and Employees; a Whistle Blowing Policy; and Financial Regulations, which provide clarity about accountabilities of individuals, Councillors, staff, etc. The Anti-Fraud and Corruption Policy brings together these key elements. The Council is committed to an effective Anti-Fraud and Corruption Policy designed to:

- Promote an anti-fraud and corruption culture
- Ensure prevention
- Facilitate detection
- Identify a clear pathway for investigation and remedial action
- Encourage the application of sanctions where appropriate
- Maximise recovery

4. General Principals of Conduct

4.1 Selflessness

Holders of public office should take decisions solely in terms of public interest. They should not do so to gain financial or other material benefits for themselves, their family or their friends.

4.2 Honesty and integrity

Holders of public office should be truthful and must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.



Anti-Fraud and Corruption Policy

4.3 Objectivity

In carrying out public business, including making public appointments, awarding contracts or recommending individuals for rewards or benefits, holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias. This would cover such areas as making Page 3 appointments, awarding contracts, or recommending individuals for rewards or benefits.

4.4 Accountability

Holders of public office are accountable to the public for their decisions and actions and the manner in which they carry out their responsibilities, and should co-operate fully and honestly with any scrutiny appropriate to their particular office.

4.5 Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for doing so.

4.6 Personal judgement

Holders of public office may take account of the views of others, including in the case of Councillors their political groups, but should reach their own conclusions on the issues before them and act in accordance with those conclusions.

4.7 Respect for others

Holders of public office should promote equality by not discriminating unlawfully against any person, and by treating people with respect, regardless of their race, age, religion, gender, sexual orientation or disability. They should respect the impartiality and integrity of the authority's statutory officers, and its other employees.



Anti-Fraud and Corruption Policy

4.8 Duty to uphold the law

Holders of public office should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them.

4.9 Stewardship

Holders of public office should do whatever they are able to do, to ensure that their authorities use their resources prudently and in accordance with the law.

4.10 Leadership

Holders of public office should promote and support these principles by leadership, and by example, and should act in a way that secures or preserves public confidence. They should also be willing to challenge poor behaviour wherever it occurs.

5. Key controls

5.1 The key controls regarding the prevention of financial irregularities are that:

- a) The Council has an effective anti-fraud and anti-corruption response plan and maintains a culture that will not tolerate fraud or corruption.
- b) The Council has an effective anti-bribery policy and maintains a culture that will not tolerate bribery.
- c) There are effective recruitment and selection procedures.
- d) Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Council or who are corrupt.
- e) High standards of conduct are promoted amongst Councillors by the Governance Committee and all Councillors and staff act with integrity and lead by example.
- f) A register of interests is maintained and any hospitality or gifts are recorded.



Anti-Fraud and Corruption Policy

- g) Whistle blowing procedures are in place and operate effectively.
- h) Legislation, including the Public Interest Disclosure Act 1998 and the Regulation of Investigatory Powers Act 2000 (RIPA), is adhered to.
- i) The Council has a policy for combating benefit fraud and error and maintains its profile in the community for tackling benefit fraud.
- j) The Council maintains a Benefits Fraud Hotline.
- k) The Chief Financial Officer is the focal point for promoting the anti-fraud message and the key point to refer concerns of fraudulent and/or corrupt activity

The Council will fully investigate any Councillor or Officer who appears to act outside these principles and will take appropriate action, which may involve criminal prosecution under legislation including, but not limited to, the Fraud Act 2006 and The Bribery Act 2010



Anti-Fraud and Corruption Policy

Havant Borough Council Anti-Fraud and Corruption Response Plan
This document provides details on how Havant Borough Council employees should respond to suspicion of fraud or corruption of any kind and raises awareness generally.

1. What Constitutes Fraud and Corruption?

- 1.1 In this document the term 'Fraud' is used to describe acts such as criminal deception, forgery, blackmail, corruption, theft, conspiracy, money laundering, false representation, concealment of material facts and collusion in any such matter.
- 1.2 For practical purposes fraud can be defined as the use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.
- 1.3 Corruption covers the offering, giving, soliciting or acceptance of an inducement or reward which may influence the action of another person.
- 1.4 The Fraud Act 2006 states that the offence of Fraud can be committed in 3 ways:
 - a) Fraud by False Representation
 - (1) A person is in breach of this section if he/she:
 - (a) dishonestly makes a false representation; and
 - (b) intends, by making the representation:
 - (i) to make a gain for himself or another; or
 - (ii) to cause loss to another or to expose another to a risk of loss.
 - (2) A representation is false if:
 - (a) it is untrue or misleading; and
 - (b) the person making it knows that it is, or might be, untrue or misleading.



Anti-Fraud and Corruption Policy

(3) “Representation” means any representation as to fact or law, including a representation as to the state of mind of:

- (a) the person making the representation; or
- (b) any other person.

(4) A representation may be express or implied.

(5) For the purposes of this section a representation may be regarded as made if it (or anything implying it) is submitted in any form to any system or device designed to receive, convey or respond to communications (with or without human intervention).

- Fraud by failing to disclose information

A person is in breach of this section if he or she: Dishonestly fails to disclose to another person information which he/she is under legal duty to disclose and Intends, by failing to disclose the information, to make a gain for himself or another, or cause loss to another or to expose another to a risk of loss.

- Fraud by abuse of position

A person is in breach of this section if he/she: Occupies a position in which he/she is expected to safeguard, or not to act against, the financial interests of another person and dishonestly abuses that position and Intends, by means of the abuse of that position to make a gain for himself or another or to cause loss to another or to expose another to a risk of loss. Note: A person may be regarded as having abused their position even though their conduct consisted of an omission rather than an act.

- 1.5 The Bribery Act 2010 specifically addresses the issues arising from corrupt practices such as the offering, giving, soliciting or acceptance of an inducement or reward. Please see the link to this below for the Councils Anti-Bribery Act Policy:

2. How the Anti Fraud and Corruption Response Plan fits into the overall Council approach on Corporate Governance

- 2.1 The Anti Fraud and Corruption Response Plan aims to give staff and Councillors more information about the prevention and detection of fraud and how the Council deals with fraud when it is discovered.



Anti-Fraud and Corruption Policy

- 2.2 Well-framed internal regulations usually play a passive yet vital role in preventing or substantially reducing fraud. The Council's Financial Regulations serve this purpose. In addition, the Council has several policies and procedures which cover non-financial and anti-fraud measures such as recruitment, conduct and discipline. The Code of Conduct sets out the local standards expected by the Council.
- Employees will maintain conduct of the highest standard such that the public confidence in their integrity is sustained.
 - Local codes of practice will be developed to cover the official conduct and the obligations of employees and employers.
- 2.3 The Council also has a Whistle Blowing Policy, which aims to provide avenues for staff to raise concerns without fear or reprisals or victimisation, and a policy for combating benefit fraud and error which specifically related to Housing Benefit and Council Tax Benefit fraud.
- 2.4 The Council's Benefit Investigation Team will investigate benefit related matters. The Chief Financial Officer will instruct Internal Audit to investigate other Council related matters.

3. Detection

- 3.1 The array of preventative systems, particularly internal control systems within the Council, help to provide indicators of, and help to deter, any fraudulent activity. Where fraudulent activity is suspected, this will normally be investigated by Internal Audit. It is not Internal Audit's responsibility to detect fraud; the role of Internal Audit is to check the adequacy of the controls within systems. However, the assessment of the risks of fraud is routinely taken into account in planning all internal audits.
- 3.2 It is the responsibility of Executive Directors, Executive Head of Service and their managers to prevent and detect fraud and corruption. However, it is often the alertness of staff, Councillors and the public to the possibility of fraud and corruption which leads to detection. This allows appropriate action to be taken when there is evidence that fraud or corruption may have been committed.
- 3.3 Allegations can be a key source in the detection of fraud. The Council treats all allegation and complaints seriously and is committed to investigate all such matters.
- 3.4 The Council's Whistle Blowing Policy allows employees and Councillors to raise any concerns they may have in confidence and anonymously should they so wish.



Anti-Fraud and Corruption Policy

Employees

3.5 On Suspicion of Fraudulent Activity:

DO:

- Make an immediate note of your concerns.
- Convey your suspicions to someone with the appropriate authority and experience e.g. your manager, provided they are not implicated, or the Chief Financial Officer/Monitoring Officer.
- Retain any evidence you may have secured.

DON'T:

- Do nothing.
- Be afraid of raising your concerns.
- Approach or accuse any individual directly.
- Try to investigate the matter yourself.
- Convey your suspicions to anyone other than those with the proper authority.

Managers

3.6 There are some common sense guidelines issued by the Audit Commission that managers should apply in all cases where fraud or corruption is suspected.

DO:

- Be responsive to staff concerns.
- Note details.
- Evaluate the allegation objectively.
- Deal with the matter promptly if you feel your concerns are warranted.
- Advise the Chief Financial Officer/Monitoring Officer immediately.
- Take all complaints seriously.

DON'T:

- Ridicule or trivialise suspicions raised by staff.
- Approach or accuse any individuals directly.
- Try to investigate the matter yourself.
- Convey your suspicions to anyone other than those with the proper authority.



Anti-Fraud and Corruption Policy

4. Reporting Suspicions Procedure

- 4.1 Councils employees and Councillors should report to the Chief Financial Officer/Monitoring Officer any concerns they may have regarding fraud and corruption, whether it relates to dishonest behaviour by Council employees, suspected money laundering.
- 4.2 Internal Audit monitor instances for financial irregularities with the Council as a whole, and report certain details to external bodies. It also has a duty to ensure that appropriate investigations are carried out. For this reason Financial Regulations require the immediate notification of a suspected or actual irregularity to the Chief Financial Officer/Monitoring Officer. A maliciously false complaint may result in disciplinary proceedings being taken.
- 4.3 Management has the responsibility for ensuring that reasonable measures are taken to prevent fraud and corruption. Staff will usually report suspicions first to their manager. The following are a list of steps that can be taken by staff:

Step One

We hope that you will feel able to raise your concern openly with your manager. This may be done orally or, if you prefer, in writing.

Step Two

If you feel unable to raise the matter with your manager for whatever reason, or if you think the concern has not been properly addressed, please raise it with a senior manager in your area or one of the following officers:

Monitoring Officer
Chief Financial Officer

Step Three

If you still have a concern, or feel that the matter is so serious that it cannot be dealt with through steps One and Two, then please raise it with:

Chief Executive
Executive Directors
Chief Internal Auditor

These people have been given special responsibility and training in dealing with whistle blowing concerns and in particular the Public Interest Disclosure Act 1998.



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- 4.4 There is a genuine need for staff to be able to voice their concerns in confidence. The Council aims to provide such a facility through the Whistle Blowing policy. However, it is not trying to encourage staff to spy on colleagues or to create an acrimonious environment or suspicion and counter-claim.
- 4.5 Personal visits can be made to the Chief Financial Officer or Monitoring Officer and discussions will be conducted in an appropriate meeting room.
- 4.6 If the suspicion is related to Housing Benefit or Council Tax Benefit, then it should be reported to the Benefit Investigation Team (see Strategy for Combating Benefit Fraud and Error). Your information will be treated seriously and will not be considered too insignificant or in any other way unimportant and will be investigated fully. Again, all information received is treated in the strictest confidence.
- 4.7 On suspecting fraud or theft, try to avoid touching anything in the area where funds or data were located; seal the area, and notify IT if appropriate, don't attempt to examine records or any remaining funds. Then contact the Chief Financial Officer or Monitoring Officer or the Benefit Investigation Team or use the Council's Whistle Blowing Policy.
- 4.8 The Council will do all it can to recover monies or assets misappropriated by employees or others as a result of dishonest behaviour. (See Section 7 on Recovery of Losses).

5. Investigation

- 5.1 Investigation into suspected fraudulent activity will normally be carried out by Internal Audit who will liaise as appropriate with the Chief Executive, Monitoring Officer, Chief Financial Officer and Executive Directors or any other relevant officers and the Police.
- 5.2 All referrals are treated in the strictest confidence, treated seriously, fully investigated and the outcome will normally be reported to the informant.
- 5.3 On receiving information from a member of staff, a preliminary interview to determine whether an investigation is warranted will be conducted.
- 5.4 Where the criminal law appears to have been broken, and Executive Director will, with the agreement of one of the Statutory Officers, refer the case to the Police and continue to assist them throughout their investigation. The Police or the Council may bring a prosecution. Where an apparent irregularity arises between an employee and a third party the wishes of the third party concerning police involvement will be carefully considered. Normally police involvement should only arise if that party is prepared to agree to it, but there may be occasions when the employer considers that is obliged to involve the Police.



Anti-Fraud and Corruption Policy

- 5.5 In carrying out such work, strict working practices are required to be followed, which include full observation of authorisations and protocols put in place to ensure that any actions are carried out both fairly and lawfully, safeguarding the rights of privacy owed to the individual. This is governed by legislation including:
- Data Protection Act (1998)
 - Human Rights Act (1998)
 - Regulation of Investigatory Powers Act (2000) (RIPA)
 - Freedom of Information Act (2000)
 - Criminal Procedures and Investigations Act (1996)
- 5.6 In all cases of misuse reported where covert surveillance may be needed, an application will be made either under the Council's own monitoring procedures or if appropriate under RIPA showing the extent of any adverse impact in conducting covert monitoring and ensuring that this is properly considered and justified by the benefit to the Council. In such cases, any decision to go ahead with the exercise is subject to the independent authorisation under the Council's surveillance procedures or, in the case of RIPA, a Magistrate, and is strictly time limited. A central file is kept of all RIPA authorisations as required by the Act.
- 5.7 Internal Audit staff have a role in monitoring the activities of employees in the event of any allegations of impropriety where it is alleged. This could involve the covert monitoring of activities using electronic surveillance equipment or the monitoring/interception of electronic communications (e.g. e-mail, Internet, telephone usage). Monitoring is a recognised component of the employment relationship and this is well publicised within the Council's ICT Security and Conduct Policy regarding the acceptable use of its electronic and ICT systems. Clear warning is given that any unacceptable use or breach of policy may result in disciplinary action being taken against the person responsible.

Managers of the Council will also:

- Co-operate fully with Internal Audit and the Police during any investigation.
- Implement the Council's Disciplinary Procedure, where appropriate.
- Take prompt action to remedy any weaknesses discovered in internal control procedures.
- Deal swiftly, fairly and firmly with those who offend against the Council.

Where the suspicion involves a Councillor, the Monitoring Officer will be notified immediately.



Anti-Fraud and Corruption Policy

6. Prevention

- 6.1 here are many ways of preventing fraud and corruption. The Council has adopted preventative measures as follows.
- 6.2 An adequate and effective internal audit service is provided to carry out an ongoing review of financial and other systems in use and to test those systems for weaknesses in internal controls. In carrying out this work Internal Audit will have regard to the relative risk associated with particular systems as agreed with the Council's external auditor.
- 6.3 The Council's Recruitment and Selection procedure requires that references should always be taken up when recruiting candidates externally. This is intended to prevent people with a history of dishonest behaviour being employed by the Council in positions of trust. Human Resources check qualification certificates with the issuing bodies for key posts in the Council to ensure validity. Human Resources will also carry out Disclosure Barring Service (DBS) checks where appropriate in accordance with the Council's policies. Managers check references and prospective employees' right to work in the UK.
- 6.4 Employees who hold professional, trade or other qualifications are expected to comply with codes of conduct issued by the organisations of which they are members.
- 6.5 The Council aims to be an organisation that actively supports an anti-fraud culture through its policies and procedures, by supporting them and actively advocating them to staff/colleagues.
- 6.6 Before designing a system or making a decision, consider the risks to the Council and how to minimise or control the risk. (Internal Audit provides this advice when carrying out an audit assignment and can assist if you are changing systems).
- 6.7 Ensure that no one single person controls an operation from start to finish or can carry out an income or purchasing transaction on their own (separation of duties).
- 6.8 Systems design needs to be effective and efficient. Staff must understand their responsibilities for control where the system is relying on that control as a prevention measure and the monitoring of the adherence to this.

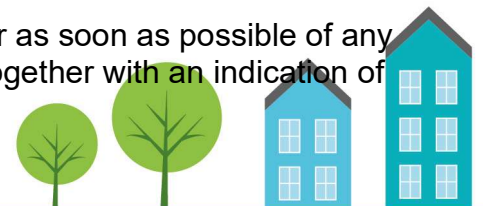


Anti-Fraud and Corruption Policy

- 6.9 Responsibilities should be clearly set out and allocated to individual senior managers. It is important that management at all levels within the Council is alert to potential problems in their work area and that adequate and effective safeguards are in place to prevent financial irregularities. However, managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach, any irregularity will be picked up promptly and any loss to the Council minimised.
- 6.10 Specific preventive fraud advice can be given and often is when your service is audited. Make the most of your audit by drawing attention to areas of risk or concern. If your service requires additional assistance because you are changing your working practices Internal Audit will be pleased to assist in giving fraud prevention advice. Please contact Internal Audit through your Executive Director or Executive Head of Service.
- 6.11 The Councillors' Code of Conduct similarly sets out a recommended standard of conduct in carrying out their duties together with requirements to disclose details of Pecuniary Interests. The Council has in place a Governance Committee that promotes and maintains high standards of Councillor conduct and assists Councillors to observe the Code of Conduct
- 6.12 The Constitution provides for executive decisions to be made in an open and accountable manner.
- 6.13 Financial Regulations prescribe the minimum standards for financial controls that must be in place within all processes in all Groups of the Council.
- 6.14 It is the responsibility of each Executive Director and Executive Head of Service to ensure that employees are aware of the measures set out above, that their clusters comply with them and that sound financial controls do exist within their financial systems and procedures.
- 6.15 Each employee and Councillor is responsible for observing these rules and codes. This will go a long way to preventing and detecting improper practice.

7. Recovery of Losses

- 7.1 The Council will seek to recover the losses incurred as a result of fraud and corruption.
- 7.2 Management must inform the Council's Insurance Officer as soon as possible of any potential loss. Details of the case should also be given together with an indication of what recovery action is being attempted.



Anti-Fraud and Corruption Policy

- 7.3 If anyone under investigation offers money in settlement of any losses to the Council, it should be made clear that any monies offered will be accepted on the following terms:
- Without prejudice to any other action the Council may wish to take.
 - That acceptance is only in respect of losses identified to date.
 - The Council reserves the right to seek recovery of any further losses that may come to light in the future.
- 7.4 Claims under the Council's insurance arrangements in fraud and corruption cases should be regarded as the "last resort", and will only be instigated once all other avenues of recovery have been fully explored.

8. Fraud Awareness

- 8.1 What motivates a person to commit a fraudulent act is not always easy to determine. Experience and surveys carried out of known frauds show that motivation falls into the following categories:
- Personal financial problems.
 - A corporate ethos that is conducive to corruption ("everyone else is doing it – so I can" syndrome).
- 8.2 Opportunity can be created by all or some of the following circumstances:
- Changes in systems (procedures, computers, location etc.).
 - Changes in personnel (new management, new staff).
 - A position of trust.
 - The ability to carry out a transaction from start to finish with no other intervention of accountability (e.g. being able to make payment, cancel a debt etc).
 - Lack of audit trail – there is no trace of who committed a fraud.
 - An organisational culture that does not support accountability and control.

9. Training

- 9.1 The Council recognises that the success and credibility of its Anti-Fraud and Corruption Policy will depend largely on how effectively it is communicated throughout the organisation and beyond. To this end, details of the Policy will be made available and publicised to all Councillors and all staff and will be referred to in the e-induction module or alternative induction training. It is both managers' and individuals' responsibility to ensure that their knowledge of the policies and procedures is refreshed as necessary.



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- 9.2 The Council supports the concept of induction training, particularly for officers involved in internal control systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced. Those who do not comply with such training requirements may be subject to disciplinary procedures.
- 9.3 The officers involved in the review of internal control systems and investigative work should be thoroughly and regularly trained. The training plans of Internal Audit will reflect this requirement.
- 9.4 It is the responsibility of senior managers to communicate the Anti-Fraud and Corruption Policy to their staff and to promote a greater awareness of the possibility of fraud within their services.

10. Conclusion

- 10.1 The Council will maintain a continuous overview of these arrangements and, through the Chief Financial Officer, will ensure in particular a regular review of Financial Regulations, Financial Management and Audit Arrangements.
- 10.2 Policy Statement will also be subject to regular review at least once every three years.

Version control record

Version number	Date	Author / reviewer	Comments / changes
V0.1	10/10/2023	Steven Pink	Review and update of existing policy



Anti-Bribery Policy

Author	Steven Pink – Chief Finance Officer (S151)
Approved by	Audit & Finance Committee
Approval date	30th October 2023
Review date	30th October 2024

1. Purpose

- 1.1 This policy provides a coherent and consistent framework to enable the Council's officers and Councillors to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable Councillors and officers to identify and effectively report a potential breach.
- 1.2 All Councillors and officers including those permanently employed, temporary agency staff and contractors must:
 - Act honestly and with integrity at all times and safeguard the Council's resources for which they are responsible.
 - Comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates.

2. Scope

- 2.1 This policy applies to all the Council's activities. For partners and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.



Anti-Bribery Policy

- 2.2 This policy covers all officers including those permanently employed, temporary agency staff, contractors, non-executives, agents, members (including independent or co-opted members), volunteers and consultants.
- 2.3 Within the Council, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rely solely on the Council's assurance functions.

3. Policy Statement – Anti-Bribery Policy

- 3.1 Bribery is a criminal offence. The Council does not pay bribes or offer improper inducements to anyone for any purpose, nor does the Council accept bribes or improper inducements.
- 3.2 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not engage indirectly in or otherwise encourage bribery.
- 3.3 The Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance towards bribery.

4. Bribery

- 4.1 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.
- 4.2 Genuine hospitality or similar business expenditure that is reasonable and proportionate is allowable and not covered by the Act. However, facilitation payments are considered bribes (payments to induce officials to perform routine functions they are otherwise obligated to perform).



Anti-Bribery Policy

5. The Bribery Act

5.1 There are four key offences under the Act:

- Bribing a person to induce or reward them to perform a relevant function improperly (Section 1)
- Requesting, accepting or receiving a bribe as a reward for performing a relevant function improperly (Section 2)
- Using a bribe to influence a foreign official to gain a business advantage (A foreign public official is defined as “an individual holding legislative, administrative or judicial posts or anyone carrying out a public function for a foreign country or the country’s public agencies”) (Section 6)
- In relation to a commercial organisation committing bribery to gain or retain a business advantage, there being no adequate procedures in place to prevent such actions (Section 7)

5.2 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business.

5.3 There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation. This is what is known as a “strict liability” offence. This means that there is no need to prove negligence or management complicity. An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.



Anti-Bribery Policy

6. Penalties

- 6.1 An individual guilty of an offence under Sections 1, 2 or 6 is liable:
- On conviction in a magistrate's court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both.
 - On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both.
- 6.2 The Council, if convicted under Sections 1, 2 or 6 will also face the same level of fines and, if guilty of an offence under Section 7, is liable to an unlimited fine.

7. The Council's Commitment to Action

- 7.1 The Council commits to:
- Setting out a clear anti-bribery policy and keeping it up to date.
 - Making all Councillors and officers aware of the Council's policy and procedures and their responsibilities to adhere strictly to this policy at all times.
 - Encouraging its Councillors and officers to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication (i.e. Whistleblowing Policy) and ensuring sensitive information is treated appropriately.
 - Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution.
 - Taking firm and vigorous action against any individual(s) involved in bribery.
 - Provide information to all Councillors and officers to report breaches and suspected breaches of this policy.
 - Include appropriate clauses in contracts with suppliers setting out the Council's right to terminate and secure losses in circumstances where an offence under the Bribery Act 2010 has been committed by the supplier or the supplier's agent.



Anti-Bribery Policy

8. Anti-Bribery Procedures

8.1 The Council's procedures cover five principles:

Proportionality

The Council has procedures in place to prevent bribery by persons associated with it. These procedures are clear, practical, accessible and effectively implemented and enforced.

Top level commitment

The Joint Management Team and Service Managers are committed to preventing bribery and foster a culture within the organisation in which bribery is never acceptable.

Risk Assessment

The nature and extent of the Council's exposure to potential external and internal risks of bribery on its behalf by persons associated with it is periodically assessed. This includes financial risks but also other risks such as reputational damage.

Due diligence

The Council takes a proportionate and risk-based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks. Due diligence will include an evaluation of the background, experience and reputation of business partners. The transactions will be properly monitored and written agreements and contracts will provide references to the Bribery Act 2010 and this policy. Reciprocal arrangements may be required for business partners to have their own policies in place. They will be advised of the Council's policy and be expected to operate at all times in accordance with such policy.



Anti-Bribery Policy

Communication (including training)

The Council seeks to ensure that its bribery prevention policies and procedures are embedded and understood throughout the organisation through internal and external communication, including training that is proportionate to the risks it faces.

9. Bribery is not Tolerated

9.1 It is unacceptable to:

- Give, promise to give, or offer a payment, gift or hospitality with the expectation or hope that a business advantage will be received, or to reward a business advantage already given.
- Give, promise to give, or offer a payment, gift or hospitality to a government official, agent or representative to "facilitate" or expedite a routine procedure.
- Accept payment from a third party that you know or suspect is offered with the expectation that it will obtain a business advantage for them.
- Accept a gift or hospitality from a third party if you know or suspect that it is offered or provided with an expectation that a business advantage will be provided by us in return.
- Retaliate against or threaten a person who has refused to commit a bribery offence or who has raised concerns under this policy.
- Engage in activity in breach of this policy.

10. Facilitation Payments

10.1 Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions. Facilitation payments are not tolerated and are illegal.

11. Gifts and Hospitality

11.1 The Council's policy regarding the requirements for gifts and hospitality is set out within the Code of Conduct Policy.



Anti-Bribery Policy

12. Public Contracts and Failure to Prevent Bribery

- 12.1 Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This Council has the discretion to exclude organisations convicted of this offence.

13. Officer Responsibilities

- 13.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All officers are required to avoid activity that breaches this policy. Officers must:
- Ensure that the policy has been read and comply with the requirements.
 - Raise concerns as soon as possible where this policy has been breached or they suspect that a breach of this policy has occurred or may occur in the future.
- 13.2 As well as the possibility of civil and criminal prosecution, officers that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.

14. How to Raise a Concern

- 14.1 Please remember that you do not need to have firm evidence of malpractice before raising a concern. However, we do ask that you explain as fully as you can the information or circumstances that gave rise to your concern. Remember the earlier you raise a concern the easier it is to resolve it.



Anti-Bribery Policy

- **Step One**

We hope that you will feel able to raise your concern openly with your manager. This may be done orally or, if you prefer, in writing.

- **Step Two**

If you feel unable to raise the matter with your manager for whatever reason, or if you think the concern has not been properly addressed, please raise it with a senior manager in your area or one of the following officers:

Monitoring Officer
Chief Financial Officer

- **Step Three**

If you still have a concern, or feel that the matter is so serious that it cannot be dealt with through steps One and Two, then please raise it with:

Chief Executive

Version control record

Version number	Date	Author / reviewer	Comments / changes
V0.1	10/10/2023	Steven Pink	Review and update of existing policy



Anti-Money Laundering Policy

Author	Steven Pink – Chief Finance Officer (S151)
Approved by	Audit & Finance Committee
Approval date	30th October 2023
Review date	30th October 2024

1. Purpose

- 1.1 This policy has been put in place to both provide structure, guidance and a framework to help employees understand their responsibilities, the expectations on them and the procedures to follow in the case of reporting any concerns or breaches.

2. Scope

- 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 Page 3 obligations. Within this policy 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.



Anti-Money Laundering Policy

3. Introduction

3.1 Money laundering can be defined as “a process that makes money with an illegal origin appear legal so that it may be used”. Legislation concerning money laundering (the Proceeds of Crime Act 2002, the Terrorism Act 2000 and the Money Laundering Regulations 2007) has broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the obligations now 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.

3.2 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 Proceeds of Crime Act 2002); 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 thus 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.

3.3 Any member of staff could potentially 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. This policy sets out how any concerns should be raised.



Anti-Money Laundering Policy

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

4. Money Laundering requirements, from Havant Borough Council's point of view

- 4.1 Provision of training to relevant officers and staff (or contractor's staff) on the requirements of the legislation, including the identification of suspicious transactions, identity verification and reporting procedures.
- 4.2 Establishment of procedures for employees to report any suspicions to the MLRO – i.e. the Monitoring Officer.
- 4.3 Designation of an officer as the MLRO, who will receive any report, keep records and if considered appropriate, make reports to the Serious Organised Crime Agency (SOCA) - i.e. the Monitoring Officer.
- 4.4 Under the legislation employees dealing with money transactions will be required to comply with certain procedures.

5. Procedures

5.1 Customer Due Diligence

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

- Is the service a regulated activity?



Anti-Money Laundering Policy

- 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 you do not need to carry out customer due diligence.

If the answer to all of these questions is yes then you must carry out customer due diligence before any business is undertaken for that client. If you are unsure whether you need to carry out customer due diligence then you should contact the MLRO.

5.2 Where you need to carry out customer due diligence then you must seek evidence of identity, 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.

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.

5.3 If, at any time, you suspect that a client or customer for whom you are currently, or are planning to carry out a regulated activity with, is carrying out money laundering or terrorist financing, or has lied about their identity then you must report this to the MLRO.

5.4 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;



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- 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.

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 you believe that enhanced customer due diligence is required then you must consult the MLRO prior to carrying it out.

- 5.5 Where the client cannot be physically identified the employee should be aware:
- i. that there is greater potential for money laundering where the client is not physically present when being identified;
 - ii. if satisfactory evidence is not obtained the relationship or the transaction should not proceed;
 - iii. if the client acts, or appears to act for another person, reasonable measures must be taken for the purposes of identifying that person.

6. Record Keeping Procedures

- 6.1 Each Service of the Council and contractors working for the Council conducting relevant business must maintain records of:-
- Client identification evidence obtained; which must be kept for five years after the end of the transaction or relationship
 - 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.

The Section 151 Officer must be informed of the existence and location of such records.



Anti-Money Laundering Policy

- 6.2 The precise nature of the records are not prescribed by law, however, they 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.

7. The Money Laundering Reporting officer

- 7.1 The Officer nominated to receive disclosures about money laundering activity within the Council is the Chief Financial Officer or Monitoring Officer i.e. The Money Laundering Reporting Officer.
- 7.2 The Deputy Money Laundering Reporting Officers are the Service Manager Finance, Corporate Accountancy Team Leader and Deputy Monitoring Officer.

8. Internal reporting procedure

- 8.1 Where an employee is aware, that money laundering may have taken place (or may be taking place), he or she must contact the MLRO for guidance as soon as possible regardless of the amount being offered. In such circumstance, no money may be taken from anyone until this has been done.
- 8.2 Any person knowing or suspecting money laundering, fraud or use of the proceeds of crime must report this to the MLRO on the form(s) as attached.
- 8.3 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.
- 8.4 If the MLRO determines that the information or matter should be disclosed it will be reported to the Serious Organised Crime Agency (SOCA).
- 8.5 During this process the client must not be tipped off.



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- 8.6 At no time and under no circumstances should an employee voice any suspicions to the person(s) suspected of money laundering, even if the SOCA Page 6 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.

9. Other procedures

- 9.1 The Council will establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering:
- 9.2 **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.
- 9.3 **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 or a deputy MLRO.
- 9.4 **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. 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”).
- 9.5 **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, the Terrorism Act 2000 and the Money Laundering Regulations 2007); and b) given training in how to recognise and deal with transactions which may be related to money laundering.



Anti-Money Laundering Policy

Version control record

Version number	Date	Author / reviewer	Comments / changes
V0.1	10/10/2023	Steven Pink	Review and update of existing policy



Name of Committee:	Audit and Finance Committee		
Committee Date:	18 October 2023		
Report Title:	Audit and Finance Committee Annual Report 2022/23		
Responsible Councillor:	Councillor Diamond, Chairman of the Audit and Finance Committee		
Cabinet Lead:	Councillor Bowdell		
Status:	Non-Exempt		
Urgent Decision:	No	Key Decision:	No
Appendices:	None		
Background Papers:	None		
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Report Number:	HBC/046/2023		

Corporate Priorities:

As part of the People First theme, the Corporate Strategy highlights that the Council “.. will strive to improve our services and modernise”.

Executive Summary:

The Audit and Finance Committee is a key component of a council’s corporate governance framework. It provides an independent and high-level focus on the audit, risk management, assurance and reporting arrangements that underpin good governance and financial standards.

The purpose of the report is to give an account of the Committee’s performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose and in doing so provide assurance to the Council on the adequacy of the risk management framework and the internal control environment.

Recommendations:

Recommend Council to note the submitted Audit and Finance Committee Annual Report 2022/23

1.0 Introduction

1.1 The Audit and Finance Committee is a key component of a council's corporate governance framework. It provides an independent and high-level focus on the audit, risk management, assurance and reporting arrangements that underpin good governance and financial standards.

1.2 The purpose of the Committee is to provide independent assurance to the council on the adequacy of the risk management framework and the internal control environment. It provides independent review of the governance, risk management and control frameworks and oversees the financial reporting and annual governance processes. It also oversees the work of both the internal and external auditors, helping to ensure that efficient and effective assurance arrangements are in place.

1.3 The key benefits of the Committee can be seen as:

- a. increasing public confidence in the objectivity and fairness of financial and other reporting;
- b. reinforcing the importance and independence of internal and external audit and similar review processes;
- c. providing additional assurance through a process of independent review;
- d. raising awareness of the need for internal control and the implementation of audit recommendations; and
- e. ensuring the National Audit Office's key principals of: Efficiency; Economy; Effectiveness and Equity are embedded across the organisation.

1.4 The Committee aims to complete the following main sources of assurance each year:

- a. Annual Governance Statement - this is the statutory report which the Committee approves and forms part of the council's Statement of Accounts;
- b. Approve the statement of Accounts for the previous year;
- c. Strategic Risk Register – detailing how and where the Committee can gain assurance that risks are being well managed;
- d. Internal Audit - the ongoing work of, and reports from the council's internal auditors; and
- e. External Audit - the reports submitted to the Committee by the Council's external auditors who are set by the Public Sector Audit Appointments (PSAA) and are currently Ernst Young.

1.5 The Committee's business was impacted by the:

- a. consequences of Covid;
- b. the restructuring of the Finance Team because of the transference of this function back to the Council; and

- c. the national shortage of external auditors, which had delayed the signing-off of the 2021/22 Statement of Accounts and the subsequent effect in the preparation of the accounts for 2022/23.

Therefore, at the time of writing, there are still elements of the 2022/23 Committee cycle to be completed.

- 1.6 Following the May 2023 local elections, I was pleased to take the role of Chairman of the Committee and would like to place on record my thanks to all of the past members who served on the Committee during the year 2022/23, alongside who have provided ongoing advice to the Committee and our internal and external auditors who have all contributed towards its success.

2.0 Background

- 2.1 The Audit and Finance Committee’s terms of reference require the Council to report to Full Council on the Committee’s performance in relation to the terms of reference and the effectiveness of the Committee in meeting its purpose.

3.0 The Committee’s Business

- 3.1 During the 2022/23 municipal year the Committee met three times and conducted the following business:

<p>External Audit - Updated Audit Results report for year ending 31 March 2021</p> <p>External Audit Progress Reports and Sector</p> <p>External Auditors Outline Plan 2020/21</p> <p>Mid Year Treasury Management & Outturn Report 2021-22</p>	<p>Internal Audit Annual Report 2022/23</p> <p>Internal Audit Progress Reports</p> <p>Options for internal audit days for 2023/24</p>
<p>Regulation Of Investigatory Powers Act (RIPA) Policy</p>	<p>Draft Annual Governance Statement 2021/22</p> <p>Corporate Governance and Risk Policy</p> <p>Ombudsman Annual Review Letter 2021/22</p> <p>Quarterly Governance & Risk Report</p>

3.2 Risk Management

The Committee regularly receives and reviews the council's Corporate Governance and Risk Policy, and assesses the assurance provided to demonstrate how risks are being mitigated. It may also, where required, call in individual risks for a more detailed review.

3.3 The work of our internal and external auditors

The Council's internal auditors gave the following opinion in their 2020/21 Annual Report:

"In giving this opinion, assurance can never be absolute and therefore, only reasonable assurance can be provided that there are no major weaknesses in the processes reviewed."

While not fundamental to the overall control environment, they gave a 'limited' rating in four of their internal audit reports and it remains important that the recommendations made in these areas are implemented and improvements made, in a timely manner.

There concerns related to:

- a. Risk management;
- b. Procurement;
- c. Accounts Receivable/Debt Management; and
- d. Asset Management – Tenanted Properties

The Committee has monitored these concerns throughout the year and sought assurance that action was being taken to improve these services.

The External Auditors issued a (2020/21) Audit Results Report dated 19 July 2022 to the Audit and Finance Committee on 28 July 2022. In this work they issued an unqualified opinion concluding that: the financial statements give a true and fair view of the financial position of the Council as at 31 March 2021 and of its expenditure and income for the year then ended. The financial statements have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

The national shortage of external auditors has delayed the signing-off of the 2021/22 Statement of Accounts and the subsequent effect in the preparation of the accounts for 2022/23. Therefore, at the time of writing, there are still elements of the 2022/23 Committee cycle to be completed.

3.4 Counter Fraud

One of the roles of the Committee, is to review the assessment of fraud risks and potential harm to the council from fraud and corruption along with monitoring counter-fraud actions.

On 28 July 2022, the Committee reviewed and approved the Council's Regulation of Investigatory Powers Act (RIPA) Policy. Unfortunately, due to the impact of Covid, the council policies in relation to whistleblowing and anti-fraud and corruption, including anti money laundering have not been reviewed for some time. It is expected that these policies will be considered by the Committee in 2023/24.

3.5 Governance

One of the core roles of the Committee, is to review the adequacy of the Council's Corporate Governance arrangements (including matters such as internal control and risk management).

In 2022 the Committee noted changes to the draft and final Annual Governance Statement for 2021/22 on behalf of the Council, showing how the Council complied with the Code of Corporate Governance and highlighting areas of continued progress.

The Committee also received the Annual Review Letter 2022 from the Local Government & Social Care Ombudsman and noted that the Council was fully compliant with the outcomes and remedies recommended by the Ombudsman in the two upheld complaints.

4.0 Options

4.1 This report is presented to enable the Audit Committee to fulfil its responsibility for reporting on how they have discharged their duties.

5.0 Relationship to the Corporate Strategy

5.1 The Council has a duty to ensure that it is fulfilling its responsibilities for adequate and effective internal control, risk management and governance, as well as the economy, efficiency and effectiveness of its activities. The Audit and Finance Committee has a key role in overseeing and assessing the internal control, risk management and corporate governance arrangements and advising the Council on the adequacy and effectiveness of those arrangements.

6.0 Conclusion

- 6.1 The Audit and Finance Committee considers that it has continued to make a significant contribution to ensuring that the key elements of the governance framework are given proper consideration and are appropriately challenged. It will continue to develop this role and contribute to strengthen internal control, risk management and governance throughout the authority.

7.0 Implications and Comments

7.1 S151 Comments

The Audit and Finance Committee acts on behalf of the Council in playing a vital role in ensuring the financial stability and integrity of the authority and that sound governance processes are in place. The report reflects the work of the committee over the past year and I fully support the contents of the report.

There are no financial implications as a result of this report.

7.2 Monitoring Officer Comments

The Monitoring Officer welcomes this report and the Audit and Finance Committee's oversight of the Council's governance framework.

7.3 Legal Implications

None arising from this report.

7.4 Equality and Diversity

None arising from this report.

7.5 Human Resources

None arising from this report.

7.6 Information Governance

None arising from this report.

7.7 Climate and Environment

None arising from this report.

8.0 Risks

- 8.1 There are no immediate risks arising this report.

9.0 Consultation

- 9.1 None

10.0 Communications

- 10.1 Not applicable