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GOVERNANCE & AUDIT COMMITTEE AGENDA

Membership: Councillor Smith K (Chairman)

Councillors Mackey, Hart, Perry, Mrs Smallcorn, Tarrant and Wilson

Meeting: Governance & Audit Committee

Date: Tuesday 3 March 2015

Time: 5.00 pm

Venue: Hollybank Room, Public Service Plaza, Civic Centre Road,
Havant, Hampshire PO9 2AX

The business to be transacted is set out below:

Jo Barden-Hernandez
Service Manager – Legal & Democratic Services

23 February 2015

Contact Officer: *Tristan Fieldsend* 023 9244 6233
Email: tristan.fieldsend@havant.gov.uk

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GENERAL INFORMATION

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Internet

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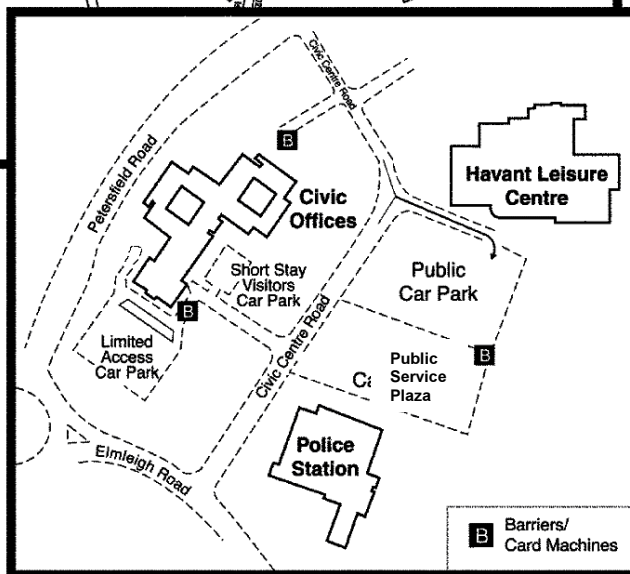
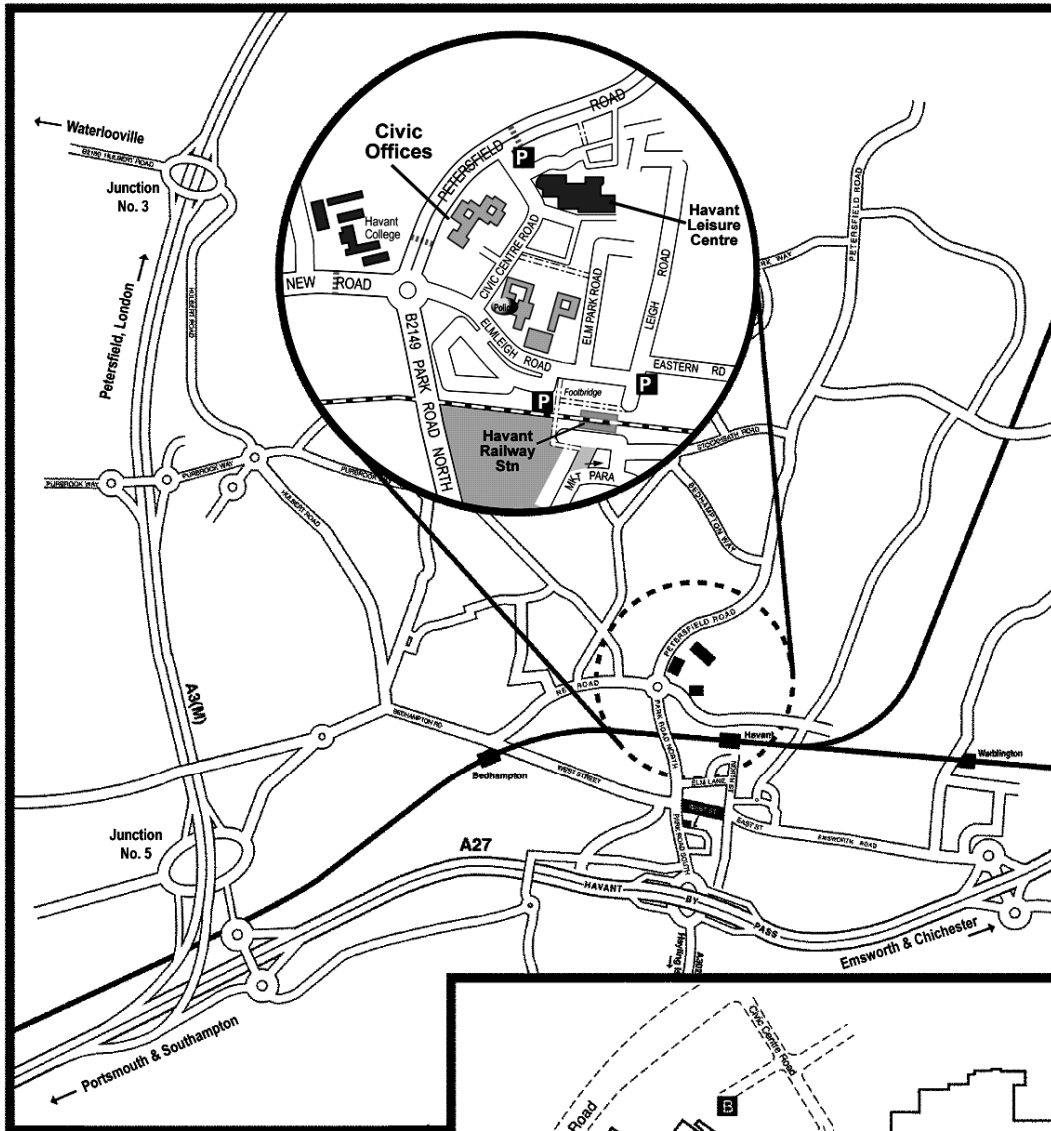
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HAVANT BOROUGH COUNCIL

At a meeting of the Governance & Audit Committee held on 2 December 2014

Present

Councillor Smith K (Chairman)

Councillors Mackey, Hart, Perry, Wilson and Shimbart (Standing Deputy)

31 Apologies

Apologies for absence were received from Councillors Mrs Smallcorn and Tarrant.

32 Minutes

RESOLVED that the minutes of the meeting of the Governance and Audit Committee held on 16 September 2014 be approved as a correct record.

33 Matters Arising

There were no matters arising from the minutes of the last meeting.

34 Declarations of Interest

There were no declarations of interests from any of the members present.

35 Chairman's Report

There were no matters the Chairman wished to report to the Committee.

36 External Audit Papers

The Committee considered two papers presented by Ernst and Young LLP. Helen Thompson of Ernst and Young LLP joined the meeting for the debate on this item and answered members' questions in connection with the report.

The Audit Progress Report provided the Committee with an overview of the stage reached in the 2013/14 audit and an outline of the draft timetable for the 2014/15 audit. It was confirmed that discussions had been held with the Corporate Accountancy Team Leader regarding how to improve the closedown process in future.

The Annual Audit Letter 2013/14 provided a summary of the key issues arising from the 2013/14 audit.

The Committee held a detailed discussion over the National Non Domestic Rates rateable value appeals provision and it was suggested a future training session be held for Councillors on the topic.

RESOLVED that the report be noted.

37 Internal Audit Progress Report 2014-15

The Committee considered a paper presented by Antony Harvey of the Southern Internal Audit Partnership who joined the meeting for the debate on this item and answered members' questions in connection with the report.

The paper provided an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and a summary of the status of 'live' reports.

The Committee was pleased to note that good progress had been made in achieving its performance targets and that no significant issues had been identified.

RESOLVED that the report be noted.

38 Changes to Corporate Surveillance Policy and Procedure

The Committee received a report from the Senior Lawyer (Contentious) requesting that the Committee amend the Council's Corporate Surveillance Policy following comments and recommendations received in the Office of Surveillance Commissioners Inspector's Report.

The Committee noted the amendments and held a discussion over the expiration of authorisations.

RESOLVED that the amended Corporate Surveillance Policy be adopted by the Council subject to the last sentence of paragraph 10.1 on page 17 being amended to read "Authorisations have to be reviewed or cancelled if no longer required within the original time frame."

39 Quarterly Update on Corporate Risks from the Executive Board

The Committee noted a report from the Executive Head for Governance and Logistics providing an overview of the highest corporate risks reviewed by the Executive Board, alongside the Health Check, on 4 November 2014.

RESOLVED that the most serious corporate risks reviewed by the Joint Executive Board on 4 November 2014 be noted.

40 Code of Conduct Complaints

A spreadsheet detailing the latest situation regarding code of conduct complaints was circulated and noted by the Committee.

RESOLVED that the report be noted.

The meeting commenced at 5.00 pm and concluded at 6.17 pm

NON-EXEMPT

HAVANT BOROUGH COUNCIL

Governance and Audit Committee

3 March 2015

**EXTERNAL AUDIT PAPERS - HAVANT BOROUGH COUNCIL
Accountant (Financial & Governance)**

FOR INFORMATION

Portfolio: FINANCE

Key Decision: No

1.0 Purpose of Report

1.1 To outline the papers to be presented by Ernst & Young LLP.

2.0 Recommendation

2.1 We ask the Committee to note the content of the reports attached to this paper.

3.0 Summary

3.1 To fulfil our responsibilities as your external auditor we are required to present formally the papers attached to this report to those charged with governance.

4.0 Reports

4.1 Audit Progress Report

The purpose of this report is to provide the Governance and Audit Committee with an overview of the stage we have reached in your 2013/14 audit, and an outline of our timetable for the 2014/15 audit.

4.2 Certification of claims and returns annual report 2013/14

This report relates to the audit of the Council's 2013/14 grant claims. The statement of responsibilities in respect of grant certification requires auditors to report the results of certification work to those charged with governance.

4.3 **Scale Fee Variation Letter**

This letter informs the Committee of a change to the scale fee of the Council for 2014/15, and an agreed variation to the 2013/14 fee included in our Annual Audit Letter, which we presented to the Committee in September 2014.

4.4 **LG Sector Briefing**

The purpose of this report is to summarise some of the current issues facing the Local Government sector and is for information only.

We would like to highlight the section on the future of local audit and more specifically the changes to the audit timetable as being of particular relevance to the Council.

5.0 **Implications**

5.1 Resources: No direct implications

5.2 Legal: No direct implications

5.3 Strategy: No direct implications

5.4 Risks: No direct implications

5.5 Communications: No direct implications

5.6 For the Community: No direct implications

6.0 **Consultation:** Executive Head of Governance & Logistics

6.1 Appendices:

1. Audit Progress Report
2. Certification of claims and returns annual report 2013/14
3. Scale Fee Variation Letter
4. LG Sector Briefing

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Havant Borough Council

Governance and Audit Committee Progress Report

3 March 2015



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

20 February 2015

Audit Progress Report

We are pleased to attach our Audit Progress Report.

It sets out the work we have completed since our last report to the Committee. Its purpose is to provide the Committee with an overview of the 2013/14 audit, and an outline of our draft timetable for the 2014/15 audit. This Progress 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 Audit Commission Act 1998, the Code of Audit Practice, the Audit Commission Standing Guidance, 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 audit.

Yours faithfully



Helen Thompson
Director
For and behalf of Ernst & Young LLP

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In March 2010 the Audit Commission issued a revised version of the 'Statement of responsibilities of auditors and audited bodies' (Statement of responsibilities). It is available from the Chief Executive of each audited body and via the [Audit Commission's website](#).

The Statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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 Standing Guidance serves as our terms of appointment as auditors appointed by the Audit Commission. The Standing Guidance sets out additional requirements that auditors must comply with, over and above those set out in the Code of Audit Practice 2010 (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

This report is prepared in the context of the Statement of responsibilities. It is addressed to the Members of the audited body, and is prepared for their sole use. We, as appointed auditor, take no responsibility to any third party.

Our Complaints Procedure – If at any time you would like to discuss with us how our service to you could be improved, or if you are dissatisfied with the service you are receiving, you may take the issue up with your usual partner or director contact. If you prefer an alternative route, please contact Steve Varley, our Managing Partner, 1 More London Place, London SE1 2AF. We undertake to look into any complaint carefully and promptly and to do all we can to explain the position to you. Should you remain dissatisfied with any aspect of our service, you may of course take matters up with our professional institute. We can provide further information on how you may contact our professional institute.

Work completed 2013/14

We are presenting our annual report on the certification of claims and returns to the Committee today. This completes our work in relation to the 2013/14 financial year.

Audit phase	Deliverable	Status
High level planning	Audit Fee Letter	Completed - Reported to the March 2013 Committee
Risk assessment and setting of scope of audit	Audit Plan	Completed – Reported to the June 2014 Committee
Testing of routine processes and controls	Audit Plan	Completed – Reported to the June 2014 Committee
Year-end audit	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	Completed – Reported to the September 2014 Committee
Annual Reporting	Annual Audit Letter	Completed – Reported to the December 2014 Committee
Grant Claims	Annual certification report	Completed – Reported to the March 2015 Committee

Scale fee variation letter

We issued our annual audit letter on 17 October 2014, and we reported the final audit fees, as required by the Audit Commission, within that report.

The Audit Commission recently consulted on a supplement to the 2014/15 audit scale fees. Following that consultation, the Audit Commission has applied a permanent variation of £900 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as an audit risk within our Audit Plan. In recognising that this applies equally to 2013/14, the Audit Commission asked us to agree a scale fee variation of £900 to that audit fee with you. This was agreed by the Executive Head of Governance and Logistics on 13 January 2015.

The revised final scale fee in respect of the 2013/14 audit is set at £64,083 compared to the fee reported in the annual audit letter of £63,183 and an original scale fee of £61,500.

Work completed 2014/15

Audit fee letter

We presented our audit fee letter for 2014/15 to the June 2014 Governance and Audit Committee.

Financial Statements

We adopt a risk based approach to the audit and as part of our ongoing continuous planning we have held a number of meetings with key officers and other stakeholders:

- December 2014 – our quarterly meeting with the Executive Head of Governance and Logistics and the Finance Service Manager to update our understanding of the challenges and risks you are facing. This forms a key part of our continuous audit planning.
- January and February 2015 – we held ongoing discussions with key finance staff to discuss significant risks and emerging issues around the accounts preparation process.
- February 2015 – EY held a public sector accountancy workshop to update key accounting staff on the changing legislative and accounting landscape within local government for 2014/15. The Corporate Accountancy Team Leader attended on behalf of the Council.
- We have continued to liaise with Internal Audit to ensure we can place reliance on their work where possible.

Our work to identify the material income and expenditure systems was completed in January 2015. The detailed walk through of these systems, and where appropriate the testing of the controls and critical path of each material system, is planned for February and March 2015. We will communicate the results of this work to you in our Audit Plan which will be presented to the Governance and Audit Committee in June.

We will continue to use our computer-based analytics tools to enable us to capture whole populations of your financial data, in particular payroll, cash payments and receipts and journal entries.

Value for money

The Audit Commission has issued its guidance on the 2014/15 value for money conclusion.

There are no planned changes to the approach in 2014/15. Our initial risk assessment is ongoing and we will report the risks we have identified and associated work we will carry out to the June 2015 Governance and Audit Committee.

Timetable 2014/15

We set out below a timetable showing the key stages of the audit, including the value for money work, and the deliverables we will provide to you through the 2014/15 Governance and Audit Committee cycle. We will provide formal reports to the Committee throughout our audit process as outlined below.

Audit phase	EY Timetable	Deliverable	Associated Governance & Audit Committee	Status
Notification of audit fee	Ongoing	Audit Fee Letter	June 2014	Completed - Reported to the June 2014 Committee
Risk assessment and setting scope of audit	Feb - April 2015	Audit Plan	June 2015	-
Testing of routine processes and controls and early substantive testing	Feb – April 2015	Audit Plan	June 2015	-
Year-end audit	June - August 2015	Audit results report to those charged with governance Audit report (including our opinion on the financial statements and a conclusion as to whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources) Whole of Government Accounts Submission to NAO based on their group audit instructions Audit Completion certificate	September 2015	-
Annual Reporting	October 2015	Annual Audit Letter	December 2015	-
Grant Claims	September – November 2015	Annual certification report	February 2016	-

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Certification of claims and returns annual report 2013/14

Havant Borough Council

December 2014

Ernst & Young LLP



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Havant Borough Council
Public Service Plaza
Civic Centre Road
Havant
PO9 2AX

19 December 2014

Dear Members

Certification of claims and returns annual report 2013/14 Havant Borough Council

We are pleased to report on our certification work. This report summarises the results of our work on Havant Borough Council's 2013/14 claims and returns.

Scope of work

Local authorities claim large sums of public money in grants and subsidies from central government and other grant-paying bodies and are required to complete returns providing financial information to government departments. In some cases these grant-paying bodies and government departments require certification from an appropriately qualified auditor of the claims and returns submitted to them.

Under section 28 of the Audit Commission Act 1998, the Audit Commission may, at the request of authorities, make arrangements for certifying claims and returns because scheme terms and conditions include a certification requirement. When such arrangements are made, certification instructions issued by the Audit Commission to appointed auditors of the audited body set out the work they must undertake before issuing certificates and set out the submission deadlines.

Certification work is not an audit. Certification work involves executing prescribed tests which are designed to give reasonable assurance that claims and returns are fairly stated and in accordance with specified terms and conditions.

In 2013/14, the Audit Commission did not ask auditors to certify individual claims and returns below £125,000. The threshold below which auditors undertook only limited tests remained at £500,000. Above this threshold, certification work took account of the audited body's overall control environment for preparing the claim or return. The exception was the Housing Benefits subsidy claim where the grant paying department sets the level of testing.

Where auditors agree it is necessary audited bodies can amend a claim or return. An auditor's certificate may also refer to a qualification letter where there is disagreement or uncertainty, or the audited body does not comply with scheme terms and conditions.

Statement of responsibilities

In March 2013 the Audit Commission issued a revised version of the 'Statement of responsibilities of grant-paying bodies, authorities, the Audit Commission and appointed auditors in relation to claims and returns' (statement of responsibilities). It is available from the Chief Executive of each audited body and via the Audit Commission website.

The statement of responsibilities serves as the formal terms of engagement between the Audit Commission's 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.

This annual certification report is prepared in the context of the statement of responsibilities. It is addressed to those charged with governance and is prepared for the sole use of the audited body. We, as appointed auditor, take no responsibility to any third party.

Summary

Section 1 of this report outlines the results from our 2013/14 certification work and highlights the significant issues.

We checked and certified one claim, relating to Housing Benefits, with a total value of £32,680,044 and met the submission deadline. We issued a qualification letter and details of the qualification matters are included in section 1.

Fees for certification work are summarised in section 2.

We welcome the opportunity to discuss the contents of this report with you at the Governance and Audit Committee on 3 March 2015.

Yours faithfully

Helen Thompson
Director
For and on behalf of Ernst & Young LLP
Southampton

Enc.

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1. Summary of 2013/14 certification work

We certified 1 claim in 2013/14. The main findings from our certification work are provided below.

Housing benefits subsidy claim

Scope of work	Results
Value of claim presented for certification	£32,679,955
Limited or full review	Full
Amended	Amended – Subsidy increased by £89
Qualification letter	Yes
Fee – 2013/14	£12,320
Fee – 2012/13	£20,276
Recommendations from prior year 2012/13:	
None	

Councils run the Government's housing benefits scheme, and claim subsidies from the Department for Work and Pensions (DWP) towards the cost of benefits paid.

The certification guidance requires auditors to complete more extensive '40+' testing (extended testing) if initial testing identifies errors in the calculation of benefit or compilation of the claim. Our initial testing found two errors which resulted in additional work being undertaken, this is summarised in the table below:

Finding in initial sample	Audit Response
Local Housing Allowance Expenditure: One case was identified where earned income had been incorrectly entered onto the Council's system resulting in the claimant being underpaid benefit.	Extended (40+) testing was undertaken and one further error was identified. This also resulted in an underpayment of benefit. We reported this in the qualification letter sent to the DWP.
Backdated Expenditure: One case was identified where the assessor failed to tick the relevant box to notify the system that the claim and benefit would start in the same week. This resulted in an element of the benefit paid being included within the incorrect classification cell within the claim.	As this is only an analysis cell no further testing was undertaken. However, we reported the facts of this error in the qualification letter sent to the DWP.

2. 2013/14 certification fees

The Audit Commission sets composite indicative fee for certification work for each body. The indicative fee for 2013/14 was initially based on actual certification fees for 2011/12, reduced by 40%. This was then further adjusted to reflect the fact that a number of schemes would no longer require auditor certification, and a 12% reduction was also applied to the Housing Benefit Subsidy claim due to the replacement of Council Tax Benefit with Council Tax Support which is not part of that claim.

The indicative composite fee for Havant Borough Council for 2013/14 was £12,320.

We have completed the work required within this indicative fee total.

Claim or return	2013/14	2013/14	2012/13
	Indicative fee £	Actual fee £	Actual
Housing and council tax benefits subsidy	12,320	12,320	20,276
National non-domestic rates return	n/a	n/a	2,550
Total	12,320	12,320	22,826

Note: Fees for annual reporting and for planning, supervision and review have been allocated directly to the claims and returns.

3. Looking forward

The Council's indicative certification fee for 2014/15 is £17,840. This is based on the outturn from 2012/13 certification work, adjusted for claims no longer requiring review. The actual certification fee for 2014/15 may be higher or lower than the indicative fee, if we need to undertake more or less work than in 2012/13 on individual claims or returns. Details of individual indicative fees are available at the following link:

<http://www.audit-commission.gov.uk/audit-regime/audit-fees/201415-work-programme-and-scales-of-fees/individual-indicative-certification-fees/>

We must seek the agreement of the Audit Commission, or its successor body, to any proposed variations to indicative certification fees. The Audit Commission expects variations from the indicative fee to occur only where issues arise that are significantly different from those identified and reflected in the 2012/13 fee.

The Audit Commission has changed its instructions to allow appointed auditors to act as reporting accountants where the Commission has not made or does not intend to make certification arrangements. This removes the previous restriction saying that the appointed auditor cannot act if the Commission has declined to make arrangements.

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Executive Head of Governance and Logistics
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19 December 2014

Ref:
Your ref:

Direct line: 02380 382099

Email: HThompson2@uk.ey.com

Dear Jane

Havant Borough Council - 2013/14 Audit Scale Fee – late variation

We issued our formal Annual Audit Letter on 17 October 2014, to formally report the outcome from our work in respect of the 2013/14 audit year. Within this report, we set out the final audit fees, as required by the Audit Commission.

However, the Audit Commission has recently consulted on a supplement to the 2014/15 audit scale fees. In that consultation, the Audit Commission applied a permanent variation of £900 to the base scale fee. This reflects the additional audit procedures required to gain sufficient audit assurance around business rate income and expenditure within the Collection Fund.

This additional work is required because the certification work on Business Rates (the NNDR3 grant claim) is no longer within the Audit Commission's grant regime - it was withdrawn for 2013/14. Auditors were previously able to use the certification work on the NNDR3 claim as the required assurance for the audit opinion on the financial statements (including the Collection Fund). As a result, the 2013/14 grant certification scale fee was reduced by £2,550, to reflect this.

The Audit Commission has now acknowledged that auditors were required to undertake these additional audit procedures to be able to gain assurance for the 2013/14 financial statements opinion. Indeed, business rates were included as a significant audit risk within our Audit Plan. In recognising that this applies equally to 2013/14, the Audit Commission has asked us to agree a scale fee variation of £900 to that audit fee with you.

The revised final scale fee in respect of the 2013/14 audit is set out in the table below.

	2013-14	2013-14
	Reported final fee (within Annual Audit Letter)	Amended final fee (revised and final)
	£	£
Audit Code Scale Fee	63,183	64,083

We appreciate that any increase to the audit scale fee is unwelcome news, but we hope that the narrative above sets out the Audit Commission's rationale for the increase. This increase should be seen in the context of the Audit Commission reducing the 2015/16 scale fee by a further 25%, as a result of its latest procurement exercise.

If you wish to discuss this in more detail please do contact us, so we can arrange a call or a meeting. Otherwise, we would be grateful if this letter could be included within the agenda for the next Governance and Audit Committee, as we are required to report the final audit fee to 'those charged with governance' of the Council.

We look forward to catching up with you in due course.

Yours sincerely



Helen Thompson
Director
Ernst & Young LLP



Local government audit committee briefing

Contents at a glance

Government and economic news

Accounting, auditing and governance

Regulation news

Key questions for the audit committee

Find out more

This sector briefing is one of the ways that we hope to continue to support you and your organisation in an environment that is constantly changing and evolving. It covers issues which may have an impact on your organisation, the Local government sector and the audits that we undertake. The public sector audit specialists who transferred from the Audit Commission form part of EY's national Government and Public Sector (GPS) team. Their extensive public sector knowledge is now supported by the rich resource of wider expertise across EY's UK and international business. This briefing reflects this, bringing together not only technical issues relevant to the local government sector but wider matters of potential interest to you and your organisation.

Links to where you can find out more on any of the articles featured can be found at the end of the briefing, as well as some examples of areas where EY can provide support to Local Authority bodies. We hope that you find the briefing informative and should this raise any issues that you would like to discuss further please do contact your local audit team.



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Government and economic news

Autumn statement

In the Autumn Statement, released on 5 December 2014, the government announced a number of changes to the business rates regime, and employer's national insurance. The changes are summarised as follows:

Business rates

- ▶ Doubling of Small Business Rate Relief has been extended until April 2016
- ▶ The 2% cap on the RPI increase in the business rates multiplier has been extended until April 2016
- ▶ The discount for shops, pubs, cafes and restaurants with a rateable value of £50,000 or below has been increased from £1,000 to £1,500 in 2015/16
- ▶ The Government intends to carry out a review of the future structure of business rates, and will report by Budget 2016. Terms of reference will be published in due course
- ▶ Transitional arrangements for properties with a rateable value of £50,000 or below, and which would have faced significant increases in their business rates, have been extended from 1 April 2015 to 31 March 2017
- ▶ Backdating rules will be changed so that for VOA alterations before 1 April 2016 and ratepayers' appeals before 1 April 2015, changes to rateable value can only be backdated to the period between 1 April 2010 and 1 April 2015
- ▶ The Government has also published a discussion paper on business rates avoidance. The consultation on this, which closes on 28 February 2015, invites responses on methods and scale of avoidance as well as how it may be tackled

National insurance

- ▶ From April 2016, the Government is abolishing employer National Insurance contributions on earnings up to the Upper Earnings Limit for apprentices under 25, in order to progress towards full employment and create a more highly skilled labour market
- ▶ From April 2015, employers will no longer have to pay National Insurance contributions for employees up to the age of 21, on earnings up to the Upper Earnings Limit

Welfare reform

Funding

The Government has held a consultation on how local welfare provision should be funded in 2015/16. This consultation closed on 21 November 2014 and the results are expected early in 2015. Parts of the discretionary Social Fund were abolished by the Welfare Reform Act 2012, and following this, all of the available funding for the Community Care Grant and Crisis Loans elements were passed to upper tier English local authorities and the devolved administrations on the basis of historical demand and spend data. The funding for 2014/15 was adjusted to take account of predicted efficiency savings. It was intended that from April 2015, local welfare provision would be funded from the general grant, rather than ring-fenced, but this decision was recently challenged in judicial review and so the Government has



Government and economic news

committed to making a new decision on how this should be funded. The three options the Government is considering are as follows:

- ▶ Funding local welfare provision from existing local budgets with no separately identified or ring-fenced provision
- ▶ A published figure showing how much of each local authority's Settlement Funding Assessment notionally relates to local welfare provision, with the total national figure decided by Government
- ▶ Topslice Revenue Support Grant to fund a section 31 grant, which would ring-fence the funding for local welfare provision, although the total amount of funding would not change

Although the consultation responses are still being analysed, the Provisional Local Government Settlement 2015/16 contains an amount separately identified, but not ring-fenced, for local welfare provision.

Universal credit

Universal Credit is also rolling out to more areas, and is predicted to be available in a third of jobcentres by spring 2015. From November 2014, Universal Credit is being opened up to families on a phased basis, starting with six jobcentres in the North West. The last new claims to legacy benefits, including housing benefit, which is administered by local authorities, will be accepted during 2017, after which the number of remaining legacy claims will progressively decline and the remainder will be migrated to Universal Credit. This exercise is expected to be largely complete by 2019.

Data sharing

The Government is also consulting on draft regulations to enable data sharing in relation to Universal Credit between DWP and local support providers. This would allow the sharing of data between DWP and local authorities, citizens advice bureaux, credit unions, social landlords and relevant registered charities, in order to identify Universal Credit claimants who need additional support and ensure this support is in place. This Universal Support programme is already being trialled in 11 partnership areas. The proposed changes would come into force from February 2015 and be implemented from March 2015.

Financial sustainability of local authorities

The National Audit Office has published a report on the Financial Sustainability of Local Authorities following the reductions in funding implemented as part of the Government's plan to reduce the deficit. This report summarises the evidence of the impact of funding reductions on local authorities, assesses how well the Department for Communities and Local Government keeps itself informed of the risks and impacts of its funding changes, and assesses whether the Department is managing the risks that its funding reductions will lead to local authorities failing to deliver their statutory services. The key findings are that:

- ▶ In real terms, Government will reduce funding to local authorities by 37% between 2010/11 and 2015/16
- ▶ Local authorities have coped well with these reductions, with no financial failures so far



Government and economic news

- ▶ There is evidence that reductions in funding have led to a fall in volumes of service, although local authorities have tried to protect funding in core areas such as social care
- ▶ In their data returns to the Audit Commission on financial resilience, local auditors report that 16% of single tier and county councils are not well placed to deliver their 2014/15 budgets, and that 52% of such authorities are not well placed to deliver their medium term financial strategies

Meanwhile, the Government has published a provisional Local Government finance settlement for 2015/16 setting out the distribution of Revenue Support Grant (RSG) and retained business rates income.

The provisional settlement includes:

- ▶ A reduction for each authority in the distribution of RSG by reducing each element in proportion to the reduction in the 2015/16 national control total for that element
- ▶ Funding for the Improvement and Development Agency for Local Government of £23.4mn
- ▶ An increase in the rural funding element of RSG from £11.5mn to £15.5mn
- ▶ An adjustment to funding for authorities which have fallen below the threshold for participation in the Carbon Reduction Commitment Energy Efficiency Scheme, to take account of the loss in tax revenue to the Treasury

- ▶ Protection against reduction in revenue spending power of more than 6.4% in 2015/16 through the Efficiency Support Grant

Council tax and business rates collection

The Audit Commission have used information that they have collected from their Value for Money profiles to produce a briefing on council tax and business rates collection. This has identified that the collection rate for council tax has dropped by 0.4% from 2012/13, to 97% in 2013/14, whereas the collection rate for business rates has increased by 0.2% from 2012/13, to 97.9%. In real terms, the collection of both has increased; council tax by 2.7% and business rates by 1.8% from the previous year. The total amount of council tax arrears at 31 March 2014 was 6% higher than in the previous year, standing at £2.53bn. The collection rates for council tax vary by council type; districts had the highest in-year collection rate at 98.0% whereas Metropolitan districts had the lowest, averaging 95.6%. A similar pattern is seen for business rates.



Accounting, auditing and governance

Future of local audit

In our last briefing, we told you about the Government's consultation on the Local Audit Regulations associated with the Local Audit and Accountability Act. This consultation has now concluded and the results have been published. The Government intends to lay finalised regulations before Parliament early in 2015. The consultation covered:

- ▶ Smaller Authorities' Regulations regarding transparency and the appointment of external audit
- ▶ Collective procurement of audit for local authorities, including the principle of a maximum length of appointment period
- ▶ The role of the Specified Person in auditor appointment
- ▶ The Accounts & Audit Regulations, including electronic publication of the accounts, standardisation of the inspection period, and compression of the audit timetable
- ▶ Transparency Code for Internal Drainage Boards, Charter Trustees and Port Health Authorities

A key area is that the Government has decided to retain the proposed approach of bringing forward the accounts deadline

to 31 May and the audit deadline to 31 July, from the 2017/18 accounts. The Government believes that this change will reduce the burden of the closure process, enabling finance staff to give more time to in-year financial management. This will clearly be a significant change for Local Authorities which will require early planning to ensure successful implementation.

The Local Audit and Accountability Act also enhances the role of the National Audit Office (NAO), which becomes responsible for preparation of the Code of Audit Practice; the document setting out what local auditors are required to do. The NAO have also started to augment their programme of Value for Money work, looking more explicitly at local services in areas including:

- ▶ Public health
- ▶ Adult care assessments
- ▶ Care for people with learning disabilities
- ▶ Children's services
- ▶ City deals
- ▶ Housing



Accounting, auditing and governance

Auditing the accounts

The Audit Commission has been publishing the Auditing the Accounts report since 2008/09, and the latest issue shows a considerable improvement in the number of principal bodies publishing their accounts by the deadline of 30 September. 506 out of 512 principal bodies met the statutory accounts publication requirements, and 16 of these published their audited accounts by 31 July. At five principal bodies, the responsible financial officer had not signed and certified the accounts by 30 June. No non-standard audit opinions had been issued by the date of publication, but there were nine bodies where the auditor had not been able to issue the opinion by 30 September. Of these nine, six had been issued by the end of October. The report also covers small bodies, including parish councils and Internal Drainage Boards.

The report identifies challenges for 2014/15 and beyond, including the following:

- ▶ Financial reporting timetable – the report notes that the timetable will be brought forward by two months from 2017/18; with audit bodies being required to submit draft accounts for audit one month earlier than at present
- ▶ Transport infrastructure assets – there will be a fundamental change to the measurement basis of these assets which will affect all Highways authorities and non-highway authorities with material transport infrastructure assets. Taking effect from 1 April 2016, depreciated replacement cost will be used instead of the current depreciated historic cost. It is conservatively estimated that this will add at least £200 billion to the net worth of local authority balance sheets. In 16/17 this will include disclosure of 14/15 asset values as part of the balance sheet

For both of these changes EY will be issuing Audit Committee Briefings and/or Technical Papers as well as carrying out preparedness reviews to assist client and non-clients to meet these challenges.



Regulation news

Consultation on changes to the Bellwin scheme of emergency financial assistance to authorities

A review was set up in 2014 to assess any permanent changes which may be needed to the Bellwin scheme as a result of more frequent severe weather events. This review considered the existing terms of the scheme, including thresholds, grant rate and eligible spending criteria. The Government has held a consultation on suggested revised principles following this review. The consultation ended on 1 January 2015.

The Bellwin scheme covers only emergency spending incurred as a result of immediate action to safeguard life and property, or to prevent suffering or severe inconvenience as a result of a disaster or emergency in the local authority area. Funding for longer term recovery from emergencies will be considered separately. The Government's proposal intends to refocus the scheme on emergency response, rather than recovery.

Previously, the threshold requirement was 0.2% of a local authority's calculated annual revenue budget, and 85% of expenditure above this threshold was funded. From 2013/14, the thresholds were reduced by excluding education budgets for County and Unitary authorities, and 100% of costs above

this threshold were funded. The Government proposes to retain these revised thresholds, and to publish the value of each local authority's provisional threshold alongside the finance settlement each year.

The Government is proposing to limit the time period for eligible spending to one month from when the incident was agreed to have moved from response to recovery. Ministers would retain the choice over when to activate the scheme, and would have discretion over when the period ended. Local authorities would have a longer period of three months to collate costs and claim for reimbursement. The Government also intends to widen the range of activities covered by Bellwin funding, to include some forms of capital spending. However, although emergency highway clear-up costs would be covered, repair to the damaged surfaces of roads and highways will remain ineligible.

Illustrative Bellwin thresholds were published as part of the Provisional Local Government Settlement 2015/16 on 18 December 2014.



Regulation news

Better Care Fund

The National Audit Office (NAO) has recently released a report on the Better Care Fund. The Fund, consisting of money reallocated from existing budgets, involves pooling £3.8bn from 2015/16 for health and social care services to work more closely together, with the ambition that integrated care would be the norm by 2018. All 151 local areas submitted plans by April 2014 but Ministers did not approve the plans as initially intended. This was because after analysing the plans, NHS England concluded that the savings estimates were not credible, that some of the over-optimism shown came from insufficient engagement with acute trusts in planning, and some aspects of the plans needed further development. From May to July 2014, the two departments involved (Department of Health and Department of Communities & Local Government) revised the conditions attached to the fund, as well as improving the governance and programme management of the Fund in July 2014. These changes reduced the time available for local planning, which would have started from

April 2014. However, of the revised plans submitted in September 2014, almost two thirds were approved with no or minor changes, and a third were approved with conditions. Five plans were not approved. Protection of social care services is identified to be the biggest risk area. The NAO's conclusion is that pausing and redesigning the scheme was the right thing to do.

EY have worked with a large number of CCGs and local authorities to help develop plans, or challenge their robustness and governance arrangements. For more information on how EY can support you, contact your engagement lead.



Key questions for the audit committee

What questions should the Audit Committee be asking itself?

Will we be prepared for an earlier closedown for the 2017/18 accounts?

- ▶ Have we critically reviewed the accounts and identified areas where they can be streamlined?
- ▶ Have we identified any disclosures or other areas which could be prepared early?
- ▶ Do we engage in early discussions with our auditors over working paper requirements and any proposed amendments to the accounts compared to the prior year?
- ▶ Do we engage in early discussions with our auditors over key areas of judgement and technical accounting areas well before closedown?
- ▶ Is resourcing within finance teams sufficient? Are there any areas which will need additional support?
- ▶ Do we have plans in place to start producing interim financial statements at month 9 if this is something that we do not already do?

Are we prepared for the change to the measurement basis of transport infrastructure assets?

- ▶ Do we have material transport infrastructure assets?
- ▶ Have we reviewed the key actions and milestones within LAAP bulletin 100? Do we have a project plan in place with sufficient resources in place to deliver? Does our plan include sufficient input from both finance and highways officers?



Find out more

Autumn statement

Read the Autumn Statement in full at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/382327/44695_Accessible.pdf

Welfare reform

Details of the consultation are at:

<https://www.gov.uk/government/consultations/local-welfare-provision-in-2015-to-2016>

Financial sustainability of local authorities

You can find the NAO report at:

<http://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2014/>

The provisional local government finance settlement is available at:

<https://www.gov.uk/government/collections/provisional-local-government-finance-settlement-england-2015-to-2016#provisional-settlement-2015-to-2016>

The Government's '50 ways to save' guide can be accessed at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/39264/50_ways_2.pdf

Council Tax & Business Rates Collection

Read the Audit Commission press release at:

<http://www.audit-commission.gov.uk/2014/11/council-tax-and-business-rates-exceed-targets-despite-4-55-billion-uncollected/>

Future of local audit

The consultation is available at:

<https://www.gov.uk/government/consultations/local-audit-regulations>

The NAO have detailed their new role in local audit at:

<http://www.nao.org.uk/report/the-naos-role-in-local-audit/>

Auditing the accounts

Read the full report at:

<http://www.audit-commission.gov.uk/wp-content/uploads/2014/12/20141204-Auditing-the-Accounts-2013-14-LG-FINAL-FOR-WEB.pdf>

Consultation on changes to the Bellwin scheme

When available the results of the consultation will be published at:

<https://www.gov.uk/government/consultations/bellwin-scheme-of-emergency-financial-assistance-to-local-authorities>

Better care fund

Find the NAO's report on the better care fund at:

<http://www.nao.org.uk/wp-content/uploads/2014/11/Planning-for-the-better-care-fund-summary.pdf>

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ED None

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HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

03 March 2015

INTERNAL AUDIT PROGRESS REPORT 2014 - 15 (January 2015)

Head of Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Portfolio: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

1.0 Purpose of Report

- 1.1 The purpose of this paper is to provide the Governance and Audit Committee with an overview of internal audit activity against assurance work completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

2.0 Recommendation

- 2.1 That the Governance and Audit Committee note the Internal Audit Progress Report (January 2015) as attached.

3.0 Summary

- 3.1 Under the Accounts and Audit (England) Regulations 2011, the Council is responsible for:
- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
 - undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.
- 3.2 In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Governance and Audit Committee, summarising:

'communications on the internal audit activity's performance relative to its plan.'

3.3 Appendix 1 summarises the performance of internal audit for 2014 - 15.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2011.

4.3 Strategy:

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

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers and Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

N/A

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 3 February 2015.

Appendices:

Appendix 1 – Internal Audit Progress Report (January 2015)

Agreed and signed off by:

Legal Services: Jo Barden-Hernandez – 3 February 2015.

Finance: Jane Eaton – 3 February 2015.

Executive Head of Governance & Logistics: Jane Eaton – 3 February 2015.

Contact Officer: Neil Pitman

Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

Internal Audit Progress Report

January 2015

Havant Borough Council

Havant
BOROUGH COUNCIL

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**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2011, which states that a relevant body must:

‘Undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control’.

The standards for ‘proper practices’ in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations 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 organisations objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

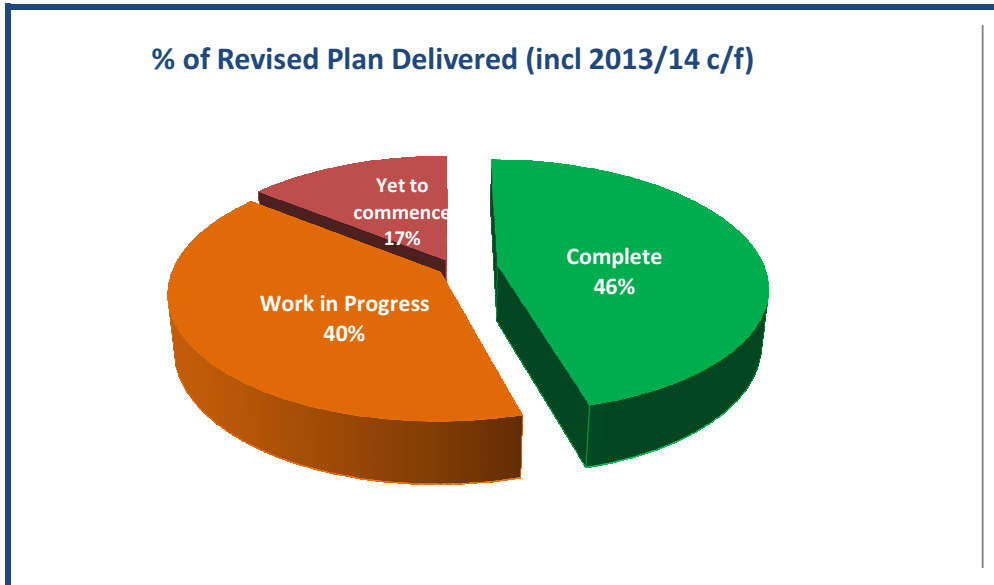
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. Assurance opinions are categorised as follows:

- Substantial** A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified.
- Adequate** Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified.
- Limited** Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk.
- No** Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

3. Performance dashboard

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Compliance with Public Sector Internal Audit Standards / Local Government Application Note	
	<p>During 2013 – 14 The Head of the Southern Internal Audit Partnership undertook a self-assessment concluding overall compliance against the Standards and the LGAN. To provide independence to the process the self–assessment was reviewed by Hampshire County Council’s Monitoring Officer to ensure it presented a true and fair view.</p> <p>Independent analysis confirmed that the self-assessment provided <i>‘a fair assessment of the internal audit activity’</i>.</p>

4. Status of 'Live' Reports

Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Vehicle maintenance	10/10/13	E&NQ	Adequate	Adequate	5 (1)	3 (1)		2 (0)
Lease income	16/12/13	G&L	Adequate	Adequate	7 (0)	5 (0)		2 (0)
Accounts payable	06/01/14	G&L	Adequate	Adequate	1 (0)		1 (0)	
Payroll	31/01/14	G&L	Adequate	Adequate	3 (0)	2 (0)		1 (0)
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	20/02/14	G&L	Substantial	Substantial	1 (0)			1 (0)
Partnership management	22/04/14	E&NQ	Limited	Adequate	6 (1)	4 (1)		2 (0)
Health and Safety at work	02/05/14	G&L	Adequate	Adequate	5 (0)	4 (0)		1 (0)
Asset Acquisition Strategy	13/05/14	G&L	Adequate	Adequate	2 (0)	1 (0)		1 (0)
Computer Audit - Modern Gov	09/06/14	M&D	Adequate	Adequate	5 (0)	5 (0)		
Performance Management Systems	30/06/14	M&D	Adequate	Adequate	5 (5)		5 (5)	
Planning Development Fee Income	01/07/14	P&BE	Adequate	Adequate	4 (0)	2 (0)	2 (0)	
Finance - Budgetary Control	13/08/14	G&L	Adequate	Adequate	2 (0)		1 (0)	1 (0)

Audit title	Report date	Audit Sponsor	Audit Assurance		Management Actions (of which are 'high' priority)			
			Original	Current	Reported	Cleared	Pending	Overdue
Capital Purchases	19/08/14	G&L	Adequate	Adequate	2 (0)		2 (0)	
Information Management	06/10/14	G&L	Adequate	Adequate	5 (0)		4 (0)	1 (0)
Licensing	10/10/14	E&NQ	Adequate	Adequate	3 (2)		1 (1)	2 (1)
Business Continuity Planning	17/10/14	G&L	Adequate	Adequate	3 (0)		1 (0)	2 (0)
Fuel Management	27/10/14	E&NQ	Adequate	Adequate	14 (0)	6 (0)	5 (0)	3 (0)
Project Management	05/11/14	M&D	Adequate	Adequate	6 (0)	3 (0)	3 (0)	
Developers Contributions and Obligations	21/01/15	E&NQ	Adequate	Adequate	8 (0)	1 (0)	7 (0)	

Audit Sponsor	
Executive Head Marketing and Development	M&D
Executive Head Governance and Logistics	G&L
Executive Head Environment and Neighbourhood Quality	E&NQ
Executive Head Planning and Built Environment	P&BE
Executive Head Economy and Communities	E&C

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5. Executive Summaries of new reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no new reports with limited or no assurance opinions.

6. Fraud and Irregularities

In accordance with the Local Government Transparency Code 2014 there is a requirement on local authorities to publish the following information with regard counter fraud work:

Local Government Transparency Code 2014 Part 2 Requirements - Fraud	01.04.14 – 31.12.14
Number of occasions powers under the Prevention of Social Housing Fraud (Power to Require Information) (England) Regulations 2014, or similar powers have been used	Nil
Total number (absolute and full time equivalent) of employees undertaking investigations and prosecutions of fraud	2 fte*
Total number (absolute and full time equivalent) of professionally accredited counter fraud specialists	3 fte*
Total amount of time spent by the authority on the investigation and prosecution of fraud	20 days*
Total number of new fraud cases investigated	0**

*relates to internal audit staff within the wider SIAP only (does not include other areas of the Council that may affect reported figures i.e. legal, HR, departmental investigating officers, Housing Benefits etc.)

**the definition of fraud is as set out by the Audit Commission in *Protecting the Public Purse* - 'the intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss.'

Fraud Grant Funding

The DCLG have made available £16m to assist Councils in developing innovative and holistic initiatives to tackle the fight against fraud.

During the summer local authorities were invited to submit proposals for funding that would result in real financial savings through effective counter fraud activities. A successful bid from the Southern Internal Audit Partnership (one of only 59 approved from 164 applications) has resulted in funding of £72,000 being awarded to support initiatives in respect of fraud detection and prevention.

Funding acquired will contribute to the development of a generic fraud risk assessment framework to inform and educate of key fraud risks. This assessment will inform a programme of proactive fraud initiatives moving forward, targeting demonstrably high risk areas.

This will be supported by the use of data analytics to more strategically analyse higher risk areas in the identification and investigation of data giving rise to irregular activity or conflicts with other sources of information.

The legacy from funding will strengthen measures for both fraud detection and prevention through provision of a clear understanding and assessment of fraud threats and the establishment of data analytics as preventative measures to combat fraud through the real time sharing and matching of data and fraud intelligence.

7. Planning & Resourcing

The internal audit plan for 2014-15 was prepared following meetings with the Executive Heads and Service Managers and was presented to the Executive Board on 04 February 2014 and the Governance and Audit Committee on 05 March 2014. The audit plan remains fluid to ensure audit resource is effectively aligned to the Council's needs. Progress against the plan is detailed within section 8.

8. Rolling Work Programme

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
2013-14 Carry Forward Reviews					
Business Continuity Planning	✓	✓	✓	✓	17/10/14
Performance Management Systems	✓	✓	✓	✓	30/06/14
Risk management	✓	✓	✓	✓	27/05/14
Benefits	✓	✓	✓	✓	02/07/14
Capital Purchases	✓	✓	✓	✓	19/08/14
Finance - Budgetary Control	✓	✓	✓	✓	13/08/14
Mod Gov	✓	✓	✓	✓	09/06/14
2014—15 Reviews					
Corporate Cross Cutting					
Information management	✓	✓	✓	✓	06/10/14

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
HR					
NFI (National Fraud Initiative)	n/a	✓	n/a	n/a	n/a
Project Management	✓	✓	✓	✓	05/11/14
Corporate Governance					
Code of Conduct					
Review of Annual Governance Statement	✓	✓	✓	✓	03/09/14
Proactive fraud initiatives	n/a	✓			
Annual review of effectiveness of Internal Audit	✓	✓	✓	✓	17/06/14
Financial Management					
Parking	✓	✓	✓	✓	
Finance – Payroll	✓	✓	✓	✓	
Income collection and banking					

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Council tax	✓	✓			
Accounts receivable / Debt management	✓	✓	✓		
Treasury management	✓	✓	✓	✓	
SCOPAC (Standing Conference on Problems Associated with the Coastline) accounts	✓	✓	✓		
Information Technology					
Computer implementations (Finance)					Advice role
ICT policies and security	✓	✓			
ICT contract	✓	✓			
ICT hosted services	✓	✓			
Corporate objectives					
Depot Services	✓	✓			
Fuel Management	✓	✓	✓	✓	27/10/14

Audit title	Audit Progress				
	TOR issued	Fieldwork commenced	Fieldwork complete	Draft report issued	Final report issued
Crematorium Partnership					
Impact of Welfare Reform	✓	✓	✓	✓	05/11/14
Beach Huts	✓	✓	✓	✓	
Building control					
Planning development – Fee income	✓	✓	✓	✓	30/06/14
Licensing	✓	✓	✓	✓	10/10/14
Developers obligations and contributions	✓	✓	✓	✓	21/01/15

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HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

03 March 2015

INTERNAL AUDIT PLAN 2015-16

Head of Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Portfolio: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

1.0 Purpose of Report

- 1.1** The purpose of this paper is to provide the Governance and Audit Committee with the Internal Audit Plan 2015–2016 for Havant Borough Council (Appendix 1).
- 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 Recommendation

- 2.1** That the Governance and Audit Committee approve the Internal Audit Plan 2015-2016.

3.0 Summary

- 3.1** 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.
- 3.2** The strategic audit plan has historically projected audit activity over a 3 year period, however due to the rapidly changing local government environment, the relevance of predicting future year’s coverage at this stage would be of questionable value.

- 3.3** Internal audit focus should be proportionate and appropriately aligned; as such resources primarily concentrate on high and medium priority reviews.
- 3.4** All low priority review areas remain within the audit universe and are reassessed on an annual basis, however, will not be routinely incorporated in the planning process if continued to be assessed as a low priority.
- 3.5** The 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 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.
- 3.6** Other reviews, based on criteria other than risk, may also be built into the work plan. These may include 'mandatory' audits or reviews requested or commissioned by management. Any commissioned review must be able to clearly demonstrate a contribution to the audit opinion on risk management, control and governance.
- 3.7** The internal audit team have adopted a matrix style approach to enable the delivery of the plan, by using a resource pool of multi disciplinary auditors capable of forming into teams as audit projects determine.
- 3.8** This approach will ensure seasonal peaks in demand can be effectively managed, an appropriate level of independence in the rotation of audit reviews and the avoidance of over reliance on individual areas of expertise.
- 3.9** 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.
- 3.10** 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.
- 3.11** The endorsement and sponsorship of the plan at Member / Executive Head level will assist in providing the engagement and buy-in of staff at an operational level to ensure the outcome of audit reviews are optimised.
- 3.12** A key role of internal audit is to objectively examine, evaluate and report on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 3.13** A clear objective of the risk based audit approach adopted is to identify any instances of over as well as under control and provide management with a clear articulation of residual risks where existing controls are inadequate.
- 3.14** In a climate where it is necessary to become less process driven and eliminate unproductive tasks, internal audit will not become (or perceived) as a barrier to innovation. Whilst it is imperative that Internal Audit continue to ensure an appropriate control environment exists and

appropriately reported on, the service is ideally positioned and has been appropriately briefed to challenge current practice and where applicable highlight duplication and over control, contributing to efficiencies across the Council.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2011.

4.3 Strategy:

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

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a

5.0 Consultation

5.1 The report has been discussed and approved by the Management Team who met at the Executive Board on 3 February 2015.

Appendices:

Appendix 1 – Internal Audit Plan 2015 - 16

Agreed and signed off by:

Legal Services: Jo Barden-Hernandez – 3 February 2015.

Finance: Jane Eaton - 3 February 2015.

Executive Head of Governance & Logistics: Jane Eaton - 3 February 2015.

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

**Havant Borough Council
Internal Audit Plan 2015-2016**

Audit	Audit Sponsor	Priority H/M/L	2015/16
Corporate cross cutting			
Asset Management	G&L	M	✓
Contract Management	G&L	H	✓
Strategic Planning	G&L	H	✓
Performance Management Systems	M&D	H	✓
Procurement	G&L	H	✓
Corporate governance			
Proactive Fraud Initiatives	G&L	H	✓
Annual Governance Statement	G&L	H	✓
Special Investigation (s)	G&L	n/a	✓
Effectiveness of Internal Audit	G&L	H	✓
Local Government Transparency Code 2014	G&L	H	✓
National Fraud Initiative (NFI)	G&L	n/a	✓
Decision Making / Accountability	G&L	H	✓
Financial management			
Accounts Payable	G&L	H	✓
Accounts Receivable / Debt Management	G&L	H	✓
Financial Planning / Budgetary Control	G&L	H	✓
Finance – Main Accounting	G&L	H	✓
National Non-Domestic Rates (NNDR)	G&L	H	✓
Standing Conference of Problems Associated with the Coastline Accounts (SCOPAC)	G&L	L	✓
Information technology			
New IT Applications / Finance System Access Controls	M&D	H	✓
ICT Hosted Services	M&D	M	✓
Corporate objectives			
Disabled Facilities Grants	E&NQ	M	✓
Insurance	G&L	M	✓
Land Charges	P&BE	M	✓
Licensing	E&NQ	M	✓
Traffic Management	E&NQ	M	✓
Thematic Review / smaller services	E&C	M	✓
Legal Services (Trading Services)	G&L	H	✓
Other direct audit activity			
Advice and Liaison	n/a	n/a	✓
Annual Internal Audit Report	n/a	n/a	✓
Audit Committee	n/a	n/a	✓

Audit	Audit Sponsor	Priority H/M/L	2015/16
Audit Strategy and Planning	n/a	n/a	✓
External Audit	n/a	n/a	✓
Follow ups	n/a	n/a	✓
Monitoring and Progress Reports	n/a	n/a	✓

Key to Audit Sponsors	
Executive Head (Marketing and Development)	M&D
Executive Head (Governance and Logistics)	G&L
Executive Head (Economy and Communities)	E&C
Executive Head (Environment and Neighbourhood Quality)	E&NQ
Executive Head (Planning and the Built Environment)	P&BE

Havant Borough Council Audit Universe (excluding proposed 2015-16 reviews)

(NB: This is not an exhaustive list and will be updated regularly as new activities are identified)

Corporate Cross Cutting
Business Continuity Planning / Disaster Recovery
Human Resources
Information Management
Partnership Management
Project management
Risk management
Sustainability / Energy Management
Data Protection / Freedom of Information
Corporate Governance
Constitution
Code of Conduct
Health and Safety at Work
Complaints / Compliments
Financial Management
Lease Income
Benefits
Parking
Income collection and banking
Capital Purchases / Capital programme
Council Tax
Finance - Treasury Management
Finance - Payroll
Information Technology
Computer implementations
ICT Contract
ICT Policies and Security
Inventory Management
Specific Application reviews
Corporate Objectives
Depot Services
Fuel Management
Cemeteries and Burials
Cleansing and Waste management
Parks and Open Spaces
Vehicle Maintenance
Beachlands
Building Control
Coastal Defence Partnership
Community Safety
Electoral Registration and Elections
Environmental Health
Planning development / Fee income

Homelessness / Housing Grants
Crematorium Partnership
Impact of Welfare Reform
Beach Huts
Leisure Centre
Langstone Harbour Board
Developers Obligations and Contributions / CIL
Property Management / Facilities Management (to also include Building Maintenance)
Grants Received / Grants Awarded

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

03 March 2015

INTERNAL AUDIT CHARTER

Head of Southern Internal Audit Partnership

ITEM NO

FOR DECISION

Portfolio: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

1.0 Purpose of Report

- 1.1 The purpose of this paper is to provide the Governance and Audit Committee with the Internal Audit Charter for 2015/16.
- 1.2 The Internal Audit Charter formally defines the internal audit activity's purpose, authority and responsibility in line with the Public Sector Internal Auditing Standards [the Standards].

2.0 Recommendation

- 2.1 That the Governance and Audit Committee approve the Internal Audit Charter for 2015/16.

3.0 Summary

- 3.1 With effect from 1 April 2013 internal audit services across the public sector have been governed by the Public Sector Internal Audit Standards (the Standards).
- 3.2 Within the Standards there is a requirement for an 'Internal Audit Charter', a formal document that defines the purpose, authority and responsibility of the internal audit activity. The proposed charter is attached at Appendix 1.
- 3.3 The Internal Audit Charter must be reviewed periodically (as a minimum annually) by the Chief Internal Auditor and presented to 'Senior Management' and 'the Board'. The Board is defined as

'the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Governance and Audit Committee'.

4.0 Implications

4.1 Resources:

Internal Audit is provided through the Southern Internal Audit Partnership. The audit plan consists of 380 audit days and remains fluid throughout the year to meet the changing needs of the Council.

4.2 Legal:

Compliance with the Accounts and Audit (England) Regulations 2011.

4.3 Strategy:

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

4.4 Risks:

The audit needs assessment follows a risk based audit approach taking cognisance of the Council's risk register.

4.5 Communications:

None directly from this report.

4.6 Customers & Community:

None directly from this report although improvements to controls and governance arrangements will ensure more efficient and effective service delivery.

4.7 Integrated Impact Assessment (IIA):

n/a.

5.0 Consultation

- 5.1** The report has been discussed and approved by the Management Team who met at the Executive Board on 03 February 2015.

Appendices:

Appendix 1 – Internal Audit Charter

Agreed and signed off by:

Legal Services: Jo Barden-Hernandez - 03 February 2015.

Finance: Jane Eaton - 03 February 2015.

Executive Head of Governance & Logistics: Jane Eaton - 03 February 2015.

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

Appendix 1

Internal Audit Charter

Introduction

Organisations in the UK public sector have historically been governed by an array of differing internal audit standards. The Public Sector Internal Audit Standards, which took effect from the 1 April 2013, provide a consolidated approach across the whole of the public sector providing continuity, sound corporate governance and transparency.

The Standards require all internal audit activities to implement and retain an 'Internal Audit Charter'. The purpose of the Internal Audit Charter is to formally define the internal audit activity's purpose, authority and responsibility.

Authority

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2011, which states that a relevant body must:

'undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control'.

The standards for 'proper practices' in relation to internal audit are laid down in the Public Sector Internal Audit Standards 2013 [the Standards].

Purpose

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 organisations objectives.

This is achieved through internal audit providing a combination of assurance and consulting activities. Assurance work involves assessing how well the systems and processes are designed and working, with consulting activities available to help to improve those systems and processes where necessary.

The role of internal audit is best summarised through its definition within the Standards, as an:

'independent, objective assurance and consulting activity designed to add value and improve an organisations 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'.

Responsibility

The responsibility for maintaining an adequate and effective system of internal audit within Havant Borough Council lies with the Executive Head of Governance & Logistics, as the authority's Chief Finance Officer (S151 Officer).

For the Council, internal audit is provided by the Southern Internal Audit Partnership.

The Chief Internal Auditor (Head of Southern Internal Audit Partnership) is responsible for effectively managing the internal audit activity in accordance with the '*Definition of Internal Auditing*', the '*Code of Ethics*' and '*the Standards*'.

Definitions

For the purposes of this charter the following definitions shall apply:

The Board – the governance group charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At the Council this shall mean the Governance and Audit Committee.

Senior Management – those responsible for the leadership and direction of the Council. At the Council this shall mean the Executive Board.

Position in the organisation

The Chief Internal Auditor reports functionally to the Board, and organisationally to the Executive Head of Governance & Logistics who has statutory responsibility as proper officer under Section 151 of the Local Government Act 1972, for ensuring an effective system of internal financial control and proper financial administration of the Council's affairs.

The Chief Internal Auditor has direct access to the Chief Executive who carries the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

The Chief Internal Auditor has direct access to the Council's Monitoring Officer where matters arise relating to Chief Executive responsibility, legality and standards.

Where it is considered necessary to the proper discharge of the internal audit function, the Chief Internal Auditor has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance and Audit Committee).

Internal audit resources

The Chief Internal Auditor will be professionally qualified (Chartered Member of the Institute of Internal Auditors - CMIIA, Consultative Committee of Accountancy Bodies - CCAB or equivalent) and have wide internal audit and management experience, reflecting the responsibilities that arise from the need to liaise internally and externally with Members, senior management and other professionals.

The Executive Head of Governance & Logistics will provide the Chief Internal Auditor with the resources necessary to fulfil the Council's requirements and expectations as to the robustness and scope of the internal audit opinion.

The Chief Internal Auditor will ensure that the internal audit service has access to an appropriate range of knowledge, skills, qualifications and experience required to deliver the audit strategy and operational audit plan.

The annual operational plan will identify the resources required to complete the work, thereby highlighting sufficiency of available resources. The Chief Internal Auditor can propose an increase in audit resource or a reduction in the number of audits if there are insufficient resources.

'*Senior Management*' and '*the Board*' will be advised where, for whatever reason, internal audit is unable to provide assurance on any significant risks within the timescale envisaged by the risk assessment process.

The annual operational plan will be submitted to '*Senior Management*' and '*the Board*', for approval. The Chief Internal Auditor will be responsible for delivery of the plan. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

Significant matters that jeopardise the delivery of the plan or require changes to the plan will be identified, addressed and reported to '*Senior Management*' and '*the Board*'.

If the Chief Internal Auditor, '*the Board*' or '*Senior Management*' consider that the scope or coverage of internal audit is limited in any way, or the ability of internal audit to deliver a service consistent with the Standards is prejudiced, they will advise the Executive Head of Governance & Logistics, accordingly.

Independence and objectivity

Internal auditors must be sufficiently independent of the activities they audit to enable them to provide impartial, unbiased and effective professional judgements and advice.

Internal auditors must maintain an unbiased attitude that allows them to perform their engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgement on audit matters to others.

To achieve the degree of independence and objectivity necessary to effectively discharge its responsibilities, arrangements are in place to ensure the internal audit activity:

- retains no executive or operational responsibilities;
- operates in a framework that allows unrestricted access to '*Senior Management*' and '*the Board*';
- reports functionally to '*the Board*';
- reports in their own name;
- rotates responsibilities for audit assignments within the internal audit team;
- completes individual declarations confirming compliance with rules on independence, conflicts of interest and acceptance of inducements; and
- ensures the planning process recognise and address potential conflicts of interest through internal audit staff not undertaking an audit for at least two years in an area where they have had previous operational roles.

If independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to 'Senior Management' and 'the Board'. The nature of the disclosure will depend upon the impairment.

Due professional care

Internal auditors will perform work with due professional care, competence and diligence. Internal auditors cannot be expected to identify every control weakness or irregularity but their work should be designed to enable them to provide reasonable assurance regarding the controls examined within the scope of their review.

Internal auditors will have a continuing duty to develop and maintain their professional skills, knowledge and judgement based on appropriate training, ability, integrity, objectivity and respect.

Internal auditors will apprise themselves of the 'Definition of Internal Auditing', the 'Code of Ethics' and the 'Standards' and will work in accordance with them in the conduct of their duties.

Internal auditors will be alert to the possibility of intentional wrongdoing, errors and omissions, poor value for money, failure to comply with management policy and conflicts of interest. They will ensure that any suspicions of fraud, corruption or improper conduct are promptly reported to the Chief Internal Auditor in accordance with the Council's laid down procedures.

Internal auditors will treat the information they receive in carrying out their duties as confidential. There will be no unauthorised disclosure of information unless there is a legal or professional requirement to do so. Confidential information gained in the course of internal audit work will not be used to effect personal gain.

Access to relevant personnel and records

In carrying out their duties, internal audit (on production of identification) shall have unrestricted right of access to all records, assets, personnel and premises, belonging to the Council or its key delivery partner organisations.

Internal audit has authority to obtain such information and explanations as it considers necessary to fulfil its responsibilities. Such access shall be granted on demand and not subject to prior notice.

Scope of Internal Audit activities

The Chief Internal Auditor is responsible for the delivery of an annual audit opinion and report that can be used by the Council to inform its governance statement. The annual opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The Council assume a Key Stakeholder role within the Southern Internal Audit Partnership (SIAP). The SIAP currently provides internal audit services to a wide portfolio of public sector clients (Annex 1) through a variety of partnership and sold service delivery models.

A range of internal audit services are provided (Annex 2) to form the annual opinion for each member / client of the Southern Internal Audit Partnership. The approach is

determined by the Chief Internal Auditor and will depend on the level of assurance required, the significance of the objectives under review to the organisations success, the risks inherent in the achievement of objectives and the level of confidence required that controls are well designed and operating as intended.

In accordance with the annual audit plan, auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls. Additionally, proactive fraud reviews will be incorporated within the plan to deter and detect fraud, covering known areas of high risk.

Managers are required to report all suspicions of theft, fraud and irregularity to the Chief Internal Auditor. The Chief Internal Auditor manages and controls all investigations and will ensure that investigators are fully trained in carrying out their responsibilities.

Where there is evidence that Council staff are committing fraud, internal audit will liaise with Human Resources and the department concerned. The decision on whether to invoke criminal proceedings will be made by the Chief Internal Auditor in conjunction with the Monitoring Officer.

The monitoring of the Council's Anti-Fraud Strategy will be the responsibility of the Chief Internal Auditor, as part of the monitoring of the annual internal audit plan.

Internal audit also facilitate the Council's participation in the National Fraud Initiative (NFI) in which data from the Council's main systems are matched with data supplied from other Local Authorities and external agencies to detect potential fraudulent activity.

Reporting

Chief Internal Auditor's Annual Report and Opinion

The Chief Internal Auditor shall deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit report and opinion will conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report will incorporate as a minimum:

- The opinion;
- A summary of the work that supports the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Senior Management

As those responsible for the leadership and direction of the Council it is imperative that the Executive Board are engaged in:

- approving the internal audit charter (minimum annually);
- approving the risk based internal audit plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope and resource limitations; and
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance.

The Board

Organisational independence is effectively achieved when the Chief Internal Auditor reports functionally to the Board. Such reporting will include:

- approving the internal audit charter;
- approving the risk based internal audit plan;
- approving the internal audit resource plan;
- receiving communications from the Chief Internal Auditor on the internal audit activity's performance relative to its plan and other matters, including the annual report and opinion;
- making appropriate enquiries of management and the Chief Internal Auditor to determine whether there are inappropriate scope or resource limitations;
- agreement of the scope and form of the external assessment as part of the quality management and improvement plan;
- receiving the results of internal and external assessments of the quality assurance and improvement programme, including areas of non-conformance; and
- approval of significant consulting services not already included in the audit plan, prior to acceptance of the engagement.

Review of the internal audit charter

This charter will be reviewed annually (minimum) by the Chief Internal Auditor and presented to '*Senior Management*' and '*the Board*' for approval.

Southern Internal Audit Partnership – Client Portfolio

Strategic Partners:	Hampshire County Council Southampton City Council
Key Stakeholder Partners:	Havant Borough Council East Hampshire District Council Winchester City Council
External clients:	Hampshire Fire & Rescue Authority Office of the Police & Crime Commissioner / Hampshire Constabulary Hampshire Pension Fund

Higher Education Institutions

University of Winchester

Further Education Institutions and Sixth Form Colleges

Brockenhurst;
Eastleigh;
Farnborough College of Technology (FCoT);
Highbury;
Isle of Wight College;
Itchen;
Portsmouth;
Queen Mary College (QMC);
St Vincent's;
Taunton's; and
Totton.

Assurance Services

- **Risk based audit:** in which risks and controls associated with the achievement of defined business objectives are identified and both the design and operation of the controls in place to mitigate key risks are assessed and tested, to ascertain the residual risk to the achievement of managements' objectives. Any audit work intended to provide an audit opinion will be undertaken using this approach.
- **Developing systems audit:** in which:
 - the plans and designs of systems under development are assessed to identify the potential weaknesses in internal control and risk management; and
 - programme / project management controls are assessed to ascertain whether the system is likely to be delivered efficiently, effectively and economically.
- **Compliance audit:** in which a limited review, covering only the operation of controls in place to fulfil statutory, good practice or policy compliance obligations are assessed.
- **Quality assurance review:** in which the approach and competency of other reviewers / assurance providers are assessed in order to form an opinion on the reliance that can be placed on the findings and conclusions arising from their work.
- **Fraud and irregularity investigations:** Internal audit may also provide specialist skills and knowledge to assist in or lead fraud or irregularity investigations, or to ascertain the effectiveness of fraud prevention controls and detection processes. Internal audit's role in this respect is outlined in the Council's Anti Fraud and Anti Corruption Strategy.
- **Advisory / Consultancy services:** in which advice can be provided, either through formal review and reporting or more informally through discussion or briefing, on the framework of internal control, risk management and governance. It should be noted that it would not be appropriate for an auditor to become involved in establishing or implementing controls or to assume any operational responsibilities and that any advisory work undertaken must not prejudice the scope, objectivity and quality of future audit work.

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE AND AUDIT COMMITTEE

03 March 2015

CODES AND PROTOCOLS

Head of Southern Internal Audit Partnership

FOR RECOMMENDATION TO COUNCIL

Portfolio: Governance and Logistics – Cllr Jackie Branson

Key Decision: No

1.0 Purpose of Report

- 1.1** Havant Borough Council's Constitution brings together various codes and protocols including the Whistleblowing Policy; Anti Bribery Policy; Anti-Fraud and Corruption Policy; Anti Fraud and Corruption Response Plan and Anti Money Laundering Policy.
- 1.2** The purpose of this paper is to provide the Governance and Audit Committee with updated codes and protocols, in line with the Committee's terms of reference and compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of practice on managing the risk of fraud and corruption (October 2014).

2.0 Recommendation to Council that:

- 2.1** That the amended Whistleblowing Policy, Anti Bribery Policy, Anti Fraud and Corruption Policy, Anti Fraud and Corruption Response Plan and Anti Money Laundering Policy be recommended to Council for adoption.

3.0 Summary

- 3.1** The policy documents included in the constitution and presented in this report set out the key principles in minimising the risk of fraud or corruption and define the roles and responsibilities of members and officers in the prevention and detection of fraud and corruption.
- 3.2** The policy documents presented in this report were last updated in June 2012. In accordance with best practice, they have been subject to review to reflect the latest professional guidance and legislative change.

4.0 Implications

4.1 Resources: Funded through the Internal Audit Plan 2014-15

4.2 Legal: The policies have been reviewed by the Solicitor to the Council for compliance with legislation and they do comply.

4.3 Strategy: Ensuring good governance.

4.4 Risks: The nature and extent of the Council's exposure to potential external and internal risks of fraud and corruption on its behalf by persons associated with the Council is periodically assessed and documented as part of the Council's risk process. This includes financial risks but also other risks such as reputational damage.

4.5 Communications: Provision of Fraud Awareness Training

4.6 Customers and Community: None

4.7 Integrated Impact Assessment (IIA): None

5.0 Consultation: None

Appendices:

Appendix 1 – Whistleblowing Policy

Appendix 2 – Anti Bribery Policy

Appendix 3 – Anti Fraud and Corruption Policy

Appendix 4 – Anti Fraud and Corruption Response Plan

Appendix 5 – Anti Money Laundering Policy

Agreed and signed off by:

Legal Services: Jo Barden-Hernandez – 9 February 2015.

Finance: Jane Eaton – 5 February 2015.

Executive Head of Governance & Logistics: Jane Eaton – 5 February 2015.

Contact Officer: Neil Pitman
Job Title: Head of Southern Internal Audit Partnership
Telephone: 01962 845139
E-Mail: neil.pitman@hants.gov.uk

Havant Borough Council Whistle Blowing Policy

1.0 INTRODUCTION

- 1.1 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.
- 1.2 We all have, at one time or another, 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.
- 1.3 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. If your concern relates to your own treatment as an employee, for example a breach of contract of employment, you should raise this under the existing grievance procedure.
- 1.4 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.
 - Poor performance or inappropriate behaviour by contractors
 - 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.

If in doubt – please raise it!

OUR ASSURANCES TO YOU

The Council is committed to this policy.

Your safety

1.5 We recognise that it may be difficult to raise a concern. Legislation provides protection for employees who raise legitimate concerns about specified matters that the employee reasonably believes are in the public interest. These are called 'qualifying disclosures'. A qualifying disclosure is one made by an employee who has a reasonable belief that:

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

is being, has been, or likely to be committed. It is not necessary for the employee to have proof that such an act is being, has been, or likely to be committed, a reasonable belief is sufficient. 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. Protection from detriment also applies to ex-employees making disclosures after the termination of their employment. The Council will be vicariously liable where an employee is subjected to a detriment by a fellow employee for making a qualified disclosure. Therefore, the Council will take all reasonable steps to prevent any form of detriment and that any victimisation of an employee for raising a qualified disclosure will be treated as a disciplinary offence.

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

1.6 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.

- 1.7 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

- 1.8 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.
- 1.9 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.

2.0 HOW TO RAISE A CONCERN

- 2.1 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
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.

- 2.2 If you want to raise the matter in confidence, please say so at the outset so that appropriate arrangements can be made.

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.

3.0 HOW WE WILL HANDLE THE MATTER

- 3.1 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.
- 3.2 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.
- 3.3 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.
- 3.4 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.

- 3.5 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.
- 3.6 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.

4.0 INDEPENDENT ADVICE

- 4.1 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 whistle@pcaw.org.uk
- 4.2 If you want advice from other sources, you will have to meet any expenses incurred.

5.0 EXTERNAL CONTACTS

- 5.1 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.
- 5.2 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.

6.0 ADMINISTRATION

- 6.1 If you have any questions about the whistle blowing policy and how it applies, you can contact the HR Manager or the Monitoring Officer who will be pleased to answer your questions.
- 6.2 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).

- 6.3 This policy was drafted in consultation with Public Concern at Work, taking into account the Public Interest Disclosure Act 1998 which protects genuine whistleblowers. A summary of the Act can be found at www.pcaw.org.uk.
- 6.4 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)

Havant Borough Council Anti Bribery Policy

1.0 POLICY STATEMENT - ANTI BRIBERY

- 1.1 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.
- 1.2 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.
- 1.3 The Council is committed to the prevention, deterrence and detection of bribery and has a zero-tolerance towards bribery.

2.0 OBJECTIVE OF THIS POLICY

- 2.1 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.
- 2.2 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.

3.0 SCOPE OF THIS POLICY

- 3.1 This policy applies to all of 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.
- 3.2 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.
- 3.3 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.

4.0 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).

5.0 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.

6.0 PENALTIES

- 6.1 An individual guilty of an offence under Sections 1, 2 or 6 is liable:
- On conviction in a magistrates 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.

7.0 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.

8.0 ANTI-BRIBERY PROCEDURES

8.1 The Council's procedures cover six 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.

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.

9.0 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.

10.0 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.

11.0 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.

12.0 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.

13.0 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.

14.0 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.

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.

- 12.2 If you want to raise the matter in confidence, please say so at the outset so that appropriate arrangements can be made.

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.

Havant Borough Council Anti-Fraud and Corruption Policy

The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether from inside or outside the Council.

Introduction

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

Key Message

The Council's expectation of propriety and accountability is that Councillors and staff at all levels will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. In all their work, they will adhere to the following General Principles of Conduct:-

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.

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.

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 appointments, awarding contracts, or recommending individuals for rewards or benefits.

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.

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.

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.

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.

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.

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.

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.

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.

Key Controls

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.
- (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.

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:
 - 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.
 - (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.

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 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 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 of reprisals or victimisation, and a policy for combating benefit fraud and error which specifically relates 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 risk of fraud is routinely taken into account in planning all internal audits.
- 3.2. It is the responsibility of Executive Directors, Executive Heads 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 or is in progress.
- 3.3. Allegations can be a key source in the detection of fraud. The Council treats all allegations 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.

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 in the workplace.

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.

4. Reporting Suspicions Procedure

- 4.1. Council 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, Councillors or by others. This includes reporting of any instances of suspected money laundering.
- 4.2. Internal Audit monitor instances of financial irregularities within 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.

- 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 of suspicion and counter-claim.
- 4.5. Personal visits can be made to 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, an 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 it is obliged to involve the Police.
- 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.

5.8. 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.

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

6. Prevention

6.1. There 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 on-going 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.
- 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. Executive Directors and Executive Heads of Service should also ensure that guidelines, rules or other written procedures exist and are complied with for specific activities at risk from fraud and corruption.
- 6.16. 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.
- 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).
- Rivalry or co-operation problems caused by malice or low staff morale.
- Staff feeling they are under-rewarded.
- Egotistical reasons - staff who want to beat the system.
- Peer pressure.
- Strong religious or political beliefs.

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 or accountability (e.g. being able to make a 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.
- 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. This Policy Statement will also be subject to regular review at least once every three years.

Havant Borough Council Anti Money Laundering Policy

1.0 INTRODUCTION

1.1 Money laundering can be defined as “a process that makes money with an illegal origin appear legal so that it may be used”. Legislation concerning money laundering (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.

1.2 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.

1.3 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.

1.4 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).

2.0 SCOPE OF THE POLICY

- 2.1 This Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed (for example the reporting of suspicions of money laundering activity) to enable the Council to comply with its legal obligations. 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.

3.0 MONEY LAUNDERING REQUIREMENTS, FROM THIS COUNCIL'S POINT OF VIEW

- 3.1 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.
- 3.2 Establishment of procedures for employees to report any suspicions to the MLRO – i.e. the Monitoring Officer.
- 3.3 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.
- 3.4 Under the legislation employees dealing with money transactions will be required to comply with certain procedures.

4.0 PROCEDURES

4.1 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?
- 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.

4.2 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.

4.3 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.

4.4 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;
- 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.

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

5.0 RECORD KEEPING PROCEDURES

- 5.1 Each Service of the Council and contractors working for the Council conducting relevant business must maintain records of:-
- a) Client identification evidence obtained; which must be kept for five years after the end of the transaction or relationship
 - b) Details of all relevant business transactions carried out for clients for at least five years from the completion of the transaction. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

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

- 5.2 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.

6.0 THE MONEY LAUNDERING REPORTING OFFICER

- 6.1 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.
- 6.2 The Deputy Money Laundering Reporting Officers are the Service Manager Finance, Corporate Accountancy Team Leader and Deputy Monitoring Officer.

7.0 INTERNAL REPORTING PROCEDURE

- 7.1 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.

- 7.2 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.
- 7.3 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.
- 7.4 If the MLRO determines that the information or matter should be disclosed it will be reported to the Serious Organised Crime Agency (SOCA).
- 7.5 During this process the client must not be tipped off.
- 7.6 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 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.

8.0 OTHER PROCEDURES

- 8.1 The Council will establish other procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering:-
- 8.2 **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.
- 8.3 **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.
- 8.4 **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”).

- 8.5 **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.

CONFIDENTIAL

Disclosure Form to MLRO

Date of disclosure:

Officer making disclosure:

Job title of officer:

Telephone details:

SUBJECT DETAILS

Title:

Surname:

Forename:

DoB:

Gender:

IN THE CASE OF A LEGAL ENTITY (COMPANY)

Name:

Address:

Company Number (if known)

Type of Business:

VAT no (if known):

DETAILS OF SUSPECTED OFFENCE

Nature, value and timing of activity involved:
please include full details e.g. what, when, where, how.

Nature of suspicions regarding such activity:

Has any investigation been undertaken (as far as you are aware)?
(please tick the relevant box)

Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else?
(please tick the relevant box)

Yes No

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

Have you consulted any supervisory body guidance re money laundering? (e.g. the Law Society)
(please tick the relevant box)

Yes No

If yes, please specify below:

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

Yes No

If yes, please set out full details below:

Are you involved in a transaction which might be a prohibited act under sections 327 – 329 of the Act and requires appropriate consent from SOCA?

(please tick the relevant box)

Yes No

If yes, please set out full details below:

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

Signed:

Dated:

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

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

Date report received:

Date receipt of report acknowledged:

CONSIDERATION OF DISCLOSURE

Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE:

Are there reasonable grounds for suspecting money laundering activity?

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

(please tick the relevant box)

Yes No

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

Details of liaison with SOCA regarding the report:

Notice Period: to

Moratorium Period: to

Is consent required from SOCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

(please tick the relevant box)

Yes No

If yes, please set out the full details below:

Date consent received from SOCA:

Date consent given by you to employee:

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

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

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

Other relevant information:

Signed:

Dated:

THIS REPORT IS TO BE RETAINED FOR AT LEAST FIVE YEARS

Glossary of terms

Regulated activity	The provision 'by way of business' of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services; estate agency; services involving the formation, operation or arrangement of a company or trust or; dealing in goods wherever a transaction involves a cash payment of €15,000 or more
Politically exposed person	An individual who at any time in the preceding year has held a prominent public function outside of the UK, and EU or international institution/body, their immediate family members or close associates.

Money Laundering - Warning Signs

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

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

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

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

Examples of tell tale signs of organised money laundering:

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

NON EXEMPT

HAVANT BOROUGH COUNCIL

GOVERNANCE & AUDIT COMMITTEE

DATE 3 March 2015

REPORT TITLE – Quarterly Update on Corporate Risks from the Executive Board

Report by Jane Eaton, Executive Head: Governance and Logistics

FOR NOTING

Cabinet Lead for Governance & Logistics

Key Decision: No

1.0 Purpose of Report

1.0 Risk is a part of life and of business. If the Council avoided risk it would not be able to deliver its services or achieve its ambitions outlined in the Corporate Strategy. Risk management is a way of understanding, evaluating and mitigating risks to ensure we can achieve the Council's objectives. Efficient organisations have clear frameworks and processes led from Board level. The Council's Constitution names the Governance & Audit Committee as the Councillor board responsible for managing risk.

1.1 The details of how the Council manages risk are outlined in the statement of arrangements for managing risk. The Governance & Audit Committee reviews this statement every year in June. In their role as the Councillor body overseeing the way Council officers manage risk the Governance & Audit Committee reviews the highest risks remaining in the Council after each management meeting.

1.2 This report gives the Committee an update on the highest corporate risks reviewed by the Executive Board in, alongside the Health Check, in February.

2.0 Recommendation

2.1 The Committee notes the most serious corporate risks reviewed by the Joint Executive Board on 10 February.

3.0 Summary

3.1 This report tells the Committee about the risks the Executive Board felt remained high after mitigation at their last review meeting.

NON EXEMPT

4.0 Subject of Report

- 4.1 To oversee the effectiveness of risk management the Governance & Audit Committee note the most important risks facing the Council at the last quarterly review of the risk registers by the Executive Board. The last quarterly review was on 10 February 2015.
- 4.2 The only risk showing red on our risk matrix (see appendix A) after mitigation was a “Poor understanding or poor approach to competitive landscape for services leading to missed opportunities leading to too expensive or old fashioned services.” The Joint Executive Board felt this remained a high risk in the critical specification phase of the 5 districts’ contract and in the run up to designing the future offering of waste collection, landscape and open spaces, crematoria, public convenience and street cleaning. The Board has mitigated the risks around these services by appointing a specialist in these services to the role of Executive Head: Environmental Services and a Strategic Procurement Manager. However, despite their confidence on the ability of these newly appointed officers JEB felt the dependency of the Council’s future on correct procurement of these services meant although the likelihood of a loss of this type is lower than before mitigation the risk remains at level B2.

5.0 Implications

5.1 Resources: (*finance, staffing, property etc*)

There are no resource implications of this report because risk management is one of the regular funded functions of the management of the Council.

5.2 Legal:

There are no legal implications arising from this report.

5.3 Strategy:

Sound risk management supports the Council’s objective of financial sustainability by ensuring financial risks are controlled and customer service excellence by ensuring the continuity of our services.

5.4 Risks: (Environmental, Health & Safety and Customer Access Impact Assessment)

This report forms part of the Council’s risk management arrangements.

5.5 Communications:

There is no need for communications following this report.

5.6 For the Community:

There is no community impact from this report but it will assist in ensuring the community continue to receive vital council services.

NON EXEMPT

5.7 **The Integrated Impact Assessment (IIA)** is not needed for this report because it does not contain a decision.

6.0 Consultation

Executive Board and the Risk Management Group.

Background Papers:

None

Agreed and signed off by:

Legal Services: 10/2/15

Executive Head of Governance & Logistics: 10/2/15

Cabinet Lead: 10/2/15

Contact Officer: Jane Eaton
Job Title: Executive Head: Governance & Logistics
Telephone: 02392 446305
E-Mail: jane.eaton@havant.gov.uk

HAVANT BOROUGH COUNCIL'S RISK MATRIX

RISK MATRIX

		1	2	3	4
A		A1	A2	A3	A4
B		B1	B2	B3	B4
C		C1	C2	C3	C4
D		D1	D2	D3	D4
		<p>LIKELIHOOD A – very likely B – likely C – unlikely D – very unlikely</p>		<p>IMPACT 1 - Major - service unable to be delivered 2 - Significant - material effect on resources and disruption 3 - Moderate - contained within resources and service 4 - Minor - Hardly noticeable - minor effect on service</p>	