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**Chief Executive**

## AGENDA

<b>Committee:</b>	<b>AUDIT</b>
<b>Date and Time:</b>	<b>Tuesday 18th September 2018 at 7.30 p.m.</b>
<b>Venue:</b>	<b>Committee Room 1</b>
<b>Membership:</b>	<b>Councillors Cole (Chairman), Blackwell, Hart, May and Sharp</b> <b>Substitutes: Councillors Acott, Greig, Mumford and Riley</b>
<b>Officers attending:</b>	<b>Craig Watts, Head of Housing and Communities</b> <b>Ian Stapleton, Financial Services Manager</b> <b>Andrew Barnes, Head of Internal Audit</b> <b>Gurdip Bhambra, Audit Manager</b> <b>Dan Helps, Senior Manager, Counter Fraud &amp; Investigation Directorate</b>
<b>Also attending</b>	<b>Debbie Hanson, Associate Partner, EY</b>
<b>Enquiries:</b>	<b>John Riley, Ext. 2417</b>

### **PART I** **(Business to be taken in public)**

- 1. Apologies:**
- 2. Members' Interests:**
- 3. Minutes:**  
A copy of the Minutes of the meeting held on 26 July 2018 is attached.
- 4. Quarterly Monitoring Report of the Council's Governance Arrangements:**  
Report of the Head of Housing and Communities is attached.
- 5. Counter Fraud & Investigation Directorate: Quarterly Performance Report:**  
Report of the Senior Manager, Counter Fraud & Investigation Directorate is attached.
- 6. Treasury Management Activity Mid-Year Report:**  
Report of the Financial Services Manager is attached.

**7. Internal Audit Service, Quarterly Performance Report:**

Report of the Head of Internal Audit is attached.

**8. Complaints Monitoring:**

Report of the Complaints and Customer Care Officer and the Head of Governance is attached.

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## AUDIT COMMITTEE

**26<sup>th</sup> JULY 2018**

**PRESENT:** Councillors Cole (Chairman), Acott, Hart, May and Sharp.

Councillors Mrs Haunts and Mumford also attended.

Strategic Director (Resources), Chris Mills, Financial Services Manager, Ian Stapleton, Head of Internal Audit, Andrew Barnes, Audit Manager, Elaine Allen, Senior Auditor, Rebecca Gill, Fraud Investigation Officer, Dan Helps, and Debbie Hanson (EY) were also present.

Apologies for absence were received from Councillors Blackwell (Councillor Acott substituting), Greig (substitute) and Riley (substitute).

### **1. MEMBERS' INTERESTS**

Councillor Sharp declared an interest under Minute No. 4 as he had used a company referred to in the report, Crowe Clark & Whitehall, during the course of his business and remained in the room during discussion of the item.

### **2. MINUTES**

The Minutes of the meeting held on 22<sup>nd</sup> March 2018 were taken as read and signed as correct.

### **3. EY AUDIT RESULTS REPORTS (UK AND IRELAND) 260 FOR THE YEAR ENDED 31 MARCH 2018**

The report summarised the results of the work completed to date for the 2017/18 financial year with regard to the opinion on the Statement of Accounts and the conclusion on the adequacy of the Council's arrangements for securing economy, efficiency and effectiveness in the use of resources.

The Committee noted that it had been a very positive audit and the co-operation of the Council's staff during the period of engagement was acknowledged.

The external auditors reported that subject to satisfactory completion of outstanding items as set out in the report they would issue an unqualified opinion on the authority's financial statements.

**Resolved** - That the external auditors' Audit Results Report 2017/18 be noted and that the Letter of Representation contained within the report be approved.

**4. COUNTER FRAUD AND INVESTIGATION DIRECTORATE: Q1 PERFORMANCE REPORT AND COUNTER FRAUD STRATEGY 2018**

Daniel Helps presented the progress made by the Counter Fraud and Investigation Directorate (CFID) in delivering the Counter Fraud Strategy and work programme for 2018/19. The report provided a detailed update on the improved counter-fraud measures for the Council and how it was reducing fraud under the Council's anti-fraud strategy.

The CFID Annual Report, the counter fraud work plan and an example of a loss assessment were appended to the report.

In response to questions from Members it was explained that there were no prosecutions currently scheduled in Castle Point. Civil action could be considered against offenders if the evidence did not meet the burden of proof for criminal prosecutions. Members were advised as to how to raise queries regarding procurement, planning application processes and the Blue Badge scheme in the Borough.

**Resolved** – That the Audit Committee notes the performance of the Counter Fraud & Investigation Directorate over 2017-18 and the work plan for 2018-19.

**5. INTERNAL AUDIT SERVICE, QUARTERLY PERFORMANCE REPORT 2017/18**

A report on the progress made in delivering the Internal Audit Strategy for 2017/18 was presented to the Committee.

The summary of the results for each audit and where appropriate audit opinions given for each audit since March 2018 were set out at Appendix A.

In response to questions from Members it was confirmed that the audits were based around procedures followed by officers and were signed off by Managers. The results were then presented to the Audit Committee. Cabinet Members were consulted if strategic issues arose. The Audit Manager explained that notification of planned audits were circulated and that if Members had concerns about a particular service they could raise this with the auditors. A copy of the full report of a particular audit could also be made available upon request.

Members took opportunity to ask a range of detailed questions on the audits undertaken particularly in relation to development control, council tax, housing benefit and the Regeneration Partnership.

**Resolved** – That the progress made in delivering the 2017/18 Internal Audit Strategy is noted.

## **6. HEAD OF INTERNAL AUDIT ANNUAL REPORT 2017/18**

The Head of Internal Audit presented a report on the rationale for and an opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control for 2017/2018. A statement on conformance with the UK Public Sector Internal Audit Standards and the results of the Quality Assurance and Improvement Programme was submitted to the Committee.

The overall conclusion was that the Council was maintaining satisfactory and effective risk management, control and governance arrangements.

Appendix A to the report summarised the audit opinions issued in 2017/18.

Appendix B contained the Audit Plan for 2017/18 as at 11<sup>th</sup> May 2018

Appendix C included the results of stakeholder surveys and compliance with professional standards.

Appendix D summarised the results of the annual self-assessment of the Audit Team's compliance with the UK Public Sector Internal Audit Standards 2017/18.

Appendix E set out compliance with the UK Public Sector Internal Audit Standards 2016/17 Action Plan as at 11<sup>th</sup> May 2018.

In response to questions from Members the Audit Manager confirmed that there were still a number of vacancies in the Audit Team that were currently filled by contractors. It was planned to employ permanent staff however it had previously been difficult to recruit people. Graduates had been employed previously and put forward for the professional qualification. It was confirmed that there were no plans to permanently delete any vacant posts at the Council.

**Resolved** – That the Head of Internal Audit's Annual Report for 2017/18 is noted.

## **7. ANNUAL GOVERNANCE STATEMENT 2017/18**

The Strategic Director (Resources) presented the Annual Governance Statement for 2017/18 to the Committee. There was one amendment to the statement at page 14, the word 'Conclusion' was to be added underneath the table. . Subject to any further amendments from the external auditors the statement would be considered by Full Council on 30<sup>th</sup> July 2018 and if agreed would be signed off by the Leader and Chief Executive of the Council.

Discussion took place around the core principles of the statement. With regard to the significant financial challenges faced by councils a Member expressed views that a reduction in the number of local authorities across Essex should be considered. Furthermore a reduction in the number of Councillors per Ward should be investigated to make the Council more efficient.

**Resolved** – That the Annual Governance Statement 2017/18 is approved and, subject to any further amendments from external audit, its adoption is recommended to Council.

**8. ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2017/18**

The Committee was informed that the annual treasury report was a requirement of the Council's reporting procedures. The report met the requirements of both the CIPFA Code of Practice for Treasury Management in Local Authorities and the CIPFA Prudential Code for Capital Finance in Local Authorities.

As required by the Code, the activity report for 2017/18 was submitted at Annexe A to the report for consideration by the Committee prior to submission to Cabinet on 19 September 2018.

The Financial Services Manager explained in response to a question from a Member that increasing borrowing was considered however there was no change in borrowings during 2017/18.

A Member stated that he believed the Council should invest in house building in the Borough, perhaps setting up its own corporation to build more houses as there was clearly a need.

**Resolved** – That the Treasury Management Activity Report for 2017/18, including the prudential indicators, is approved.

**9. RISK MANAGEMENT UPDATE REPORT**

The Committee received an update on the delivery of the Council's Risk Management Strategy. The last update had been received at the meeting in January 2018. Since that time certain Risk Management responsibilities had been transferred to the Strategic Director (Resources) and were now managed by the Resources Directorate.

The Corporate Risk Register had recently been reviewed by the Financial Services Manager in consultation with Heads of Service and other key officers. Previously included risks had been updated where relevant to take account of recent developments and a number of other risks which had previously only been included on departmental registers had been added to the corporate risk register.

The register had been agreed by the Executive Management Team and was attached at Appendix A to the report.

During discussion a Member stated that he felt the current risks in relation to the vision for Regeneration and the Local Plan should be higher.

Audit Committee – 26<sup>th</sup> July 2018

**Resolved** – That the Corporate Risk Register is noted.

Chairman

**Committee:                   AUDIT COMMITTEE**

**Date:                         18<sup>th</sup> September 2018**

**Subject:                   Quarterly Monitoring Report of the Council's  
Governance Arrangements**

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**1.     Purpose of Report**

To present the findings from the quarterly monitoring of the Council's governance arrangements.

**2.     Background**

- 2.1    Part of the requirement of the Council's governance arrangements is a quarterly report on the operation of the assurance framework for the Council. The assurance process includes the work of external auditors and is supplemented by the work of the internal audit service, as well as other assurance processes, including internal officer and member processes.
- 2.2    The Committee will be aware that governance arrangements include individual staff leads who have taken responsibility for the governance processes set out below and are members of the Governance Group. This report was developed in consultation with officers from the governance group.

**3.     Monitoring Results for Key Governance Processes**

**3.1    Community Engagement**

- 3.1.1   Assurance arrangements are satisfactory. Services undertake specific consultation as required and there are a number of customer satisfaction surveys. For example the recent local plan consultation. Housing Service also undertake a range of specific surveys on issues such as Voids and Lettings, etc.

**3.2    Business Strategy and Planning**

- 3.2.1   The arrangements for business strategy and planning are adequate. Service plans and team plans are in place. A corporate plan was developed earlier this year and is due to be considered at Cabinet and then full Council in September.

**3.3    Financial Planning, Reporting and Budgetary Control**

- 3.3.1   Robust processes are evident to be assured that the arrangements for financial planning, reporting and budgetary control are effective. For example, a budget exception report is considered by the Executive Management Team and Cabinet Members monthly. Variances at year end are reported on all service areas, with commentary on those more than +/- £10k, and analysis of changes in income and expenditure from the previous financial year. External assurance will be provided by the annual audit of the Council's Statement of Accounts and the work of external audit. The processes in place give adequate officer and member assurance.
- 3.3.2   The Council maintains a five-year rolling financial forecast which is reviewed and reported through to Cabinet on a bi-monthly basis unless there is no significant



change to report. The forecast is supported by three years detailed budget workings with the final two years of the forecast being adjusted for future anticipated cost pressures. Assumptions adopted in the forecast are contained in a detailed report made to Special Council in February annually.

- 3.3.3 The Council maintains a level of reserves more than the minimum level recommended by the Council's Chief Finance Officer and has set a balanced budget for 2018/19. Full Council agreed the Policy Framework and Budget Setting report in February 2018 which includes the financial planning strategy, the medium term financial forecast and a summary of completed efficiency work.
- 3.3.4 However, significant savings are still required for the medium term and the Council is undertaking several actions through the efficiency programme and the Commercial Strategy.

### **3.4 Asset Management**

- 3.4.1 There are adequate routine assurance processes for Asset Management, which include quarterly Asset Management meetings, which are integrated into programmed meetings of the Operational Management Team. Significant Asset Management based projects are subject to the Councils project management methodology (PROMPT) and are reported to Cabinet.
- 3.4.2 The corporate Asset Management plan contains an action plan which sets out progress in asset management activities and plans which contribute towards the short, medium and long term aims and objectives of the Council in relation to asset management.
- 3.4.3 A programme of annual planned repairs and maintenance is in place for corporate buildings. Funding provision has been earmarked and completion of all works is planned within the lifetime of the current medium term financial forecast.
- 3.4.4 Contracts are also in existence for statutory inspections and cyclical servicing to the Council's corporate buildings.

### **3.5 Policy Framework**

- 3.5.1 The policy framework operates satisfactorily, and policies and strategies largely continue to be refreshed by services. A register of policies and strategies is in place. The policy framework is set out in the Business Planning and Budget Framework and is to be reported to Cabinet in October.

### **3.6 Risk Management**

- 3.6.1 The Risk Management Policy and Strategy was refreshed and approved by Audit Committee in January 2018. Two workshops have been delivered to all senior staff on the refreshed approach, but have particularly focused on:
- Designing and implementing efficient controls that have the right effect on Impact and Likelihood
  - Ensuring robust assurances are available when monitoring risk
  - Having a consistent understanding of the approved risk appetite of the Council
  - Everyone contributing to an effective risk management framework that ensures the Council's overall tolerance for risk is not breached.
- 3.6.2 A corporate risk register continues to be in place and is subject to monitoring by Executive Management Team. Risks have been identified as part of the development of team and service planning and risks get escalated to the corporate risk register should the identified issue be considered significant. The corporate risk register was considered by Executive Management Team and Audit Committee in July this year.

### **3.7 Health and Safety**

- 3.7.1 The Corporate Health and Safety service (CHAS) is currently in a transition phase, with the previous potholder having left the Council in May and a new advisor having been being recently appointed, with an estimated start date of late September. In the meantime cover is being provided via the Environmental Health Manager.
- 3.7.2 Key areas of H&S risk management are judged to be compliant, but there will continue to be work undertaken by CHAS to review, maintain and where necessary, to secure improvements in Health and Safety performance within the organisation. It is hoped that the new advisor will be able to bring some significant external experience to the Council and help all services with the management of risks posed to the health, safety and welfare of employees and others affected by our work activities.

### **3.8 Business Continuity**

- 3.8.1 Arrangements in place are satisfactory, with business impact assessments undertaken by all service areas. A review and revision of service level BC action plans was completed in the spring of 2018.
- 3.8.2 A corporate generic BC response plan exists, which subject to full review and revision every three years.
- 3.8.3 The subject of business continuity is incorporated into the quarterly risk management sections of Operational Management Team meetings.
- 3.8.4 The Council's emergency planning and business continuity framework document produced in 2018, describes how the Council will go about meeting its duty to be suitably prepared for dealing with emergencies and disruptions to the organisation's ability to deliver its critical services to the public.

### **3.9 Performance Management**

- 3.9.1 Core processes operate satisfactorily, including highlight reporting to Corporate Management Team and the production of a corporate scorecard which is considered quarterly by Cabinet, and was last considered in June.
- 3.9.2 Control arrangements include the production of quarterly reports of performance indicators by all services for consideration by EMT. The last detailed report was sent to EMT in September this year.

### **3.10 Data Quality**

- 3.10.1 Arrangements are satisfactory. The service planning process includes a requirement for team managers and heads of service to sign a declaration which includes consideration of data quality and the commitment to spot checking of data.

### **3.11 Value for Money**

- 3.11.1 Arrangements are in place and the assurance processes are operating appropriately. For example, a programme of work to identify and obtain efficiencies is in place for council services and is set out in the corporate plan. The Council has also identified a set of value for money ratios and these are used to monitor progress and retain understanding of comparative value for money. These were considered by EMT in February 2018.

### **3.12 Procurement**

- 3.12.1 There are satisfactory arrangements in place and the assurance processes are operating appropriately. Procurement is integrated into the meetings of the

Operational Management Team and assists in the implementation of corporate requirements.

- 3.12.2 The Council's commissioning and Procurement Strategy was updated in 2016 and the Procurement Toolkit refreshed in 2018 to reflect changes in legislative requirements.

### **3.13 Partnerships**

- 3.13.1 Assurance processes are subject to further development work. A partnership strategy and framework is required to help clarify the arrangements currently in place and how these link to the objectives of the authority. Further development work is planned and will need to incorporate the work of the South Essex 2050 partnership.

### **3.14 Project Management**

- 3.14.1 The arrangements are satisfactory. The service plans include an indication of planned projects with a prioritisation. These have been incorporated into a corporate programme which is monitored by CMT. The most significant projects identified include the development of the local plan, the planned refurbishment of the Paddocks and development of more social housing.

### **3.15 Complaints**

- 3.15.1 Whilst there is a complaints system in place, the monitoring of complaints is not fully compliant. Following a refresh of the policy and procedure, and the requirement for all complaints at stage 1 to be monitored, a report produced for consideration by OMT in February found that further work to embed the arrangements is necessary. This area is subject to a separate report to Audit Committee.

### **3.16 Ethical Governance**

- 3.16.1 Satisfactory arrangements are in place, which were subject to audit a few years ago. Over the last two years, consideration has been given as to whether appropriate processes are in place for interests to be declared, by those operating key financial systems. A common code of conduct is also in place along with appropriate mechanisms including a Review Committee.
- 3.16.2 During the autumn, some work will be undertaken by the Good Governance Group to:
- Further develop the Council's understanding of what constitutes its ethical governance framework
  - Ensure the processes for obtaining evidence throughout the year are operating as designed.

### **3.17 Officer Conduct**

- 3.17.1 There are appropriate assurance arrangements in place to ensure robust officer conduct. This includes a range of human resource policies and procedures. The processes in place continue to give adequate assurance.

### **3.18 Information Governance**

- 3.18.1 The Council has implemented an information governance strategy, which is underpinned by associated guidance. The Council's Head of Law acts as the Senior Information Risk Owner. The 'How it Works' guidance also contains a section on information governance.
- 3.18.2 The General Data Protection Regulation (GDPR) became a statutory requirement from the 25<sup>th</sup> May 2018, and together with the new Data Protection Act 2018 which has superseded the Data Protection Act 1998 it expands the rights of individuals

to control how their personal information is collected and processed, and places a range of new obligations on organisations to be more accountable and transparent when processing personal data. The Council has made good progress in working towards meeting the requirements of GDPR and this work is led by the Head of Law.

**4. Corporate Implications**

**a. Legal implications**

There are no direct legal implications arising from this report.

**b. Financial implications**

There are no direct financial implications arising from this report.

**c. Human Resource & Equality**

The monitoring and development of the assurance framework is delivered within existing resources.

The Council's equality policy is applied as an inherent element of the assurance processes. Equality is also an area that is subject to audit scrutiny. All key decisions require an Equality Impact Assessment.

**d. IT and Asset Management implications**

There are no direct IT or Asset Management implications arising from this report.

**5. Links to Council's priorities and objectives**

All assurance processes and improvement work support the corporate priority of Efficient and Effective Customer Focussed Services.

**6. Timescale for implementation and risk factors**

The monitoring of the effectiveness of the assurance framework will be undertaken every three months and reported to the Audit Committee. The Council will not be able to fully achieve its objectives and priorities without a robust assurance framework.

**Recommendation:**

**The Audit Committee notes the assurance provided by this report with regard to the operation of the Council's governance framework.**

**Background Papers:** Local Code of Governance

**Report Author:** Craig Watts, Head of Housing and Communities

**AUDIT COMMITTEE**

**18<sup>th</sup> September 2018**

**Subject: Counter Fraud & Investigation Directorate: Quarterly  
Performance Report**

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**1. Purpose of Report**

To update the Audit Committee on the progress made in delivering the Corporate Counter Fraud & Investigation strategy at Castle Point Borough Council for 2018/19.

To approve the council's revised Counter Fraud, Bribery & Corruption Policy and the revised Counter Money Laundering Policy.

**2. Proactive Counter Fraud Work Plan**

**Appendix A** outlines the progress made in delivering the agreed proactive counter-fraud work plan for this year.

If during the year any changes or additions to the plan are proposed between the CFID and the Section 151 Officer, these will be brought back to the Committee and included in the work plan.

The Proactive work plan included the revision of the council's policies for Countering Fraud, Bribery & Corruption and Countering Money Laundering.

***Revised Counter Fraud, Bribery & Corruption Policy***

The fraud bribery and corruption policy has been updated to contain the revisions in legislation and approach taken by the Council when suspected incidents of fraud, bribery or corruption are identified.

The revised policy takes account of the revised threat assessments of local government and its potential impact on the council. The revised policy is now attached at **Appendix B** for Members to approve.

***Revised Counter Money Laundering Policy.***

The council's money laundering policy has also been revised to take account of legislative changes, including the enactment of the 4<sup>th</sup> Money Laundering Directive into British law. The changes reflect the advanced capabilities that CFID bring to the council to ensure a consistent level of robustness to criminality attempting to use the council launder the proceeds of crime.

The revised policy is now shown at **Appendix C** for Members to approve.

### 3. Investigations

The CFID continues to deliver investigations into incidents of suspected fraud or other economic crime for the council. The flow of casework into CFID for Q1 has been:

Number of suspected fraud reports received:	6
Number of ongoing investigations:	13
Value of suspected fraud under investigation:	£510,700
Number of Closed investigations:	3

### 4. Contribution to Council's Aims and Priorities

Work undertaken to reduce fraud and enhance the Council's anti-fraud and corruption culture contributes to the delivery of all its aims and priorities.

#### Financial Implications

Proactive fraud and corruption work acts as a deterrent against financial impropriety and might identify financial loss and loss of assets.

Any financial implications arising from identifying and managing the fraud risk will be considered through the normal financial management processes.

Proactively managing fraud risk can result in reduced costs to the Council by reducing exposure to potential loss and insurance claims.

#### Legal Implications

The Accounts and Audit Regulations 2015 Section 3 requires that:

*The relevant authority must ensure that it has a sound system of internal control which:*

- *facilitates the effective exercise of its functions and the achievement of its aims and objectives*
- *ensures that the financial and operational management of the authority is effective*
- *includes effective arrangements for the management of risk.*

The work of the Directorate contributes to the delivery of this.

#### People Implications:

Where fraud or corruption is proven the Council will:

- take the appropriate action which could include disciplinary proceedings and prosecution
- seek to recover losses using criminal and civil law
- seek compensation and costs as appropriate.

## **Property Implications**

Properties could be recovered through the investigation of housing tenancy fraud or assets recovered as a result of criminal activity. This action will benefit the authority by means of returning housing stock to those in need or gaining the assets of those who seek to profit from their criminal behaviour.

## **Consultation / Equalities Impact Assessment:**

None

## **Risk Assessment**

Failure to operate a strong anti-fraud and corruption culture puts the Council at risk of increased financial loss from fraudulent or other criminal activity.

Although risk cannot be eliminated from its activities, implementing these strategies will enable the Council to manage this more effectively.

A closer working relationship is being sort with the internal audit team to ensure that any overlapping areas of concern can be detected early and corroborative working can be utilised. To assist with this, CFID will produce monthly reports to the Head of audit detailing the investigations of CFID and the appropriate risk area.

It is also the hope of the CFID that a return in monthly reporting will be completed by the internal audit team, identifying the current audits taking place and if any concerns are being identified. This will capture early warnings of risk to the authority and allow officers from the CFID to assess if intervention is required in specific circumstances where criminality may be present.

## **Value for Money**

An effective counter fraud and investigation service should save the Council money by reducing the opportunities to perpetrate fraud, detecting it promptly and applying relevant sanctions where it is proven.

As can be seen from the results already obtained from the CFID actions, actively seeking and identifying criminality allows the authority to gain back money that would have otherwise left the budgets of various service areas of the authority. This in itself is a positive step; however the subsequent message sent to those who seek to abuse the financial stability of the authority is such a deterrent that further 'unmeasured' savings will be made by deterring future criminality against the authority.

## **Community Safety Implications and Environmental Impact:**

None

## **Recommendations**

- **The Audit Committee notes the performance of the Counter Fraud & Investigation Directorate to date.**
- **The Audit Committee approves the revised Counter Fraud, Bribery & Corruption Policy.**
- **The Audit Committee approves the revised Counter Money Laundering Policy.**

## **Background Papers**

- Fighting & Corruption Fraud locally, The Local Government Fraud Strategy
- Crowe Whitehall & Clarke Annual Fraud Indicator 2017

## **Appendices**

- Appendix A: Proactive Counter Fraud Work Plan
- Appendix B: Revised Counter Fraud, Bribery & Corruption Policy
- Appendix C: Revised Counter Money Laundering Policy

**Report Author: Daniel Helps, Senior Manager, Counter Fraud & Investigation Directorate**



**Appendix A - Counter Fraud & Investigation Directorate**  
Counter Fraud Work Plan

<b>Risk area</b>	<b>Tasks</b>	<b>Planned for</b>	<b>Current status</b>	<b>Responsible CFID Officer</b>	<b>Completed Activity Date</b>
Council-wide	Fraud risk matrix assessment to be delivered to all service areas	July – Sep 2018	Has been presented to Audit Committee and Chris Mills. Meetings will now be booked with Directors and relevant management with business areas	Daniel Helps	
Council-wide	UK Bribery Act (UKBA) Compliance Review. A questionnaire will be distributed to all Managers to ensure UKBA compliance.	October 2018	Questionnaire now developed and being tested at Thurrock Council before being circulated across CPBC	Michael Dineen	
Council-wide	Counter Money Laundering (CML) Compliance Review. A questionnaire will be distributed to all staff to ensure CML compliance.	October 2018	Questionnaire now developed and being tested at Thurrock Council before being circulated across CPBC	Michael Dineen	
Proactive Fraud Drives	Conduct proactive activity to disrupt and detect fraud affecting the council.	Throughout 2018/19	Proactive work continues to be undertaken across the high-risk areas. So far this year activity has been conducted in:	Michael Dineen	

**Appendix A - Counter Fraud & Investigation Directorate**  
Counter Fraud Work Plan

<b>Risk area</b>	<b>Tasks</b>	<b>Planned for</b>	<b>Current status</b>	<b>Responsible CFID Officer</b>	<b>Completed Activity Date</b>
			<ul style="list-style-type: none"> <li>• Housing</li> <li>• Right to Buy</li> <li>• NNDR</li> </ul>		
Investigation Review	Review of insider threat investigations with Human Resources to reviews action and learning points	Throughout 2018/19	Meetings booked once an insider threat is identified. Most recent meeting conducted with Chris Mills and services leads, case was discussed. Continues throughout the year	Daniel Helps	
Fraud Awareness Training	Training to be delivered to high risk areas – housing officers, housing allocations, temporary accommodation and right to buy	Ongoing to December 2018	Training now being booked with assistance from CFID business support team.	Michael Dineen / Nicola Spencer	
Referral Training to Housing	Specific training to Housing Services due to lack of referrals and information suggesting that they are conducting criminal investigation themselves	September 2018	Contact points identified and potential issues. Chris Mills has been briefed and is supportive of CFID's approach	Daniel Helps / Nick Coker / Michael Dineen	

## Appendix A - Counter Fraud & Investigation Directorate

### Counter Fraud Work Plan

Risk area	Tasks	Planned for	Current status	Responsible CFID Officer	Completed Activity Date
Pro-active operation to tackle blue badge abuse	This was highlighted as a risk area by members at audit committee and intelligence gathering is taking place to identify the potential for an operation	December 2018 – January 2019	Where locations are identified this operation will take place during the high risk festival period	Michael Dineen / Nick Coker	
Update to Council website	Updates to the council's website on local government fraud, detailing what the council does to investigate provide advice to signpost referrers.	November 2018	Standardised content for webpages across CFID's partners have been drafted and will be sent out for comment in September	Dave Nash	
Policy update and review	Update the council's Counter Fraud, Bribery & Corruption Policy and; Counter Money Laundering Policy.	September 2018	Policies updated to national standard and to support legislative changes. To be presented to audit committee on 17 <sup>th</sup> September 2018	David Kleinberg	17/09/2018

## Counter-fraud, bribery and corruption policy



# Version control sheet

<b>Title:</b>	Counter-fraud, bribery and corruption policy
<b>Purpose:</b>	To advise council workers and suppliers on what fraud, bribery and corruption is, how to identify and report it and our response.
<b>Owner:</b>	Counter Fraud and Investigation
<b>Approved by:</b>	Executive Management Team – 22/08/2018 Audit Committee – 17/09/2018
<b>Date:</b>	Approved – 17/09/2018 Implemented – 18/09/2018
<b>Version number:</b>	2.1
<b>Status:</b>	Draft
<b>Review frequency:</b>	Annually
<b>Next review date:</b>	1 September 2019

## Change history

Date	Change details	Approved by
(none)		

# Contents

1.	Introduction .....	4
2.	What is fraud? .....	4
3.	How is fraud committed against council? .....	4
4.	What is bribery and corruption? .....	5
5.	What do I do if I suspect fraud, bribery or corruption? .....	6
6.	What does the council do with cases of suspected fraud? .....	6
7.	Whistleblowing .....	6
8.	Information Sharing .....	7
9.	Monitoring Delivery .....	7
	Appendix A – Roles and responsibilities .....	8
	Appendix B – Key contacts .....	10
	Appendix C – Fraud legislation .....	11
	Appendix D – Bribery and corruption legislation .....	12

## 1. Introduction

- 1.1 As a local authority Castle Point Council is responsible for delivering key frontline services such as maintaining our parks and open spaces, keeping our borough clean and green, collecting our refuse as providing social housing to those in need.
- 1.2 We deliver these services every year with the £50m of public money we have in our budget. Criminals do and will continue to seek to take that money from the council. Criminals come in all forms from services users, to suppliers and in rare cases colleagues sitting next to us.
- 1.3 The way to beat those who seek to take the public's money is to make sure our systems and controls in place are strong and we follow them. This means all of the procedures we have as a team are robust and auditable so we can prevent fraud and identify possible concerns.
- 1.4 This policy sets out what fraud, bribery and corruption is, how to spot it and what to do if you do suspect it.
- 1.5 Every council worker is responsible for following this policy and reporting their suspicions to our Counter Fraud and Investigation team.

## 2. What is fraud?

- 2.1 In this policy 'fraud' is used as shorthand to any criminal offence where money or other assets belonging to the council can be lost. It includes Theft, Fraud, Burglary and other deception offences such as corrupt practices by workers or suppliers.
- 2.2 Fraud is where a person is dishonest in their actions in order to cause a loss to the council or expose the council to a potential loss. It also includes where a person causes a chain of events by doing **OR** not doing something that causes **or** exposes the council to a loss.
- 2.3 Any of the actions described above are criminal offences and can result in imprisonment.

## 3. How is fraud committed against the council?

### Applying for services / making a declaration

- 3.1 The council provides hundreds of different services to the public we serve. Unfortunately there is a small minority of those who seek to take advantage of those services. This could be by someone embellishing their circumstances, making something up completely or purposefully not declaring something.
- 3.2 In the council's welfare support services such as Housing and Housing Benefit this could be a person not being honest about their needs, what their financial status is or what they will be using the council services for. It may be a person acting on the service user's behalf that is being dishonest in order to benefit them.

- 3.3 In each of these examples the frauds are denying the legitimate use of council funds by those who are in need.

### Suppliers / providers

- 3.4 The highest risk of fraud to the public sector is from its supply chain. A council is a business making regular and sometimes large financial transactions with our suppliers and providers in order to deliver our services.

### Did you know?

Supplier fraud costs local government £4.4bn every year in the UK.

- 3.5 Some unscrupulous suppliers, or staff working in supplier companies, may seek to take advantage of our payment systems and processes.
- 3.6 Fraud in this area can be committed where suppliers submit false or 'erroneous' invoices or other requests for payment. Suppliers may also be dishonest in how they are delivering the services or goods we have asked them for. They may be poor quality or not supplied at all.
- 3.7 Staff that deal with our suppliers and providers must ensure that the council is getting what it has paid for. The council's Procurement Team and Internal Audit Service are experienced in contract management and applying the right controls when sourcing goods, works and services.

#### **Council worker fraud**

- 3.8 Castle Point Council, like any large employer employing hundreds of people, will always have a very small minority of people who seek to commit fraud or allow fraud to take place.
- 3.9 Fraud in this area can be staff who take unauthorised absences, such as claim 'flexi time' when they haven't accrued any, claim to be working from home when they are not or even claim to be working in the field but going home early/start their duties later.
- 3.10 Payroll or expenses fraud can also be committed by council workers such as staff and agency workers who falsely claim overtime, allowances, mileage or expenses that they aren't entitled to.
- 3.11 It is important for all staff to follow the council's procedures particularly those in management positions as well as colleagues whose duties are to notice irregularities.

#### **Did you know?**

The impact of staff falsely working half an hour less per week would cost the council £60k every year.





#### **4. What is bribery and corruption?**

- 4.1 As public servants all workers in the council are in a privileged position to serve the people of Castle Point. That responsibility comes with a significant amount of trust in how we conduct ourselves.
- 4.2 It has always been a criminal offence for any council worker to receive gifts or hospitality where the person giving the gift or hospitality is seeking to induce, or reward us to do something for their, or somebody else's benefit. The most common situation here is where a supplier provides hospitality to a council worker so contracts are let to them instead of another.
- 4.3 This type of corruption has been depicted in many different films and fictional stories, where for example, criminals seek to build a house that would be normally rejected by planners, or the criminal who wants the council to 'look the other way' for parking fines or other enforcement action.
- 4.4 All of this conduct is a criminal offence, punishable by imprisonment. It is the most serious type of dishonesty, which brings the council and colleagues in to disrepute.



## 5. What do I do if I suspect fraud, bribery or corruption?

- 5.1 The Counter Fraud and Investigation Directorate (CFID) are responsible for dealing with any cases of suspected criminality described in this policy, not the police.
- 5.2 It is the responsibility of every council worker to look for and report any possible fraud taking place. You **do not** have to speak to a manager before reporting your suspicions.
- 5.3 If you see any of the suspicious activity linked to fraud, against the council, **OR** in any council building you should:

-  not tell the person that you have any suspicions about them
-  take copies of any records that could help to a secure location
-  telephone a member of the CFID team right away on **03000 999 111** (24/7)
-  follow the instructions given by the CFID team

## 6. What does the council do with cases of suspected fraud?

- 6.1 The council has a dedicated team of professionally trained and accredited investigation officers who fully investigate instances of suspected fraud. The CFID team work around the clock, anywhere in the UK with powers to arrest persons, search premises and seize assets to take back what the council has lost.
- 6.2 In cases where there may be a proven case of fraud the council's Legal Services or the Crown Prosecution Service has dedicated criminal lawyers who apply the Code for Crown Prosecutors. This code is applied independently by a lawyer to decide whether there is sufficient evidence of a crime and whether it is in the public interest to prosecute those suspected.

### Did you know?

Last year, local government detected 78,000 cases of fraud.

- 6.3 CFID has a Criminal Finances Unit that is accredited by the National Crime Agency to restrain and seize a person's assets, investigate their lifestyle and present cases to a Judge to confiscate any criminal proceeds.
- 6.4 The council will always publicise cases of proven fraud in the media to act as a deterrent and encourage people to come forward to report fraud.

## 7. Whistleblowing

- 7.1 The Council is committed to providing the highest quality service to our residents, businesses and visitors to Castle Point. Maintaining the full trust and confidence in the way the council manages our services and resources and making sure that all those who are vulnerable such as children, the elderly and people with learning disabilities are provided for safely, effectively and in accordance with best practice
- 7.2 The council's Whistleblowing Policy is intended to encourage and enable staff to raise serious concerns. Council workers reporting concerns this way are afforded certain rights and protection through legislation enacted under the Public Interest Disclosure Act 1998.

- 7.3 Workers who report concerns will be supported and protected from reprisals. Everything possible will be done to protect their confidentiality. They will be advised of the action that has been taken by the person to whom they reported their concerns.
- 7.4 Management are responsible for reporting all allegations received from whistleblowing under the confidential reporting code to the Monitoring Officer. The Monitoring Officer will refer the allegations relating to suspected fraud, money laundering, bribery and corruption to the CFID team for investigation. All such cases are recorded in a register maintained by the Monitoring Officer.
- 7.5 CFID will deal with the matter promptly, efficiently and in accordance with the law, involving such outside agencies as appropriate (including the police). Where a supplier or other partner employee is involved, their leadership team will be informed where appropriate in liaison with the Chief Finance Officer and CFID.

## **8. Information Sharing**

- 8.1 As a responsible data controller the council always ensures that personal data we hold is safeguarded and used properly with the Data Protection Act 2018.
- 8.2 The council will use data we hold to prevent and detect criminality and identify those responsible.
- 8.3 Any staff contacted by the Counter Fraud and Investigation, Internal Audit or Legal Services teams as part of a criminal investigation must provide any council data held in any form (paper or electronically). Council workers must not tell anyone that they have been asked for any material for an investigation, unless permitted to by the CFID, Internal Audit or Legal Services officer asking for the material.
- 8.4 Any concerns workers may have about releasing information should be directed to the Assistant Director for Fraud & Investigation, Head of Internal Audit, s151 Officer or Monitoring Officer.

## **9. Monitoring Delivery**

- 9.1 The Counter Fraud and Investigation Directorate lead the council's fight against fraud and economic crime, including bribery and corruption. The team reports quarterly to the council's Audit Committee on its work.
- 9.2 The service also reports regularly on its performance to the council's Executive Management Team.

# Appendix A – Roles and responsibilities

## Expected behaviour

The Council requires all workers and elected Members to act honestly and with integrity at all times and to safeguard the resources for which they are responsible. Fraud is an ever-present threat to these resources and hence must be a concern to all workers and elected Members. The purpose of this statement is to set out specific responsibilities with regard to the prevention of fraud.

**Section 151 Officer** (Chief Finance Officer) is responsible for:

- Proper administration of the authority's financial affairs
- Reporting to Members and External Audit if the Council, or one of its representatives makes, or is about to make a decision which is unlawful, or involves illegal expenditure or potential financial loss (Local Government Finance Act 1988 s.114)

**Monitoring Officer** is responsible for:

- Reporting on contraventions or likely contraventions of any enactment or rule of law
- Report on any maladministration or injustice where the Ombudsman has carried out an investigation
- Receiving copies of whistleblowing allegations of misconduct
- Promoting and maintaining high standards of conduct through and with the support of the Standards Committee
- Advice on vires (legality) issues, maladministration, financial impropriety, probity and policy framework and budget issues to all Members

**Managers** are responsible for:

- Maintaining internal control systems and ensuring that the authority's resources and activities are properly applied in the manner intended
- Identifying the risks to which systems and procedures are exposed
- Developing and maintaining effective controls to prevent and detect fraud
- Ensuring that controls are being complied with, including making sure their staff are performing well and meeting council policies and procedures.

**Council workers** are responsible for:

- Their own conduct and for contributing towards the safeguarding of corporate standards (including declarations of interest, gifts and hospitality, private working, whistleblowing etc.)
- Acting with propriety in the use of official resources and in the handling and use of corporate funds, such as when dealing with contractors and suppliers
- Reporting details immediately to the Counter Fraud and Investigation Department if they suspect that fraud, theft, bribery, corruption and money laundering has been committed or see any suspicious acts or events

**Internal Audit** is responsible for:

- The independent appraisal of control systems
- Reporting to the Directors Board and the Audit Committee on the council's governance framework
- The implementation of an annual audit plan to include identification of fraud risks to the Counter Fraud and Investigation Department

**Counter Fraud and Investigation Directorate** is responsible for:

- The investigation into allegations of any fraud, bribery, theft, corruption and money laundering committed against the authority
- Prosecution (or the application of an alternative sanction) of offenders
- All action under the Proceeds of Crime Act 2002 and Criminal Justice Act 1988 in respect of financial investigation, restraint, detention, forfeiture and confiscation
- The co-ordination of participation in the National Fraud Initiative (NFI)
- Providing Counter-Fraud, Money Laundering, Theft, Bribery and Corruption Awareness Training
- Taking redress from offenders under criminal and civil law
- Referring any matters to and receiving information and intelligence from all law enforcement agencies (Police, HMRC, Home Office etc) where appropriate.

**External Audit** has specific responsibilities for:

- Reviewing the stewardship of public money
- Considering whether the Council has adequate arrangements in place to prevent fraud and corruption
- Signing off the annual accounts of the authority
- Elected Members are each responsible for:
  - Their own conduct
- Contributing towards the safeguarding of corporate standards, as detailed in the Members' Code of Conduct

## Appendix B – Key contacts

Contact	Details
<b>Counter Fraud and Investigation Directorate</b>	1 <sup>st</sup> Floor, Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>03000 999 111</b> Email: <a href="mailto:reportfraud@castlepoint.gov.uk">reportfraud@castlepoint.gov.uk</a> Web: <a href="http://castlepoint.gov.uk/fraud">castlepoint.gov.uk/fraud</a>
<b>Chris Mills</b> Strategic Director for Resources (s.151 Chief Finance Officer)	1 <sup>st</sup> Floor, Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01268 882215</b> Email: <a href="mailto:cmills@castlepoint.gov.uk">cmills@castlepoint.gov.uk</a>
<b>Andrew Smith</b> Strategic Director for Corporate Services (Monitoring Officer)	1 <sup>st</sup> Floor, Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01268 882402</b> Email: <a href="mailto:asmith@castlepoint.gov.uk">asmith@castlepoint.gov.uk</a>
<b>David Kleinberg</b> Assistant Director for Fraud & Investigations	1 <sup>st</sup> Floor, Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01375 652157</b> Email: <a href="mailto:dkleinberg@thurrock.gov.uk">dkleinberg@thurrock.gov.uk</a>
<b>Andrew Barnes</b> Head of Internal Audit	1 <sup>st</sup> Floor, Civic Offices, Kiln Road, Benfleet, SS7 1TF Tel: <b>01268 882482</b> Email: <a href="mailto:abarnes@castlepoint.gov.uk">abarnes@castlepoint.gov.uk</a>
<b>Public Concern at Work</b> (independent charity for whistleblowing)   <b>THE WHISTLEBLOWING CHARITY</b>	CAN Mezzanine, 7-14 Great Dover Street, London, SE1 4YR Tel: <b>020 7404 6609</b> Email: <a href="mailto:helpline@pcaw.co.uk">helpline@pcaw.co.uk</a> (helpline) Email: <a href="mailto:whistle@pcaw.co.uk">whistle@pcaw.co.uk</a> (enquiries) Web: <a href="http://pcaw.org.uk">pcaw.org.uk</a>

# Appendix C – Fraud legislation

## 1 Fraud

1.1 The Fraud Act 2006 introduced the first statutory definition of fraud whereby:

"A person is guilty of fraud if he is in breach of any of the sections listed in subsection (2) (which provide for different ways of committing the offence).

Fraud can be committed by:

- (a) section 2 (Fraud by False Representation),
- (b) section 3 (Fraud by Failing to Disclose Information), and
- (c) section 4 (Fraud by Abuse of Position). "

### Fraud by false representation

A fraud will be committed if a person dishonestly makes a false representation and when doing so intends to make a gain or cause loss (or a risk of loss) to another.

### Fraud by failing to disclose information

A fraud will be committed if a person dishonestly fails to disclose information where there is a legal obligation to do so and when doing so intends to make a gain or cause loss (or a risk of loss) to another.

### Fraud by abuse of position

A person will commit fraud if he occupies a position in which he is expected to safeguard, or not act against, the financial interests of another person and he dishonestly abuses that position; and in doing so intends to make a gain or cause loss (or a risk of loss) to another.

## 2 Theft, burglary and robbery

2.1 A person is guilty of **theft** if they dishonestly appropriate property, belonging to another, with the intention of permanently depriving the other of it.

2.2 Theft includes where someone takes something "and uses it as their own".

2.3 A person is guilty of **robbery** if he steals, and immediately before or at the time of doing so, and in order to do so, he uses force on any person or puts or seeks to put any person in fear of being then and there subjected to force.

2.4 A person is guilty of **burglary** if he enters any building or part of a building as a trespasser and with intent to steal anything in the building or that part of it or inflicts or attempts to inflict on any person any grievous bodily harm or; doing unlawful damage to the building or anything therein.

# Appendix D – Bribery and corruption legislation

## 1 Bribery

- 1.1 A bribe is "a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity."
- 1.2 The types of offending relating to Bribery are:
- 1.2.1 **Bribery** – giving or receiving something of value to influence a transaction dishonestly makes a false representation
  - 1.2.2 **Illegal gratuity** – giving or receiving something of value after a transaction is completed, in acknowledgment of some influence over the transaction
  - 1.2.3 **Extortion** – demanding a sum of money (or goods) with a threat of harm (physical or business) if demands are not met
  - 1.2.4 **Conflict of interest** – where a worker has an economic or personal interest in a transaction
  - 1.2.5 **Kickback** – a portion of the value of the contract demanded/ provided as a bribe by an official for securing the contract.
- 1.3 The Bribery Act 2010, which came into force on 1st July 2011, introduced four primary offences in a single piece of legislation with all previous statutes being repealed.
- 1.3.1 Section 1 – Offences of bribing another person, where:
    - (a) a person offers, promises or gives a financial or other advantage to another person, and
    - (b) intends the advantage –
      - (i) to induce a person to perform improperly a relevant function or activity, or
      - (ii) to reward a person for the improper performance of such a function or activity.
  - 1.3.2 Section 2 – Offence relating to being bribed
  - 1.3.3 Section 6 – Bribery of foreign public officials
  - 1.3.4 Section 7 – Failure by a commercial organisation to prevent bribery
- 1.4 Under the Bribery Act, an organisation has a defence if it can show that it has adequate bribery prevention procedures in place. The Ministry of Justice guidance<sup>1</sup> on the Bribery Act 2010, explains what needs to be in place to rely on this defence:

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<sup>1</sup> <http://www.justice.gov.uk/downloads/legislation/bribery-act-2010-quick-start-guide.pdf>

- 1.4.1 *Proportionality: The action we take should be proportionate to the risks we face and to the size of our organisation.*
  - 1.4.2 *Top Level Commitment: Those at the top of an organisation are in the best position to ensure their organisation conducts business without bribery. We want to show that we have been active in making sure that our staff (including any middle management) and the key people who do business with us and for us understand that we do not tolerate bribery.*
  - 1.4.3 *Risk Assessment: Think about the bribery risks we might face.*
  - 1.4.4 *Due Diligence: Knowing exactly who we are dealing with can help to protect our organisation from taking on people who might be less than trustworthy.*
  - 1.4.5 *Communication: Communicating our policies and procedures to staff and to others who will perform services for us enhances awareness and helps to deter bribery by making clear the basis on which our organisation does business.*
  - 1.4.6 *Monitoring and Review: The risks we face and the effectiveness of our procedures may change over time.*
- 1.5 Prior to 2011, under Common Law, a person commits an offence where a person "Offering, giving or receiving, any undue reward, by or to any person whatsoever in a public office, in order to influence his behaviour in office and incline him to act contrary to the known rules of honesty and integrity."

## **Corruption**

- 1.6 Corruption can be committed in many ways but normally involves "two or more people entering into a secret agreement."
- 1.7 Indicators showing this type of offending can include the following:
- 1.7.1 Abnormal cash payments
  - 1.7.2 Pressure exerted for payments to be made urgently or ahead of schedule
  - 1.7.3 Private meetings with public contractors or companies hoping to tender for contracts
  - 1.7.4 Lavish gifts being offered or received
  - 1.7.5 An individual who never takes time off even if ill, or holidays, or insists on dealing with specific contractors himself or herself
  - 1.7.6 Making unexpected or illogical decisions accepting projects or contracts
  - 1.7.7 Abuse of the decision process or delegated powers in specific cases
  - 1.7.8 Agreeing contracts not favourable to the organisation either because of the terms or the time period
  - 1.7.9 Unexplained preference for certain contractors during tendering period
  - 1.7.10 Avoidance of independent checks on the tendering or contracting processes



1.7.11 The Council's or its suppliers/partner's procedures or guidelines not being followed

1.8 The Local Government Act 1972 requires under section 117(2) that employees must disclose any personal interest in contracts that have been, or are proposed to be, entered into by the Council. Failure to do so is a criminal offence.



# FRAUD AFFECTS COUNCILS TOO

**Have you seen anything suspicious?**

- Unusual applications for council services
- Suspicious identity documents or transactions
- Suppliers not delivering what we pay for

**If you suspect it, report it.**

Call in confidence on **03000 999 111** or  
visit **[castlepoint.gov.uk/fraud](https://castlepoint.gov.uk/fraud)**



## Counter-money laundering policy and strategy



## Version control sheet

<b>Title:</b>	Counter-Money Laundering Policy and Strategy
<b>Purpose:</b>	To advise council workers and suppliers what money laundering is, how to identify it and report it.
<b>Owner:</b>	Counter Fraud and Investigation Directorate
<b>Approved by:</b>	Executive Management Team – 22/08/2018 Audit Committee – 17/09/2018
<b>Date:</b>	Approved – 17/09/2018 Implemented – 18/09/2018
<b>Version number:</b>	2.1
<b>Status:</b>	Draft
<b>Review frequency:</b>	Annually
<b>Next review date:</b>	1 August 2019

## Change history

Date	Change details	Approved by
May 2017	Inclusion of 4th Money Laundering Directive	Chris Mills, Strategic Director Resources (s151 Officer)

# Contents

1.	Introduction .....	4
2.	What is money laundering?.....	4
3.	What are the money laundering criminal offences? .....	4
4.	How to identify suspected money laundering .....	5
5.	How to report suspected money laundering? .....	6
6.	What does the council do about money laundering?.....	6
7.	Monitoring delivery .....	6
8.	Relevant legislation .....	7

## **1. Introduction**

- 1.1 An overriding responsibility of public sector organisations is the provision of effective and efficient services to our residents in a manner that seeks to ensure the best possible protection of the public purse in our delivery arrangements.
- 1.2 This policy sets out the action we will take to mitigate the risk that money could be laundered through our systems.
- 1.3 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. Whilst the risk to the Council of contravening the legislation is relatively low, it is extremely important that all Council and schools workers are familiar with their legal responsibilities. Serious criminal sanctions may be imposed for breaches of the legislation, including imprisonment.
- 1.4 As a responsible public body we expect all of our suppliers and contractors to follow to our strong stance and not tolerate any criminality attempting to affect our services or staff.

## **2. What is money laundering?**

- 2.1 Money laundering is the process where 'criminal property' (i.e. a person's benefit from criminal conduct) is given the appearance of having originated from a legitimate source.
- 2.2 Criminal conduct is anything that is a criminal offence in the United Kingdom. It could be fraud, theft, drug dealing, prostitution, terrorism and includes offences such as breaching building planning law and trade mark offences.
- 2.3 Criminal property is defined as anything which is a person's benefit from their criminal conduct. That could be money, real and personal property (houses, buildings, boats, cars, horses, watches etc.), 'things in action' and other intangible or incorporeal property (i.e. debts, intellectual property such as copyright, designs and patents etc.)

## **3. What are the money laundering criminal offences?**

### **Proceeds of Crime offences**

- 3.1 The criminal offences of money laundering are contained in the Proceeds of Crime Act 2002. They are committed when 'criminal property' is transferred, concealed, disguised, converted or removed by a person from England, Wales, Scotland and Northern Ireland.
- 3.2 A person also commits the offence of 'money laundering' if they enter into or becomes concerned in an arrangement which they know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- 3.3 A person commits a criminal offence when they do something that might prejudice 'a money laundering investigation', for example, falsifying or concealing a document or 'tipping off' ("telling") a person who is suspected of being involved in money laundering.

## Terrorist financing offences

- 3.4 The Terrorism Act 2000 also creates money laundering offences where a person enters in to or becomes concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property ("money"):
- by concealment
  - by removal from the United Kingdom
  - by transfer to nominees, or
  - in any other way
- 3.5 It should be understood that 'terrorist property' covers not only the money stolen in, say, a terrorist robbery, but also any money paid in connection with the commission of terrorist acts. Any resources of a proscribed organisation are also covered: not only the resources they use for bomb-making, arms purchase etc but also money they have set aside for non-violent purposes such as paying their rent.
- 3.6 A proscribed organisation is defined under Schedule 2 of the Terrorism Act 2000. The Counter Fraud and Investigation Directorate is responsible for monitoring these organisations and responding appropriately.
- 3.7 A person also commits a criminal offence if they fail to disclose to a constable that they believe a person has committed a terrorism money laundering offence.





## Criminal law defences

- 3.8 A person does not commit a criminal offence where they can demonstrate that **"his employer has established a procedure for the making of disclosures of the matters specified"** and the person *follows* that procedure.

## 4. How to identify suspected money laundering

- 4.1 All council workers should be alert to the possibility of someone trying to launder criminal proceeds through the Council. Some indications of suspicious activity are:
- △ Large cash payments (e.g. paying business rates in cash)
  - △ Regular overpayments by a person/ company in any way
  - △ Duplicate payments by a person/ company in any way
  - △ Regular requests for refunds of payments
  - △ Regular 'chargebacks' for card payments
  - △ Someone paying regularly on behalf of third parties
  - △ Cash buyers purchasing land or property (e.g. Right to Buy properties)
- 4.2 Any council workers with concerns about money laundering should contact a member of the Counter Fraud and Investigation Directorate (CFID) on **03000 999 111** for advice.
- 4.3 CFID regularly provides training to council services on identifying and reporting suspected money laundering.

## 5. How to report suspected money laundering?

- 5.1 The Counter Fraud and Investigation Directorate are responsible for managing any cases of suspected money laundering.
- 5.2 It is the responsibility of every council worker to look for and report any possible money laundering taking place. You **do not** have to speak to a manager before reporting your suspicions.
- 5.3 If you see any of the suspicious activity linked to money laundering you should:
  -  Do not tell the person that you have any suspicions about them
  -  Take all the records (and any cash) from the person to a secure location
  -  Telephone a member of the CFID team right away on **03000 999 111** (24/7)
  -  Follow the instructions given by the CFID team.
- 5.4 **Remember:** Failure to report your suspicions to CFID could expose *you* to criminal prosecution.

## 6. What does the council do about money laundering?

- 6.1 The Criminal Finances Unit in the Counter Fraud and Investigation Directorate is accredited by the National Crime Agency to conduct money laundering investigations. The Accredited Financial Investigators in the team can obtain court Production Orders to access bank accounts, seize any cash and restrain a person's assets, worldwide, in a money laundering investigation.
- 6.2 In cases where money laundering is proven the council will prosecute those offenders and use the Proceeds of Crime Act 2002 to take their ill-gotten gains. Any money confiscated is paid back in to the council to fight crime.
- 6.3 The CFID team works with business areas and Internal Audit to ensure that the controls in place prevent and identify potential money laundering. The council's policy is that the CFID team must be involved in the provision of new services, systems or contracts to ensure compliance with money laundering legislation.

## 7. Monitoring delivery

- 7.1 The Counter Fraud and Investigation Directorate lead the council's fight against money laundering and economic crime. The team reports quarterly to the council's Audit Committee on its work to tackle the problem.
- 7.2 The service also reports regularly on its performance to the council's Executive Management Team.



## **8. Relevant legislation**

- 8.1 The Terrorism Act 2000 as amended by the Anti-Terrorist Crime and Security Act 2001.
- 8.2 The Proceeds of Crime Act 2002 (POCA).
- 8.3 Serious Organised Crime and Police Act 2005.
- 8.4 The Money Laundering Regulations 2007.
- 8.5 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (*known as the EU 4th Money Laundering Directive*).



# MONEY LAUNDERING

**Could you spot the signs?**

- Cash payments over £1,500
- A person regularly receiving account refunds
- One person paying the debts for several individuals

**If you suspect it, report it.**

Call in confidence on **03000 999 111** or  
visit **[castlepoint.gov.uk/fraud](https://castlepoint.gov.uk/fraud)**



**AUDIT COMMITTEE**

**18 September 2018**

**Subject: Treasury Management Activity Mid-Year Report**

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**1. Purpose of Report**

The mid-year treasury report is a requirement of the Council's reporting procedures. It summarises the Council's treasury management activity for the first five months of the current financial year. Supporting information is provided within Annexes A and B.

The report meets the requirements of both the CIPFA Code of Practice on Treasury Management and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

**2. Links to Council's priorities and objectives**

The scrutiny and approval of the Council's Treasury Management activity is linked to the Council's objective of Improving the Council through sound financial management.

**3. Recommendation:**

That following scrutiny, the Treasury Management Activity Mid-Year Report for 2018/19 is approved, and submitted to Council.

**Resolution required.**

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## **4. Treasury Management Activity Mid-Year Report 2018/19**

### **4.1 Introduction**

4.1.1 Treasury management is:- *“The management of the organisation’s cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

4.1.2 The Code of Practice requires the Council to set annually a Treasury Management Strategy and Investment Strategy. The strategies for the 2018/19 financial year were approved by Council on 14<sup>th</sup> February 2018.

4.1.3 This report confirms that Treasury Management activity during the year to date has been undertaken in accordance with strategy and in consultation, where appropriate, with our external adviser, Link Asset Services, formerly Capita Asset Services.

### **4.2 Borrowing**

4.2.1 There has been no change in the Council’s borrowing position from that reported at the end of the previous financial year. Although PWLB rates are at historically low levels, there is currently no requirement for General Fund borrowing or repayment in the next few years. No change in HRA debt is currently expected until the first loan matures in 2021.

A summary of external borrowing at 31<sup>st</sup> August 2018 is shown at Annexe A.

4.2.2 Annexe A shows that interest paid on General Fund borrowings and on HRA borrowings for the year to date is as budgeted.

4.2.3 The Council’s policy on capital expenditure and borrowing is set out in the Capital Finance section of the annual Policy Framework and Budget Setting Report, and as part of this, the affordability of new capital proposals has to be demonstrated. Borrowing can only be undertaken for the purposes of capital expenditure, and not for day-to-day revenue expenditure. The financial impact on the longer-term budget positions for both the General Fund on the Medium Term Financial Forecast and the Housing Revenue Account on the HRA Business Plan, would need to be taken in to account. Any new borrowing would result in additional annual interest charges to either the General Fund or HRA, as well as the need to set aside sums from those funds for future repayment of the principal.

4.2.4 Although borrowing rates are currently low any potential new borrowing would have to be fully justifiable in terms of the need to borrow. Additional borrowing would be considered for individual projects where for example the business case determines repayment of debt is affordable and can prudently be made out of new revenue generated. No additional borrowing is currently planned.

4.2.5 Periodically officers explore the option to reschedule or repay current loans, However at the current time it is not viable for the Council to reschedule its debt in to cheaper loans as repayment of all current PWLB loans would incur significant premiums to do so.

### **4.3 Investments**

4.3.1 The investment activity during the year to date conforms to the approved strategy, and the Council has had no liquidity issues. Investments are managed internally using only those institutions which meet the Council’s strict investment criteria, within a

permissible range of periods, depending on the Council's cash flow and the interest rates on offer.

- 4.3.2 The majority of investments to date in 2018/19 continue to be in AAA-rated Money Market Funds. A Money Market Fund is a pooled source of funds invested in a wide range of short-term investments, and managed by an independent fund management company. Frequently these are well known banks or investment houses. AAA is the highest investment rating available and means that there is very low credit risk in an entity which is awarded that rating.
- 4.3.3 Funds may be deposited with the Debt Management Office (DMO), an executive agency of HM Treasury, but the facility has not been used this year due to the very low rate of interest.
- 4.3.4 With the exception of the DMO, total investments with any one institution do not exceed **£2.5m**. Internal guidance ensures that at least **50%** of investments at any time are placed with institutions rated AAA (or 40% for up to 5 working days a month).
- 4.3.5 The Council invests in treasury bills and certificates of deposit. They can achieve slightly better rates of interest and more diversification without significant loss of security and are regularly used by other local authorities. At 31<sup>st</sup> August 2018 the Council held **£4.0m** in treasury bills with a maximum maturity of 6 months.
- 4.3.6 Annexe B summarises the Council's temporary investment activities for the year to date. The amount available for investment varies daily according to the Council's aggregate financial position on all activities. At the end of August 2018 the amount invested was **£30.2m** and the average amount invested for the year to date was **£29.5m**.
- 4.3.7 Annexe B also shows that the amount of interest received on investments to date is **£64,491**. This exceeds budget by **£33,191**. The budget for the full year is **£83,000**. Investment rates earned and investment balances are currently both higher than forecast. The average rate is **0.52%**, more than the benchmark 7-day LIBID rate of **0.41%** (LIBID or the London Inter Bank Bid Rate is the rate at which major London banks borrow from each other).
- 4.3.8 Any changes required to the interest budgets will be addressed in the forthcoming budget cycle.

#### **4.4 Benchmarking**

The current position on three benchmark indicators for 2018/19, explained in the Annual Investment Strategy, is reported as follows:

- Security - Weighted Credit Rating Score for the year to date of **6.0** exceeds the target of 4 (the scale goes from 0 to 7).
- Liquidity – Weighted Average Life is at a reasonably liquid level, currently averaging **41 days**.
- Yield – interest received on investments currently exceeds target as reported above.

#### **4.5 Brexit & Economic Uncertainty**

- 4.5.1 From August 2016 The Bank of England Base rate was at 0.25%, in November 2017 it was raised to 0.50% and in August 2018 to 0.75%. Over the next couple of years the rate is forecast to increase by approximately 0.25% per year. There remains much

uncertainty around the Brexit negotiations, consumer spending levels and business investment, so it is still far too early to be confident about how strong growth and inflationary pressures will be over the next two years, and therefore the pace of any rate increases. Consequently the Council will probably continue to earn low rates of interests on its temporary investments, and may be further restricted in where it can invest funds.

- 4.5.2 The Council will continue to adhere to strict investment criteria. Security and liquidity remain the priority. The Council will then invest for yield. It is anticipated investments will continue to have a short-term average maturity (less than 3 months) and earn low rates of interest. Officers will continue to monitor interest rates offered and seek to ensure the best return possible, without compromising security and liquidity, and within limits specified in the Investment Strategy and internal guidance.

## **5 Corporate Implications**

### **a Legal implications**

The Council's treasury management activities are regulated by a variety of professional codes, statutes and guidance, including:

- The Local Government Act 2003, and associated Statutory Instruments;
- The CIPFA Prudential Code for Capital Finance in Local Authorities;
- The CIPFA Code of Practice for Treasury Management in the Public Services.

The Council continues to comply with all of the relevant statutory and regulatory requirements.

### **b Financial implications**

Any required changes in interest estimates will be implemented as part of the forthcoming 2019/20 budget cycle.

### **c Human resource and equality implications**

There are no new implications.

### **d Timescale for implementation and risk factors**

A mid-year report is now presented to the Audit Committee during September each year and subsequently reported to Cabinet.

## **6 Conclusion**

The results for the five months to 31<sup>st</sup> August 2018 continue to demonstrate prudent and efficient treasury management.

**Report Author: Robert Greenfield, Accountant**

### **Background Papers:**

Chartered Institute of Public Finance and Accountancy: *Code of Practice for Treasury Management in the Public Services*.

CPBC: *Treasury Management and Investment Strategy Statement for 2018/19*.

## Annexe A

### Summary of Loan Transactions and Interest Payable (accrued daily) for the period to 31st August 2018

#### Loan transactions activity for the period

	Amount o/s 01/04/2018 £	Loans Repaid £	Amount o/s 31/08/2018 £
<b>Public Works Loan Board</b>			
General Fund	5,250,000	0	<b>5,250,000</b>
HRA	36,451,000	0	<b>36,451,000</b>
<b>Totals for the Council</b>	<b>41,701,000</b>	<b>0</b>	<b>41,701,000</b>

#### Interest payable Comparison of estimate with actual

Budget Profile to 31/08/2018 £	Actual Interest to 31/08/2018 £	Variance 31/08/2018 £	
87,500	<b>87,524</b>	-24	0.0%
457,300	<b>457,321</b>	-21	0.0%
<b>544,800</b>	<b>544,845</b>	<b>-45</b>	<b>0.0%</b>

#### Interest rates for the period

	Range of loans		Average
	From	To	
General Fund	3.70%	4.10%	<b>3.95%</b>
HRA	2.31%	3.49%	<b>2.98%</b>
<b>Totals for the Council</b>	<b>2.31%</b>	<b>4.10%</b>	<b>1.31%</b>

#### Base rate history

08/01/2009	1.50%
05/02/2009	1.00%
05/03/2009	0.50%
04/08/2016	0.25%
02/11/2017	0.50%
02/08/2018	0.75%
31/08/2018	0.75%

**Summary of Temporary Investments and Interest Received (accrued daily)  
for the period to 31st August 2018**

Annexe B

Type of Borrower	Amount Invested 01/04/2018 £	Made in the Period £	Repaid in the Period £	Amount Invested 31/08/2018 £
<b>Investments by Value:</b>				
Treasury bills	2,993,895	3,987,389	2,993,894	3,987,389
Local Authorities	7,500,000	6,500,000	7,500,000	6,500,000
Money Market Funds	13,430,000	38,471,748	34,631,748	17,270,000
Notice accounts	2,000,000	0	0	2,000,000
<b>Investments</b>	<b>25,923,895</b>	<b>48,959,136</b>	<b>45,125,642</b>	<b>29,757,389</b>
Lloyds current account	508,506	0	33,490	475,016
<b>Cash equivalents</b>	<b>508,506</b>	<b>0</b>	<b>33,490</b>	<b>475,016</b>
<b>Total</b>	<b>26,432,401</b>	<b>48,959,136</b>	<b>45,159,132</b>	<b>30,232,405</b>
<b>Number of Investment Transactions:</b>				
Treasury bills	3	3	3	3
Local Authorities	4	3	4	3
Money Market Funds	25	62	44	43
Notice accounts	2	0	0	2
<b>Investments</b>	<b>34</b>	<b>68</b>	<b>51</b>	<b>51</b>
Lloyds current account	1	0	0	1
<b>Cash equivalents</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>1</b>
<b>Total</b>	<b>35</b>	<b>68</b>	<b>51</b>	<b>52</b>

**Interest Received on Temporary Investments  
for the period to 31st August 2018**

	£
<b>Actual Interest Received</b>	<b>64,491</b>
Revised estimate	31,300
Variance	33,191 106%

**Temporary Investments**

Average Balance for the Period	29,509,606
Average Interest Rate for the Period	0.52%
Benchmark: Average 7-Day LIBID Rate	0.41%



**AUDIT COMMITTEE**

**18<sup>th</sup> September 2018**

**Subject: Internal Audit Service, Quarterly Performance Report**

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**1. Purpose of Report**

To update the Audit Committee on progress made in delivering the Internal Audit Strategy for 2018/19.

**2. Internal Audit Plan Status**

**Appendix A** sets out the current status of the audit work planned for the year as at 24<sup>th</sup> August 2018. This also highlights where audits contained in the original plan considered by the Audit Committee in March 2018 have changed.

The only changes made to the Audit Plan since it was last reported to the Audit Committee are:

- the management follow up audit of system governance and change for the IDOX<sup>1</sup> system planned for 2018-19, has been deferred as some of the target implementation dates have had to be revised. This audit will be now take place in 2019-20;
- the above audit has now been replaced with a follow up audit on Environmental Health: Noise & Nuisance and Rubbish & Accumulations; and
- a new audit has been added to the plan on the engagement and management of casual and agency staff in the leisure and refuse and recycling services where the Council employs a higher number of temporary staff.

**3. Audit Opinions and Themes**

**Appendix B** summarises the results of the audit work completed this year. No partial or minimal assurance opinions have been issued to date, this year.

**4. Performance Targets**

As outlined in the Strategy presented to the March 2018 Audit Committee, the team will be reporting on a more limited set of indicators this year given the amount of work that is still being contracted out.

As at 24<sup>th</sup> August 2018:

- the team has had three days of sickness absence since April 2018 (which impacts on productivity) and equates to 0.43 days per FTE

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<sup>1</sup> The IDOX suite of applications is used to support frontline processing in Planning, Building Control, Environmental Health, Licensing and Land Charges. It also supports making information available online to members of the public, for example the ability to view planning applications.

- of the 25 jobs in the plan:
  - four final reports have been issued;
  - two reports have been drafted and are either being discussed with clients or are with the Audit Manager or Head of Internal Audit for review; and
  - one audit was in progress.

**Appendix C** sets out the issues arising from the:

- self-assessment of compliance with the Public Sector Internal Audit Standards as reported in the Annual Report presented to the Audit Committee in June 2017
- independent, external review of compliance completed by the Institute of Internal Auditors in October 2017.

Reasonable progress is being made to address these issues. The action plan will continue to be reported to Audit Committee until all the outstanding actions are complete.

A programme of stakeholder surveys is produced each quarter and these will be completed throughout the remainder of the year as audits are completed. Three individuals were interviewed in quarters 1 and 2 of 2018/19, covering four audit reports. A summary of the questions and results are attached at **Appendix D**.

## **5. Resourcing**

The refreshed Collaborative Working Agreement for Internal Audit sets out that all the posts for the combined team will be part of Southend-on-Sea Borough Council's establishment. This approach has been taken as it is felt that:

- this will increase the chance of filling the remaining vacancies
- it will create a more cohesive team.

Therefore, the combined structure will consist of:

- two Audit Managers (both in post)
- two Senior Auditors (one post vacant – recruitment to commence shortly)
- four Auditors (three posts vacant – recruitment to one post to commence shortly)
- cash (in the form of vacant posts) to buy in specialist and other services on behalf of both sites.

## **6. Corporate Implications**

### **Financial Implications**

The Audit Plan will be delivered within the approved budget.

Any financial implications arising from identifying and managing fraud risk will be considered through the normal financial management processes.

## **Legal Implications**

The UK Public Sector Internal Audit Standards require the Audit Committee to approve (but not direct) the annual Internal Audit Plan and then receive regular updates on its delivery. This report contributes to discharging this duty.

## **7. Human Resources and Equality Implications**

### **Human Resources**

People issues that are relevant to an audit within the Audit Plan will be considered as part of the review.

Regular updates will be provided to the Audit Committee on how the service is being resourced (as required by the Standards).

### **Equality Implications**

The relevance of equality and diversity will be considered during the initial planning stage of each audit before the Terms of Reference are agreed.

### **IT and Asset Management Implications**

People or asset management issues that are relevant to an audit will be considered as part of the review.

## **8. Links to Council's Aims, Targets and Objectives**

Audit work contributes to the delivery of all of the Council's Aims, Targets and Objectives.

## **9. Timescale for Implementation**

The Audit Plan relates to the 2018/19 financial year.

This is a key piece of evidence available to the Audit Committee when reviewing the Annual Governance Statement, which will be presented to the Audit Committee at the end of the financial year.

## **10. Risk Factors**

Failure to operate a robust assurance process (which incorporates the internal audit function) increases the risk that there are inadequacies in the internal control framework that may impact on the Council's ability to deliver its Corporate Aims, Targets and Objectives. A key mitigating factor is the work of the Good Governance Group (the Group). Assurance provided by this Group is summarised in the Quarterly Monitoring Report of the Council's Governance Arrangements.

The main risks the team continues to manage are the:

- loss of in-house staff and the ability of the service to replace this resource at all or in a timely manner;
- lack of management capacity to support and process work in a timely manner and provide strategic leadership to the team;
- possibility that the external supplier won't deliver contracted out work within the required deadlines to the expected quality standards; and

- need to maintain relationships with clients / partners until the service has been rebuilt.

**Recommendations:**

**The Audit Committee notes the progress made in delivering the 2018/19 Internal Audit Strategy.**

**Background Papers**

- The Accounts and Audit Regulations 2015
- UK Public Service Internal Audit Standards
- CIPFA: Local Government Application Note for the UK Public Sector Internal Audit Standards

**Appendices**

Appendix A Internal Audit Plan 2018/19

Appendix B1 Opinions and Summaries – Audits Revisited

Appendix B2 Opinions and Summaries – Other Audits and Grants

Appendix C PSIAS Action Plan as at 5 September 2018 – to follow

Appendix D Stakeholder Survey Results 2018/19

**Report Author: Andrew Barnes, Head of Internal Audit**

## Appendix A: Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 24 <sup>th</sup> August 2018
<b>Managing the Business</b>			
<b>All Aims</b>			
Res	<b>Emergency Planning</b> To assess the robustness of the Council's preparedness to respond to a civil emergency under the Civil Contingencies Act 2004.	No	Planned for October to December 2018. Resources being agreed with contractor.
SD, MO	<b>Information Governance, General Data Protection Regulation (GDPR)</b> To assess whether the Council is suitably compliant with the requirements of GDPR.	No	Planned for October to December 2018. Resources being agreed with contractor.
Res	<b>IT Strategy</b> To assess whether the IT Strategy supports the development, maintenance and enhancement of IT systems, to enable the achievement of wider business objectives.	No	Planned for October to December 2018. Resources being agreed with contractor.
Res	<b>New: Engagement and management of casual and agency staff</b> To assess whether the Council has a mechanism in place for managing their staff establishment within the levels of resource and financial budgets in two areas, the leisure and refuse & recycling services.	No	Planned for January to March 2019. Resources being agreed with contractor.
<b>Managing Service Delivery Risks</b>			
<b>Aim: Public Health and Wellbeing</b>			
H&C	<b>Homelessness</b> To assess whether the Council has a clear strategy and appropriate arrangements in place	Yes	Planned for October to December 2018.

## Appendix A: Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 24 <sup>th</sup> August 2018
	for dealing with homelessness, in line with the Homelessness Reduction Act 2017.		
<i>Implementing Action Plans*</i>			
H&C	<b>New:</b> <b>Environmental Health: Noise &amp; Nuisance and Rubbish &amp; Accumulations</b>	Yes	Planned for January to March 2019.
<b>Aim: Environment</b>			
	<b>None</b>		
<b>Aim: Transforming Our Community</b>			
H&C	<b>HRA New Property Build Projects</b> To assess whether appropriate business case, procurement and contract management arrangements are in place to select and deliver new Council housing properties.	Yes	Planned for October to December 2018.
<i>Implementing Action Plans*</i>			
H&C	<b>Right to Buy</b>	Yes	Planned for January to March 2019.
<b>Aim: Efficient and Effective Customer Focused Services</b>			
H&C	<b>Housing Property Management and Maintenance</b> To be determined with the business.	Yes	Planned for January to March 2019.
H&C	<b>Licensing</b> To assess whether licence applications are effectively and promptly processed and all due income is received.	Yes	Planned for October to December 2018.
<i>Implementing Action Plans*</i>			
Res	Cyber Security Governance	Yes	Planned for October to December 2018. Resources being agreed with contractor.

## Appendix A: Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 24 <sup>th</sup> August 2018
H&C	Health and Safety of Housing Stock	No	Report issued August 2018.
H&C	Housing Allocations	Yes	Planned for January to March 2019.
All	IDOX System Governance and Change Management.	Yes	<b>Removed from Plan –</b> This audit has been moved to 2019-20 as some of the target implementation dates have had to be revised.
Res	Income Collection	Yes	Draft report with the client to review.

### Key Financial Systems

#### All Aims

#### **Key financial systems 2017/18**

To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.

All	Business Rates	Yes	Planned for January to March 2019.
All	Council Tax	Yes	Planned for January to March 2019.
All	Housing Benefit	Yes	Planned for January to March 2019.
All	Housing Rents	Yes	Planned for January to March 2019.
All	Treasury Management	Yes	Planned for January to March 2019.

#### **Key financial systems 2016/17**

To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.

All	General Ledger	Yes	Report issued August 2018.
All	Income, Receipting and Banking	Yes	Draft report with the client to review.
All	Accounts Payable	Yes	Report issued August 2018.
All	Accounts Receivable	Yes	Work in Progress.
All	Payroll	Yes	Report issued August 2018.

### Grant Claims

Env	<b>Disabled Facilities Capital Grant</b>	Yes	<b>First sign-off for 2018/19 completed.</b>
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## Appendix A: Internal Audit Plan 2018/19

Dept	Service Activity	Fraud risk	Status as at 24 <sup>th</sup> August 2018
	<b>Determination</b> To confirm the monies have been spent in accordance with the terms of the grant.		Second sign-off due Feb 2019.

SD, Mo	<b>Interreg Go Trade Grant</b> To confirm the monies have been spent in accordance with the terms of the grant.	Yes	<b>First sign-off for 2018/19 completed.</b> Second sign-off due Feb 2019.
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### Advice and Support Work

	None		
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### Managing Delivery of the Audit Plan

	Audit Planning and Resourcing		
	Managing Audit Plan Delivery		
	Reporting to Executive Management Team and Audit Committee		

**\* Implementing Action Plans** - To confirm that actions agreed have been effectively implemented and embedded into the day to day operation of the service.



## Appendix B1: Internal Audit Plan 2018/19

<b>Audit Activities</b>	<b>Resource allocation</b>
Managing the Business	15%
Managing Service Delivery Risks	54%
Key Financial Systems	8%
Grant Claims	5%
Advice and Support	0%
Managing Delivery of the Audit Plan	18%
<b>Total</b>	<b>100%</b>
<b>Total Council Audit Plan Days</b>	<b>242</b>

The days required to revisit and retest action plans from previous reports are included under each heading.

The Total Council Audit Plan Days reflects the higher cost of buying in external contractors to cover internal vacancies. There is current £8,095 unspent of the budget which equates to approx. 16 days.

<b>Analysis Over Departments</b>		
Env	Environmental	4%
H&C	Housing	41%
Res	Resources	23%
SD, MO	Strategic Director, Monitoring Officer	11%
All	Cross cutting	10%
All	Managing Delivery of the Audit Plan	11%
	<b>Total</b>	<b>100%</b>

## Appendix B1: Internal Audit Plan 2018/19

Risk Watch List	
Env	Income Generation from Waste Collection Services
H&C	Safeguarding
H&C	Strategic Housing Strategy
H&C	Working with Partners, Strategic Partnership Framework
Res	Business Continuity
Res	Replacement of the Telephony Systems
Res	The Paddocks Project
SD, MO	Building Control
SD, MO	Development Control Support Team, Effectiveness Review and Revisited
SD, MO	Leases and Licenses Revisited
All	Ethical Governance
All	Health and Safety

These are other potential audits that may be considered for inclusion in the Audit Plan during the year should resources permit.

## Appendix B1: Opinions and Summaries - Audits Revisited

### Purpose of these audits

To assess whether the actions agreed in the original audit report have been implemented and are now effectively embedded into the day-to-day operation of the service.

### Health and Safety of Housing Stock Revisited



### Original Objective

To assess whether Castle Point Borough Council (the Council) is obtaining the required health and safety inspections and risk assessments of its housing stock and appropriate action is then taken to address any issues identified.

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
7	1	0	0	0

### Summary

Good progress has been made in addressing the recommendations raised in the original action plan.

Accountability for managing the Service Level Agreement (SLA) with the company has been assigned through the Annual Health and Safety Policy Statement that has been developed by the Council.

Development of the Health and Safety Database ensures the Council has robust arrangements to ensure the remedial works are undertaken. It allows all types of inspections / risk assessments to be recorded, including any actions for improvement that have been identified.

A revised Management Action has been raised for monthly spot checks to be undertaken on the completed fire risk assessments to confirm that all actions have been logged, updated and then closed on the Health and Safety Database.

Exception reports are run regularly from the database to highlight any inspections or actions that may become overdue. This enables the inspections to be identified and completed in a timely manner.

A Housing Health and Safety Risk Register has been developed, which records all risks relating to health and safety within the department. It is monitored on a quarterly basis, and each risk is given a risk rating using the scoring matrix. Updates on risks and mitigating controls are provided during each review.

In addition, a risk relating to Health and Safety was added to the Housing and Communities Directorate Risk Register, which is monitored at the Departmental Management Team meetings.

## Appendix B1: Opinions and Summaries - Audits Revisited

South Essex Homes produced an Annual Health and Safety Statement for the Council for the 2017/18 year, which provides assurance that they are successfully delivering the terms of the SLA.

### General Ledger Revisited



#### Original Objective

To assess whether the key controls in the General Ledger system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing Castle Point Borough Council's (the Council) Statement of Accounts.

#### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented	Closed
1	0	1	0	0

#### Summary

The reconciliations between eFinancials and CIVICA have not balanced since CIVICA was upgraded in 2015. For Council Tax there are small differences (less than £250 either way) each month in those tested, however the systems do now balance for Business Rates and Housing Benefits. The Revenues Section and Financial Services Unit (FSU) are working together to identify the issues and ensure that the reconciliation between eFinancials and CIVICA balances across all areas.

### Accounts Payable Revisited



#### Original Objective

To assess whether the key controls in the Accounts Payable system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.

#### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
1	0	0	0

## Appendix B1: Opinions and Summaries - Audits Revisited

### Summary

An update to the Bank Mandate Policy has been completed outlining the process for amending details for suppliers on the system, and the approval required to do so. This policy also explains the fraud risk aspect of making amendments to details and the checks that will be undertaken to protect the Council against fraud and ensure verification of details.

Staff have been notified of the update to the policy, the key points within it and the checks the Council will undertake.

### Payroll Revisited



### Original Objective

To assess whether the key controls in the Payroll system effectively prevent or detect material financial errors, on a timely basis, so that this information can be relied upon when producing the Council's Statement of Accounts.

### Results

Fully implemented	Substantially implemented	Partially implemented	Not implemented
2	0	0	1

### Summary

Whilst preliminary work was undertaken by the Financial Services Unit (FSU) in relation to a half yearly reconciliation between HR and Payroll records, it has not progressed any further at this stage and therefore the management action hasn't been implemented. Going forward reconciliation should be completed to ensure HR and Payroll records are accurate, complete and contain the same information.

The expenses claim form has been updated so that it meets the relevant parts of the policy.

Spot checks on overtime claim forms have been undertaken by the Financial Services Manager to confirm that overtime forms are compliant with the policy and exceptions are authorised appropriately.

## **Appendix B2: Other Audits and Grant Claims**

### **Interreg “Go Trade” Grant Determination**

#### **Purpose of funding**

The “Go Trade” project, led by Basildon Council supports the development of high quality local markets in the South of England and North of France. The project will create a unique brand of high quality markets that will significantly increase the number of local and tourist visitors to the town.

The project will also offer support to traders by using modern methods of communication to help them market their products and by introducing digital technologies such as ‘click and collect’.

Certified traders will also be given GoTrade passports that will enable them to travel and trade at any of the GoTrade markets in France and the UK.

**Opinion: Unqualified opinion given in August 2018.**

### **Disabled Facilities Capital Grant Determination**

#### **Purpose of funding**

To support those in non-council properties with required adaptations to their homes, based on their medical needs. Types of works undertaken include installations of:

- level access showers
- ramped access to properties
- stair lifts or through-floor lifts.

It was confirmed that spend was in line with the grant conditions, specifically that:

- it was on capital
- grant monies had been transferred into the local Better Care Fund pooled budget, under Section 75 of the NHS Act 2006.

In addition, work was undertaken to verify that all cases were supported by:

- an assessment of need and recommendation of adaptation works required, undertaken by an Occupational Therapist
- suitable means testing to ensure eligibility to the DFG scheme, where required
- a signed agreement from surveyors and clients that works had been completed as per the plans and to a suitable standard.

**Opinion: Unqualified opinion given in August 2018.**

## Appendix D: Stakeholder Surveys, Compliance with Professional Standards

<b>1. Setting up and planning the audit (PSIAS 1200 / 2200)</b>		
1.1	Did we show a good level of knowledge and understanding of your service when discussing the potential scope and objective to be covered by the audit before fieldwork took place?	100%
<b>2. Performing the audit (PSIAS 2300)</b>		
2.1	Did we work effectively with you when doing the audit to minimise the impact on your service?	100%
2.2	Were we able to talk knowledgeably with you about information provided to us and queries we had during the audit?	100%
<b>3. Communicating results (PSIAS 2400)</b>		
3.1	Did we keep you informed of the progress of the audit and issues arising from the work in timely manner?	72%
3.2	Did we effectively explain to you where we felt action was required to improve your arrangements and why?	94%
3.3	Was the report fair and reflective of the work done by audit and the issues found as discussed with you?	78%
<b>4. Independence and Objectivity (PSIAS 1100)</b>		
4.1	Did we provide relevant evidence to back up our findings if required?	94%
4.2	At the end of the audit, did you understand the rationale for the overall opinion given?	75%
<b>5. Improving governance, risk management and control processes (PSIAS 2100)</b>		
5.1	Did we explain how the actions you agreed to take would strengthen your operational arrangements and why that is important?	N/A – question now merged with 3.2
<b>6. Managing the Internal Audit Activity (PSIAS 2000)</b>		
6.1	Do you think internal audit adds value to the Council?	94%

**AUDIT COMMITTEE**

**18 September 2018**

**Subject: Complaints Monitoring**

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**1. Purpose of Report**

1.1 To provide the Audit Committee with an update on the monitoring of complaints

**2. Background**

2.1 Members of the Audit Committee have been discussing at previous meetings the arrangements for monitoring complaints from residents about services and compliance with the requirements of the Council policy on responding to complaints. At the March meeting of the Committee members requested that a report be submitted providing further information.

2.2 The current complaints procedure operated by the Council comprises of 2 stages. Stage 1 complaint are dealt with by service head, managers or team leaders and must be acknowledged within 5 working days and a full response within 10 working days. Where a complainant is dissatisfied with the outcome of a service's response to their complaint, they may escalate the matter to a Stage 2 complaint by writing to the Chief Executive within 20 working days of receiving the service response.

2.3 Complaints reviewed at Stage 2 must be acknowledged within 5 working days and a response provided within 25 working days.

2.4 If a complainant is still dissatisfied with the Council's actions after their complaint has been reviewed at Stage 2 they may complain to the Local Government Ombudsman.

**3. Present Position**

3.1 Initial contacts from residents unhappy with the quality or lack of service received are handled by the Council as service requests. These are recorded as such, investigated, dealt with and replies sent by services in accordance with normal required response timescales. Some residents will use the complaints link from the Council website to raise their dissatisfaction, but many of these will be the first time the issue has been raised and will therefore be treated as service requests.



- 3.2 Complaints about services provided by the Council also extend to those which are delivered by third party providers. For example, partner organisations or contractors.
- 3.3 The Council receives complaints in different formats and may be made directly by a resident or represented by the MP, elected councillor or another agency. The Council's policy specifies at what level a complaint will be dealt with. For example, a complaint submitted by a member on behalf of a resident will be escalated and dealt with by a Head of Service.
- 3.4 An internal audit of complaints handling was undertaken in 2016 and the recommendations have now been fully implemented, although work is ongoing to ensure that complaints monitoring and recording is embedded.
- 3.5 Complaints recording is on an Access database. Each service area is responsible for recording Stage 1 complaints about their service. Civic Governance log escalated complaints dealt with at Stage 2.
- 3.6 The Operational Management Team (OMT) has been undertaking ongoing training and established a sub-group of managers of front facing services. One of the key roles of the sub-group was to establish individuals or an administrative group within each service area to be responsible for logging stage 1 complaints on the corporate database and ensuring that they are responded to within timescale.
- 3.7 OMT has also agreed some changes to the complaints page on the Council's website so that online complaints and service requests are more effectively routed to the correct service areas. This will be further developed but initially a further link was included so that residents could approach Essex County Council directly about highways issues.

#### **4. Proposals**

- 4.1 The work to the website referred to in section 3 above will be extended so that all the major Borough Council front facing services will have their own link.
- 4.2 OMT will continue to encourage services to record and monitor complaints in accordance with the policy and procedure.
- 4.3 Recorded complaints will be analysed to establish any service trends and areas where service delivery could be improved.

#### **5. Corporate Implications**

##### **(a) Financial Implications**

There are no direct financial implications arising from this report.

##### **(b) Legal Implications**

There are no direct legal implications arising from this report.

**(c) Human Resources and Equality Implications**

**Human Resources**

The monitoring and development of complaints handling is delivered within existing resources.

**Equality Implications**

The Council's equality policy is applied as an inherent element of assurance processes and is subject to audit scrutiny.

**(d) IT and Asset Management Implications**

There are no direct IT or Asset management implications arising from this report.

**6. Links to Council's Priorities and Objectives**

All assurance processes and improvement work support the corporate priority of Efficient and Effective Customer Focussed Services.

**7. Timescale for Implementation and Risk Factors**

The monitoring of the effectiveness of complaints handling as an assurance process will be undertaken every three months and reported to the Audit Committee.

**Recommendation**

**That the Audit Committee notes the report.**

**Resolution Required**

**Background Papers:** Council Complaints Procedure

**Report Author:** John Riley, Complaints and Customer Care/Ann Horgan, Head of Governance