



BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY 27TH SEPTEMBER 2010, AT 6.00 P.M.

CONFERENCE ROOM, THE COUNCIL HOUSE, BURCOT LANE, BROMSGROVE

MEMBERS: Councillors S. R. Peters (Chairman), B. Lewis F.CMI (Vice-Chairman), J. T. Duddy, D. Hancox, Ms. H. J. Jones and C. R. Scurrall

AGENDA

1. To receive apologies for absence
2. Declarations of Interest
3. To confirm the accuracy of the minutes of the meeting of the Audit Board held on 28th June 2010 (Pages 1 - 2)
4. Audit Commission Annual Governance Report & Statement of Accounts 2009/2010 (to follow)
5. Corporate Prosecution and Sanction Policy Report (Pages 3 - 16)
6. Corporate Anti Fraud and Corruption Strategy Report (Pages 17 - 46)
7. Whistle-blowing - Confidential Reporting Code Report (Pages 47 - 62)
8. Risk Management Tracker - Quarter 1 (Pages 63 - 70)
9. Internal Audit Performance and Workload 2010/2011 (Pages 71 - 82)
10. International Financial Reporting Standards - update (Pages 83 - 92)
11. To consider any other business, details of which have been notified to the Head of Legal, Equalities and Democratic Services prior to the commencement of the meeting and which the Chairman, by reason of special circumstances, considers to be of so urgent a nature that it cannot wait until the next meeting

12. To consider, and if considered appropriate, to pass the following resolution to exclude the public from the meeting during the consideration of items of business containing exempt information:-

"RESOLVED that under Section 100 I of the Local Government Act 1972, as amended, the public be excluded from the meeting during the consideration of the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part I of Schedule 12A to the Act, as amended, the relevant paragraph of that part, in each case, being as set out below, and that it is in the public interest to do so:-

<u>Item No.</u>	<u>Paragraph</u>
13	7
14	7
15	3 & 7 "

13. Benefit Fraud Strategy Report (Pages 93 - 118)
14. Proceeds of Crime and Anti-Money Laundering Policy Report (Pages 119 - 134)
15. Recommendation Tracker - Quarter 1 (Pages 135 - 158)

K. DICKS
Chief Executive

The Council House
Burcot Lane
BROMSGROVE
Worcestershire
B60 1AA

17th September 2010

Agenda Item 3

BROMSGROVE DISTRICT COUNCIL

MEETING OF THE AUDIT BOARD

MONDAY, 28TH JUNE 2010 AT 5.00 P.M.

PRESENT: Councillors S. R. Peters (Chairman), B. Lewis F.CMI (Vice-Chairman),
D. Hancox, Ms. H. J. Jones and C. R. Scurrall

Also in attendance: Ms. J. Hill, Audit Commission

Observers: Councillor G. N. Denaro, Portfolio Holder for Resources

Officers: Ms. J. Pickering, Mrs. T. Kristunas and Ms. P. Ross

14/10 APOLOGIES

An apology for absence was received from Councillor J. T. Duddy.

15/10 DECLARATIONS OF INTEREST

No declarations of interest were received.

16/10 MINUTES

The minutes of the meeting of the Audit Board held on 7th June 2010 were submitted.

RESOLVED that the minutes be approved as a correct record.

17/10 2009/2010 STATEMENT OF ACCOUNTS AND GOVERNANCE STATEMENT

Consideration was given to the report relating to the financial information for the year ended 31st March 2010, which included the Financial Outturn Information 2009/2010, the Statement of Accounts 2009/2010 and the Annual Governance Statement 2009/2010.

The Executive Director, Finance and Corporate Resources responded to several questions from the Chairman and Members in respect of the Annual Review and Statement of Accounts 2009/2010. Following further discussion it was

RESOLVED

- (a) that the Annual Governance Statement 2009/2010 be noted; and
- (b) that the outturn position on revenue and capital as set out in the report be noted.

RECOMMENDED

- (a) that the Council approve the unaudited Statement of Accounts for the year ended 31st March 2010 in accordance with the Accounts and Audit Regulations 2003 (amended 2006); and
- (c) that the Council approves the increase in the 2010/2011 Capital Programme of £1.192m in relation to the carry forward requests as set out in Appendix 2 of the report.

The meeting closed at 7.00 p.m.

Chairman

BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

Corporate Prosecution and Sanction Policy

Relevant Portfolio Holder	Cllr Geoff Denaro
Relevant Head of Service	Head of Resources – Teresa Kristunas
Key Decision	

1. SUMMARY OF PROPOSALS

1.1 The Corporate Prosecution and Sanction Policy has been revised as part of the annual review of the Policy. The Policy of Prosecution has been updated to:

- Include explanations of prosecution factors
- Include changes to the Department for Work and Pensions (DWP) financial limits set, for joint working purposes (benefit fraud)
- Post Investigation considerations have been added
- Single Person Discount (Council Tax) explanations are now included
- Other cases of fraud, bribery or corruption are also now included.

2. RECOMMENDATIONS

2.1 **That the Corporate Prosecution and Sanction Policy attached at Appendix 1 be approved.**

3. BACKGROUND

3.1 The Corporate Prosecution and Sanction Policy has been updated to include areas not previously investigated by the Corporate Anti-Fraud Team, ensuring that explanations are provided in full.

4. KEY ISSUES

4.1 The Policy has been updated, to include the following:

- explanations of prosecution factors
- changes to the Department for Work and Pensions (DWP) financial limits set, for joint working purposes (benefit fraud)
- Post Investigation considerations
- Single Person Discount (Council Tax) explanations
- Other cases of fraud, bribery or corruption.

This Policy is reviewed on an annual basis, in order to ensure that it is as up-to-date as possible and includes areas of work not previously considered or undertaken. It is a public policy, for the information of our residents.

5. FINANCIAL IMPLICATIONS

None

6. LEGAL IMPLICATIONS

6.1 None.

7. POLICY IMPLICATIONS

7.1 This is a revised policy, based on the Corporate Prosecution and Sanction policy previously approved by Members.

8. COUNCIL OBJECTIVES

- 8.1 Improvement – protection of the public purse by minimising (and recovering) loss of public funds.
- 8.2 One Community – by showing our residents that we take this issue seriously, endeavouring to protect the finances of the Council and of Public Funds, this should raise the public perception of how the Council is run for their benefit.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

n/a – this is an updated policy specific to the prosecution and sanction of offenders in relation to fraud issues affecting the Council

10. CUSTOMER IMPLICATIONS

10.1 The implications for customers who abuse public funds through Council services are made clear in this Policy. This Policy will be posted on the internet for public consumption. Staff will have access via the ORB intranet.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None – this policy sets out the framework for the prosecution and sanctioning of offenders who have taken liberty with Council funds.

BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

None

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

None

14. HUMAN RESOURCES IMPLICATIONS

None

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

- 15.1 This Policy assists in the governance of Bromsgrove Council, as indicated by the Audit Commission. It provides a public framework for actions that can be taken against any person who defrauds public funds from any Council service.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

None

17. HEALTH INEQUALITIES IMPLICATIONS

None

18. LESSONS LEARNT

- 18.1 The amendments of this Policy show that an annual review is necessary to ensure that the Policy reflects current procedures, and actions that can be taken against those who abuse public funds.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

None – this Policy reflects the Council’s commitment to the prevention, detection and investigation of fraud against the Council.

BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards

22. APPENDICES

Appendix 1 - Corporate Anti-Fraud Team Sanction and Prosecution Policy

23. BACKGROUND PAPERS

None

24. KEY

N/A

BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

AUTHOR OF REPORT

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Bromsgrove
District Council

www.bromsgrove.gov.uk

Corporate Anti-Fraud Team
Sanction and Prosecution Policy
April 2010 – March 2011



Introduction

This policy identifies the procedures for referring fraud cases for sanction and potential prosecution, to ensure that cases are dealt with in a fair and equitable manner. This policy applies to all areas of investigation within the remit of the Corporate Anti-Fraud Team (CAFT). This policy amendment is driven by the automatic annual review of procedures.

Bromsgrove Council has the right to investigate and prosecute any case of fraud, bribery or corruption against the Council. This includes fraudulent claims for Housing Benefit and Council Tax Benefit.

It also has legal powers to prosecute National Benefit Offences, as paid by the Department for Work and Pensions, following the implementation of the Welfare Reform Act 2007. Where possible joint working will take place between the CAFT team and the Department for Work and Pensions.

The Corporate Anti-Fraud Investigation Officers are charged with the duty of investigating under the Police and Criminal Evidence Act 1984, and will therefore work within the guidelines of this Act, in addition to other investigative legislation. Other examples include: Criminal Procedure and Investigations Act 1996, Human Rights Act 1998, Data Protection Act 1998, Fraud Act 2006, other relevant Acts of Parliament and Social Security Legislation. Council Policies on Customer Care, and the Inclusive Equalities Scheme, will also be adhered to.

It is the duty of the Fraud Investigators to look at all referrals of suspected or alleged fraud, to establish the facts of each case, and to consider whether the facts point to an offence or not. The Council's Officers will at all times apply appropriate procedures to maintain confidentiality.

The Council will work in co-operation with other organisations such as the Police, Department for Work and Pensions, Home Office, and Her Majesty's Revenue and Customs, in order to combat all types of fraud against the Council, including Benefit fraud. Appropriate Data Sharing Protocols will be in place to allow this to take place, where necessary, in accordance with legal directions.

Investigation Officers will undertake all reasonable enquiries or activities at all times of day (or night, where applicable) in order to ascertain whether offences have been committed.

Surveillance

Activities may include Authorised Surveillance where Officers may follow or observe someone covertly if they have reasonable suspicion to suspect that an offence has been committed, or is being committed. Directed surveillance will be undertaken within the guidelines of the Regulation of Investigatory Powers Act 2000. Telecommunications data may also be obtained where applicable. Data that may be acquired with authorisation include:

- names
- addresses

- telephone numbers to find out who is called and when, but not the content of the calls
- IP addresses – when a session online was started and ended but not the website viewed
- Geographical location of the calling or called parties.

Communications data surveillance does not monitor content.

Benefit Fraud - Landlords

The Council will use all powers granted to the Council by the Secretary of State for Social Security under the Social Security Administration (Fraud) Act 1997, namely the powers of inspection and the power to obtain information from landlords.

When landlords commit an offence by either failing to report changes in their tenant's circumstances or help the claimant to commit benefit fraud, landlords will be investigated and may be prosecuted by the Council.

Any Landlord who is paid directly by the Council is made aware of their duty to report changes in circumstances. Any overpaid benefit to a Landlord will be recovered, either directly from ongoing payments of benefit to the Landlord or through civil recovery via the courts.

Any Landlord who is not paid directly by the Council may still be investigated for Benefit fraud and where necessary may be prosecuted, for example, in tenancy related cases.

Proceeds of Crime Act (POCA)

Recovery of property (which includes money) will be considered under the Proceeds of Crime Act 2002 where the fraudulent overpayment exceeds £17,000. Where this involves a Joint Investigation with the Department for Work and Pensions (DWP), the DWP's Financial Investigation Unit will be notified and will take this forward appropriately.

Cases which are not investigated jointly with DWP will still be considered for action under the Proceeds of Crime Act 2002, but by using alternative Financial Investigators.

The Evidential Test

When making the decision whether to prosecute or not the first step to apply is whether there is sufficient evidence.

There must be enough evidence to provide a realistic prospect of conviction. A realist prospect of conviction means that a jury or bench of Magistrates properly directed in accordance with the law is likely to convict the defendant.

The officer must consider whether the evidence put before them can be used in court and is reliable.

Only after the Evidential Test has been satisfied should the Public Interest Test be considered.

Public Interest Test

The CAFT must balance factors for and against the prosecution carefully and fairly.

The public interest factors that are relevant to establish a decision to prosecute will often depend on the seriousness of the offence or the circumstances of the offender.

Some factors may increase the need to prosecute while others may suggest an alternative course of action.

The Code for Crown Prosecutors should be referred to for detailed information on this subject for all cases being considered for potential prosecution. A copy of the Code can be obtained on the CPS website, www.CPS.gov.uk, or from the CPS Communications Branch, 50 Ludgate Hill, London, EC4M 7EX.

It should be emphasized that a decision to prosecute must be in the public interest and this decision ultimately is taken by those prosecuting, i.e. Legal Services for internal cases, the CPS or DWP solicitors or any other prosecuting body for external cases.

Policy on Prosecution

- The Council is prepared to prosecute, or ask others to prosecute, appropriate cases throughout the full range of Fraud against the Council;
- The final decision as to whether prosecute or not, will be taken by the Head of Legal, Equality & Democratic Services (in relation to internally prosecuted cases) and this decision will be binding;
- Elected members will not make decisions about particular cases;
- The Council will seek to prosecute any person who declines to accept an Administrative Penalty or Formal Caution as an alternative to legal action in Benefit Fraud cases;
- The following factors will be taken into account when considering whether a case is suitable for prosecution:
 - The amount of money obtained by the fraud
 - Careful consideration would have to be given to commencing a prosecution where the amount of the fraudulent activity has not resulted in 'significant financial gain' to the offender. Where there is no significant gain, a prosecution will still be considered if it is felt that the fraud was a deliberate attempt to gain money by deception (if for example, the fraud was discovered after a relatively short space of time and a significant financial gain has not yet occurred), or in the case of a persistent offender or any other case where prosecution could be warranted.
 - The suspects age, physical and mental condition
 - Consideration must be given to the mental and physical condition (including age) when deciding whether to prosecute. The officer should consider whether there are significant personal or mental problems that may be contributed to the reasons for committing the offence. It is therefore appropriate when considering the above issue, that an appropriate opinion as to the claimant's physical or mental condition is obtained.

- Voluntary disclosure
 - It may not be appropriate to prosecute those, whose disclosure was of their own free will, which has led to the identification of a fraud of which the Authority was unaware. Admissions made after enquiries had commenced do not constitute as voluntary disclosure.
- Previous incidence of fraud
 - Any evidence of previous fraudulent activity should form part of the overall 'prosecution assessment', regardless of whether any previous offences resulted in prosecution.
- Social factors
 - If it is considered that the claimants failure to declare the correct circumstances has been caused by significant extenuating social or financial factors these should be fully evaluated. The fact that an individual was in debt or has limited assets would not in itself meet this requirement.
- The amount of evidence obtained and the reliability of witnesses
 - Substantive evidence is essential to secure any conviction. Proceedings should not be sought if there is any doubt that the required evidence is not available. It must be clear that the fraudulent act was actually committed, and that it was committed in full knowledge, with a clear and deliberate intention. Satisfying the Code for Crown Prosecutors Evidential Test will ensure that the evidence is of the standard required by the courts.
- Failure or delay in the Investigation
 - It should be evidenced on the case file that all appropriate procedures have been adhered to with regard to satisfying the requirements of the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996 and other relevant legislation. Particular consideration should also be given to any delay in the course of enquiries, which may be considered as unacceptable by the court.
- Failure or delay in the Local Authority administration.
 - Full account must be taken of remiss administration or fault on the part of the Authority that has contributed to the processing of a fraudulent claim/payment.

Bromsgrove Council does not apply strict financial levels to the type of sanction that may be appropriate based on the level of the overpayment. Each case will be considered on its own individual merits and circumstances.

In cases of Joint Working with the Department for Work and Pensions, liaison and consideration will take place, in accordance with their policies:

- Overpayment more than £50 but less than £5000 – Formal Caution/Administrative Penalty may apply
- Overpayment of more than £5000 – Prosecution may apply.

Post-Investigation Considerations

Once the Investigating Officer has completed the investigation, the Fraud Services Manager will consider each case on its merits applying the criteria in this policy plus any other circumstances relevant to the case.

The Fraud Services Manager will decide whether there is enough evidence to provide a realistic prospect of securing a conviction, and if so, whether it is in the public interest to offer a Formal Caution, Administrative or Financial Penalty or recommend prosecution.

The decision to offer a Formal Caution, Administrative or Financial Penalty will be made by the Fraud Services Manager, having full regard to the Council Policy. Cases being referred for prosecution will be authorised by the Head of Legal, Equality and Democratic Services.

Formal Caution

A Formal Caution is an administrative sanction that Bromsgrove council is able to offer as an alternative to prosecution.

Cautions are usually aimed at less serious frauds. It provides a tool to avoid unnecessary appearance in the criminal courts, and to reduce the chances of them re-offending.

The following conditions must be met before a Caution can be administered:

- there must be evidence of the offenders guilt sufficient to give a realistic prospect of conviction
- the offender must admit the offence
- the offender must understand the significance of the caution and agree to being cautioned.

If a customer is subsequently prosecuted for another offence, the caution may be cited in court.

Administrative Penalty

Under Section 115 of the Social Security Administration (Fraud) Act 1997 an offer can be made to the customer to agree to pay a financial penalty in lieu of prosecution, in benefit fraud cases. The amount of the penalty is stipulated at 30% of the total overpaid benefit (rounded down to the nearest penny).

The following conditions must be met before an Administrative Penalty can be administered:

- the person has committed an offence, which would normally result in a prosecution
- the evidence is sufficient for a prosecution
- the person is aware of the terms of the Administrative Penalty
- the person will agree to accept the Administrative Penalty

Single Person Discount Fraud (Council Tax)

Where an allegation is received stating that a Single Person Discount on Council Tax liability is being applied incorrectly due to a failure of the customer to declare their true circumstances, an investigation may take place.

If the allegation is proved, the case may be considered for a relevant sanction.

Where fraud is proved, the Single Person Discount will be removed from the appropriate date and the council tax bill revised to include the overpaid discount.

In less serious cases either a Formal Caution or a Financial Penalty may be applied.

In more serious cases, prosecution proceedings may take place, subject to the approval of the Head of Legal, Equality and Democratic Services.

Other cases of Fraud, Bribery or Corruption against the Council

Where other examples of fraud, bribery or corruption are alleged to be taking place, these will be investigated and dealt with on a case by case basis. Where necessary, the CAFT team will work with other agencies to conclude the investigations and possible outcomes.

Where the matter is an internal enquiry, the Human Resources Team will be involved in order to consider any disciplinary actions that may need to be taken.

Publicity

The Council will publicise successfully prosecuted cases particularly where:

- the conviction will generate positive publicity
- the release may help to deter others from fraud
- it promotes the Councils Anti-Fraud work
- it promotes the Councils Fraud Hotline.

Equality and Diversity

Decisions on any Fraud Investigation will not discriminate or condone unacceptable behaviour, in relation to race, colour, nationality, nation or ethnic origin, sexual orientation, gender, gender re-assignment, religion, age, disability, income group, marital status or geographical location.

Decisions to prosecute or sanction such cases will be taken on individual merit, evidence obtained and legal requirements.

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US.

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BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

Corporate Anti-Fraud and Corruption Strategy

Relevant Portfolio Holder	Cllr Geoff Denaro
Relevant Head of Service	Head of Resources – Teresa Kristunas
Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 The Corporate Anti-Fraud and Corruption Strategy has been revised as part of the annual review of the Policy. The Policy has been updated to:
- Include additional principles of public life included (Respect for Others & Duty to uphold the law)
 - Include changes to S151 Officer, as a result of the recent management re-structure

2. RECOMMENDATIONS

- 2.1 **That the Corporate Anti-Fraud and Corruption Strategy attached at Appendix 1 be approved.**

3. BACKGROUND

- 3.1 The Corporate Anti-Fraud and Corruption Strategy has been updated to include additional principles in Public Life and reflect changes as a result of the recent management re-structure. The Policy provides a commitment to fighting fraud and corruption that affects the Council. It also provides arrangements for the prevention, detection and investigation of such activities.

4. KEY ISSUES

- 4.1 The Policy has been updated as shown above. No other changes were necessary.

This Policy is reviewed on an annual basis, in order to ensure that it is as up-to-date as possible. It is a public policy, for the information of all of our residents.

5. FINANCIAL IMPLICATIONS

None

Audit Board

27TH SEPTEMBER 2010

6. LEGAL IMPLICATIONS

6.1 None.

7. POLICY IMPLICATIONS

7.1 This is a revised policy based on the previously approved Corporate and Anti-Fraud and Corruption Strategy, by Members.

8. COUNCIL OBJECTIVES

8.1 Improvement.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

n/a – this is an updated policy specific to the Council in relation to putting in place an effective strategy for tackling fraudulent and corrupt acts against the authority.

10. CUSTOMER IMPLICATIONS

10.1 This Policy will be posted on the internet for public consumption. Staff will have access via the ORB intranet.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None – this policy sets out the framework for tackling fraudulent and corrupt acts against the authority.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

None

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

None

14. HUMAN RESOURCES IMPLICATIONS

None

BROMSGROVE DISTRICT COUNCIL

Audit Board

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15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 This Policy assists in the governance of Bromsgrove Council. It is designed to publicly deter, prevent and detect fraud, in addition to providing effective action against fraud and corruption both internally and externally.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

None

17. HEALTH INEQUALITIES IMPLICATIONS

None

18. LESSONS LEARNT

18.1 The amendments of this Policy show that an annual review is necessary to ensure that the Policy reflects current procedures, and structures.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

None – this Policy reflects the Council’s commitment to the prevention, detection and investigation of fraud against the Council.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No

BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards

22. APPENDICES

Appendix 1 Corporate Anti Fraud & Corruption Strategy

23. BACKGROUND PAPERS

None

24. KEY

N/A

AUTHOR OF REPORT

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Bromsgrove
District Council

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Corporate Anti Fraud & Corruption Strategy



Anti Fraud & Corruption Strategy Contents

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3	Fraud Risks	9
4	Anti-Fraud and Corruption Policy	13
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1. INTRODUCTION

Bromsgrove District Council is committed to protecting public funds against fraud and corruption. The Authority's Financial Regulations detail the Council's responsibility with regard to identifying and dealing with fraud and corruption. Financial Regulations also state that the Council should maintain an effective anti fraud and corruption culture and that all members and staff act with integrity and lead by example.

The Council's policy on fraud and corruption is detailed in the "Anti-Fraud and Corruption Policy Statement" in Section 3. The policy and strategy are designed to deter, prevent and detect fraud and to provide effective action against fraud and corruption both internally and externally.

Our policy for dealing with fraud applies to employees, members, contractors, consultants, suppliers, service users and members of the public who have dealings with the Council.

The Council has also adopted a "Fraud Strategy" that details the Council's approach to investigating Housing, Council Tax and Social Security Benefit fraud.

The Council's Expectations: Members and staff

In all its dealings, the Authority will adhere to the principles of public life set out in the Nolan Committee's report on *Standards in Public Life*.

- **Selflessness**
Holders of public office should take decisions solely in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their families or their friends.
- **Integrity**
Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might influence them in the performance of their official duties.
- **Objectivity**
In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- **Accountability**
Holders of public office area accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- **Openness**
Holders of public office should be as open as possible about all the decisions and actions they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Openness requires an inclusive approach, an outward focus and a commitment to partnership working.

- **Honesty**

Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.

- **Respect for Others**

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

- **Duty to Uphold the Law**

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

- **Leadership**

Holders of public office should promote and support these principles by leadership and example.

The Corporate Framework

The Council takes ultimate responsibility for the protection of its finances and those that are administered on behalf of the Government. The Council recognises that fraud and corruption are costly in terms of reputational risk and financial loss. The Corporate Framework which underpins the Council has a number of components that exist to protect the Council against fraud and corruption. These include:

- **Members Code of Conduct**

This contains guidance on pecuniary and non-pecuniary interests, confidentiality, access to documents and meetings, relationships between members and officers, gifts and hospitality, Contract Procedure Rules and Financial Regulations and Standards, and the Constitution. Also included is the code of practice for dealing with contraventions of Section 114 of the Local Government Act 1988 ('financial irregularities').

- **Code of conduct for Council Employees**

This covers general standards; financial and non-financial interests; relationships with colleagues, managers, councillors, contractors, the press and the public; health and safety; care of money and property; political neutrality and political restrictions; and responsibilities of Directors and Chief Officers.

- **Register of Interests, Gifts and Hospitality**

Gifts and Hospitality, for all staff, is covered in the Gifts and Hospitality Policy which gives clear advice when dealing with any situations concerning these elements. Currently there is only a Register of Interests for Members, Co-

opted Members and Parish Councillors. This Register is held within the Legal, Equalities and Democratic Services department.

- **The Council Constitution, financial regulations and standards**

The Council Constitution sets out how the Council will manage its affairs. Financial Regulations provide the framework within which the Council manages its finances and safeguards its assets. They are issued by the Council and are binding on all employees. Financial Standards are part of Financial Regulations, and define the minimum standards required to provide effective and efficient financial arrangements.

- **Internal Audit & Controls**

These are undertaken by the Authority's internal audit (IA) department in accordance with the requirements of the Accounts and Audit Regulations 1996 and associated professional guidelines. Reviews of control systems are conducted across all departments of the Council and coverage is determined using an objective risk based process. The reviews provide assurance on the effectiveness of internal controls, and alert managers to system weaknesses in order that corrective action can be taken to minimise risk. Ongoing advice on risk management and control improvement is also provided. An annual report on coverage and key findings is submitted to the Audit Board. See Appendix 1 for the role and responsibility split between IA and CAFT.

- **External Audits**

External Audits are currently undertaken by the Audit Commission in accordance with the provisions of the Audit Commission Act 1998, the Accounts and Audit Regulations of 1996, and the accompanying Code of Audit Practice. The external auditor undertakes a planned programme of work across the Authority, including an annual review of the Authority's arrangements for preventing and detecting fraud and corruption.

- **Contract Procedure Rules**

These promote good purchasing and public accountability and deter fraud and corruption. It also covers basic principles, officer responsibilities, competition requirements for purchase, disposal and partnership arrangements and waivers on contract procedure rules. Further detailed advice can be sought from the Procurement Officer.

- **Whistle-Blowing (or Confidential Reporting)**

The Authority has a Confidential Reporting Code, enabling staff to report concerns about a officers, or a Councillor, without the fear of resultant victimisation, whilst protecting officers and members from un-informed or vexatious allegations. Whistleblowers are protected by the Public Interest Disclosure Act 1998. Details of this policy can be found on the intranet.

- **Participation in the National Fraud Initiative (NFI)**

As part of the annual external audit process, the Audit Commission requires the authority to participate in the National Fraud Initiative (NFI). The Authority provides data from its computer systems, which is matched with that of other authorities and agencies, to identify possible fraud. Details of matches are

returned to the Authority where further internal investigations are undertaken to identify and pursue cases of fraud and irregularity.

- **The Corporate Anti-Fraud Team (CAFT)**
CAFT was launched from 1 May 2009 and will investigate allegations of fraud and corruption involving the authority, its customers, suppliers, members, contractors, consultants and service end users. The work will be closely co-ordinated with IA so that the framework in place to deal with fraud is robust and thorough.
- **The Regulation of Investigatory Powers Act 2000 (RIPA)**
The Council has clear policies surrounding the conduct of surveillance and accessing communications data. It provides clear direction in terms of roles, responsibilities and legal obligations when considering this action. Further advice can be gained from the Legal team or from CAFT.
- **Prosecution Policy**
CAFT is responsible for drafting the Housing and Council Tax Benefit Prosecution Policy and for the Corporate Policy on matters of fraud and corruption. Advice should be sought from CAFT regarding these policies.
- **Effective recruitment, selection and disciplinary procedures**
The Recruitment, Selection and Employment Policy plus the Council's disciplinary procedures can be found on the intranet.

The Council believes that countering fraud and corruption is the responsibility of everyone in the organisation and not just those involved in Internal Audit, or in the Corporate Anti-Fraud Team. Fraud prevention and detection is an integral part of delivering services and fraud threats need to be considered alongside other service factors.

The Council's Expectations: Third Parties

The Council also expects that any individuals or organisations with whom the Council deals in any capacity will behave towards the Council with integrity and without intent or actions involving fraud or corruption.

The Council expects the highest standards of probity in all its activities and has in place a framework of systems and procedures to assist in the fight against fraud and corruption.

The Council's Expectations: Summary

In summary, this document sets out the Council's clear commitment to fight fraud and corruption and also its arrangements for the prevention, detection, deterrence and investigation of such activities.

Investigations will not discriminate or condone unacceptable behaviour, in relation to race, colour, nationality, national or ethnic origin, sexual orientation, gender, gender re-assignment, religion, age, disability, income group, marital status or geographical location.

2. DEFINITIONS OF FRAUD, THEFT AND CORRUPTION

Fraud

Fraud includes deception, bribery, forgery, extortion, corruption, theft, conspiracy, embezzlement, misappropriation, false representation, concealment and collusion.

"Fraud can be defined as those intentional distortions of financial statements or other records which are carried out to conceal the misappropriation of assets or otherwise for gain." (CIPFA)

"Fraud involves the use of deception to obtain an unjust or illegal financial advantage." (Auditing Practices Board)

Fraud can also be defined as "A deliberate deception perpetrated for unlawful or unfair gain"

Corruption

A Member or employee is generally held to act corruptly when putting personal gain before public or corporate interests.

Corruption may be defined as a payment, favour or gift given to an officer or member of the Council as a reward, or as an incentive to that person for actions contrary to the proper conduct of their duties.

Theft

The "Theft Act 1978" defines theft as:

- a) Obtaining services by deception - "A person who by any deception dishonestly obtains services from another shall be guilty of an offence".
- b) Evasion of liability by deception – "Where a person by any deception:
 - Dishonestly secures the remission of the whole or part of any existing liability to make a payment, whether his own liability or another's; or
 - With intent to make permanent default in whole or in part on any existing liability to make a payment, or with intent to let another do so, dishonestly induces the creditor or any person claiming payment on behalf of the creditor to wait for payment (whether or not the due date for payment is deferred) or to forgo payment; or
 - Dishonestly obtains any exemption from or abatement of liability to make a payment".
- c) Making off without payment – "A person who, knowing that payment on the spot for any goods supplied or service done is required or expected from him, dishonestly makes off without having paid as required or expected and with intent to avoid payment of the amount due shall be guilty of an offence".

Fraud

The "Fraud Act 2006" repeals part of the Theft Act of 1968 and 1978, which came into force on the 15th January 2007. As of this date, the following sections of the Theft Acts no longer apply:

Theft Act 1968

- Section 15 (obtaining property by deception);
- Section 15A (obtaining a money transfer by deception);
- Section 16 (obtaining a pecuniary advantage by deception);
- Section 20 (2) (procuring the execution of a valuable security by deception);
- Reference to "cheat" in Section 25 (going equipped).

Theft Act 1978

- Section 1 (obtaining services by deception);
- Section 2 (evasion of liability by deception).

The Fraud Act 2006 replaces all deception offences in the Theft Acts and replaces with one single offence that can be committed in three different ways:

- false representation (section 2)
- failing to disclose information where there is a legal duty to do so (section 3);
- abuse of position (section 4).

The old Theft Acts offences will continue to apply for any offences **partly committed** before **15 January 2007**.

3. THE FRAUD RISKS

The Council is responsible for administering public finances including direct income and expenditure and those activities that we administer on behalf of Central Government. Those seeking to defraud the Council may target these sources of income and expenditure and valuable assets.

The Council will be watchful in all these areas and will be proactive in prevention, detection, investigation and providing solutions. The Council will not be afraid to meet a difficult challenge head on and confront uncomfortable situations where it is felt appropriate.

Members

Members are expected to act in a manner which sets an example to the community whom they represent and to the staff of the council who deliver the services.

Members will comply with the Members Code of Conduct. This contains guidance on pecuniary and non-pecuniary interests, confidentiality, access to documents and meetings, relationships between members and officers, gifts and hospitality, Contract Procedure Rules, Financial Regulations and Standards, and the Constitution. Also included is the code of practice for dealing with contraventions of Section 114 of the Local Government Act 1988 ('financial irregularities').

After approving this policy, Members will be expected to play an important role through leading by example and supporting it.

Allegations about Members that are received by either IA or CAFT will be referred to the Monitoring Officer immediately. The Monitoring Officer may use the services of CAFT for the purposes of any investigations.

Employees

Our employees are the first line of defence against fraud and corruption. They are expected to conduct themselves in ways which are beyond reproach, above suspicion and fully accountable. It is the responsibility of directors and managers to be aware of the appropriate financial and other anti-fraud regulations and to be responsible for ensuring compliance to them by the staff for which they are responsible.

We acknowledge that our systems are vulnerable from attack from within the authority, particularly by that intent on gaining knowledge of control weaknesses through their official position. Prevention is far better than cure and managers must establish and maintain systems of internal control ensuring that the Council's resources are properly applied on the activities intended. This includes the responsibility for the prevention and detection of fraud, corruption and financial malpractice.

IA will ensure that sound and effective audit is undertaken of the Council systems and processes. The CAFT will provide the Council's Investigation Service. The two branches of the operation will work closely in a seamless manner to assist

management to implement appropriate controls and provide solutions to control failures.

Advice and assistance will be provided by IA and CAFT to Human Resources relating to the recruitment process, staff conduct and the disciplinary process. The Council's Recruitment and Selection Procedure ensures that staff are appointed on merit and provides controls to eliminate the appointment of unsuitable persons:

Applicants are required to complete an application form and declare any criminal convictions that are not spent. Where appropriate, applicants are also required to declare all past offences or pending prosecutions and may also be subject to a police check.

Applicants are only required to produce documentary evidence of qualifications they claim to hold, if specific qualifications are a requirement of the job. If doubt arises as to the authenticity of a qualification, this will be verified with the examination board /professional body. The CAFT can provide assistance in this area.

Written references are requested for all successful applicants, one of which must be obtained from the most recent/relevant employer. If doubt arises as to the authenticity of references then further checks should be carried out to confirm. The CAFT can provide assistance in this area.

Applicants who are offered appointments are required to provide proof of eligibility to work in the UK prior to commencing employment, both at interview and at the initial corporate induction. Any suspicions concerning documentation confirming eligibility to work in the UK or identity documentation should be referred to the CAFT for further enquiries to be made.

The Council actively encourages employees to whistle-blow on colleagues who are suspected of committing fraud. The Confidential Reporting Code provides further details on how employees can utilise the protection offered by the Public Interest Disclosure Act 1998. All employees, the public and members are encouraged to contact IA or the CAFT with any suspicion of fraud, corruption, financial malpractice or the abuse of official position.

CAFT will utilise all methods to detect fraud. This includes data-matching, open source research, surveillance and intelligence led investigations.

CAFT is charged with the responsibility of working in partnership with IA leading the fight against fraud and corruption. The team reports directly to the Head of Financial Services and is authorised to investigate allegations of fraud and corruption. All personnel employed by or on behalf of the Council have a duty to assist with an investigation. Failure to do so may be considered a breach of trust or failure to comply with financial regulations which could lead to disciplinary action.

Those that commit fraud against the Council will be subject to disciplinary action, or prosecution or civil action or the entire afore-mentioned where deemed appropriate. We will also recommend disciplinary action against those that commit fraud against other Local Authorities, the Department for Works and Pensions or any other agency administering public funds.

Contractors and Suppliers

Those organisations employed to work on behalf of the Council are expected to maintain strong anti-fraud principles. Our contract partners will be expected to have adequate recruitment procedures and controls when they are administering finance on behalf of the Council.

We expect our partners to have controls in place to minimise fraud and to provide access to their financial records as they relate to our finances, and their staff will be required to assist fully in any investigation.

We will seek the strongest available sanctions against contractors that commit fraud against the Council or who commit fraud against public funds. We will request that the organisation takes necessary action against the individual and we will require them to be removed from the Bromsgrove account.

The Public and External Organisations

Members of the public receive financial assistance and benefits from the Council through a variety of sources. These include Temporary Accommodation, Renovation and other housing related grants, Housing and Council Tax Benefit, Council Tax discounts, Right to Buy discounts, and Parking concessions. At some time or another, these areas have been subject to attack by those intent on committing fraud which means that there is less money available for those in genuine need.

Historically, Housing Benefit has received significant attention from Investigation personnel due to the sheer scale of the financial support the scheme receives from Central government. Projects such as the National Fraud Initiative, the Housing Benefit Matching Service and Partnership working with agencies like the DWP, HMRC and the Pensions Service have strengthened the good work already being done.

Nevertheless it is recognised that the above mentioned areas require the same focus but will perhaps not receive the same volume of cases in terms of investigations as Housing Benefit. The same principles of investigations will apply across the board where fraud and corruption is alleged.

All applications for financial or other assistance will be verified to the highest standard and all data available to the Council will be used to corroborate information provided by applicants for the purposes of preventing and detecting fraud. All staff involved in assessing applications will be provided ongoing fraud awareness training.

Fraud trends will be analysed to identify high risk areas and this will be supported by pro-active fraud drives based upon that analysis.

Information exchange will be conducted where allegations are received within the framework of the Data Protection Act 1998 for the purposes of preventing and detecting crime.

The Council will make full use of its statutory powers including the power to enter business premises and obtain information regarding benefit customers and the

authority to seek information from financial institutions and utilities companies in respect of benefit claims.

We will apply appropriate sanctions in all cases where it is felt that fraud or attempted fraud has been perpetrated against the authority. These will range from official warnings to crown court prosecution. We will also seek to recover any monies obtained fraudulently, including freezing assets, confiscation orders, civil recovery and general debt recovery.

We will use the Council's Legal Services Department, the Department for Work and Pensions Solicitors Branch and the Crown Prosecution Service to bring offenders to justice. Prosecutions will not be limited to Housing and Council Tax Benefit fraud cases but will include any area within the Council where there is evidence to indicate a fraud related offence has been committed. As a deterrent, we will publicise our successful sanctions through the Council's Communications Department and in the local press where the law allows us to do so.

Any suspicion of fraud and corruption should be referred to CAFT using the appropriate referral form found on the Councils' website (www.bromsgrove.gov.uk), or by e-mailing fraud@bromsgrove.gov.uk .

4. ANTI-FRAUD AND CORRUPTION POLICY

Statement of Intent

Bromsgrove District Council is committed to sound corporate governance and protecting the public funds that it administers.

The Council's policy on fraud is to:

- Prevent and deter it in the first instance.
- Detect it quickly.
- Investigate it efficiently.

The Council will not tolerate abuse of its services. Where our investigations show that fraud, theft or corruption has taken place, we will take positive and appropriate action against the perpetrators. The form of action taken will depend on the level and circumstances of the fraud discovered.

We will:

- Take disciplinary action against Council employees who have broken our rules and procedures.
- Prosecute offenders.
- Seek recovery of Council assets or funds or compensation if this is appropriate.

All members and officers must help the Council to apply this policy, by working to discourage, prevent and punish fraud and corruption by others.

Reporting of Fraud and Corruption

The Council expects all its Members and employees to report any concerns that they may have in respect of fraud and corruption.

Employees are an important element in the stand against fraud and corruption and are positively encouraged to raise any concerns, which might impact on Council activities. The methods by which concerns should be raised are contained in Appendix A.

Employees who raise genuine concerns about fraud or corruption in the Council are fully protected by the "Public Interest Disclosure Act 1998". The procedure for raising concerns is detailed in the Council's "Confidential Reporting Code".

Members of the public are also encouraged to report concerns about fraud and corruption.

Responsibilities for the Investigation of Fraud and Corruption

The responsibility for the investigation of fraud and corruption perpetrated against the Council rests with the Corporate Anti-Fraud Team. In some cases, Police or external agencies may also be involved.

5. STRATEGY FOR DEALING WITH FRAUD, THEFT AND CORRUPTION

Introduction

The Council recognises that it is impossible to prevent all theft, fraud and corruption. The Council's objective is to operate in ways that make theft, fraud and corruption difficult to commit, likely to be detected and then certain to be punished.

The Council's strategy covers the prevention, deterrence, detection and investigation of fraud and corruption.

Responsibilities

Each Member and employee is responsible for his or her own conduct, and for playing a part in the safeguarding of corporate standards.

This means that:

- Their own behaviour should be above reproach.
- They have a duty to report to an appropriate officer instances where they are aware of, or suspect that others may be behaving improperly or have reason to believe that the Council's systems may be unsound.

Elected members are required to operate within Sections 94 – 97 of the Local Government Act, 1972.

In addition, some officers have specific roles in particular areas as follows:

Section 151 Officer

The Council has a statutory responsibility, under Section 151 of the Local Government Act, 1972, to ensure the proper administration of its financial affairs and also to nominate one of its officers to take responsibility for those affairs. The Council's nominated officer is the Executive Director for Finance and Corporate Resources.

The Section 151 Officer is responsible under Financial Regulations for:

- the development and maintenance of an anti-fraud and anti-corruption strategy.
- effective systems of internal control, which will ensure that public funds are properly safeguarded and used economically, efficiently and in accordance with the statutory and other authorities that govern their use.

Monitoring Officer

The Council's Monitoring Officer (Head of Legal, Equality and Democratic Services) is responsible under Section 5 of the Local Government and Housing Act, 1989, to guard against, inter alia, illegality, impropriety and maladministration in the Council's affairs.

Preventative Measures

The Council will take all reasonable steps to ensure that theft, fraud and corruption are difficult to perpetrate. The Council operates within a framework of:

- A Constitution.
- Members Code of Conduct.
- Officer Code of Conduct.
- Financial Standards and Regulations.
- Proper Systems and Controls.
- Corporate Anti-Fraud Team
- Internal Audit Section.
- External Audit.

These are designed to prevent fraud and corruption and to enhance accountability to the public.

Constitution

The Council's Constitution regulates the behaviour of individuals and groups through codes of conduct, protocols, roles and responsibilities.

Member Code of Conduct

Members are required to observe the Members Code of Conduct when acting as a representative or conducting the business of the Council.

Members are required to register financial interests in the Authority's register by providing written notification to the Monitoring Officer (Head of Legal, Equality and Democratic Services).

The Member Code of Conduct incorporates general principles governing the official conduct of members and co-opted members.

Officer Code of Conduct

The Officer Code of Conduct sets out the standards which employees are expected to meet in conducting Council business. Staff who fail to live up to the standards are liable to disciplinary action.

In accordance with Section 117 of the Local Government Act, 1972, employees must disclose any personal interest in contracts that have been, or are proposed to be, entered into by the Council.

Section 117 also prohibits the acceptance of fees, gifts or rewards other than by way of proper remuneration from the Council. The Officer Code of Conduct (Section 14) provides detailed guidance to employees on offers of gifts or hospitality and the use of public funds entrusted to them.

Financial Standards and Regulations

Financial Standing Orders, Financial Regulations and Contract Procedure Rules set out the financial policies of the Council and provide the framework for managing the Council's affairs. They apply to every member and officer of the Council and anyone acting on its behalf.

Proper Systems and Controls

Management bears the main responsibility for ensuring that reasonable measures are in place to prevent fraud and corruption and the Council has proper systems and internal controls to ensure that public funds are properly safeguarded and used.

Internal Audit

The Council maintains an adequate and effective system of internal audit of its accounting records and control systems as required by the Accounts and Audit Regulations, 2006. The Internal Audit Section plays a proactive role in ensuring that systems and procedures are in place to prevent and deter fraud.

The Internal Audit Section carries out systems based reviews of all areas of Council activity and provides advice and assistance to management on procedures and controls.

The Internal Audit Section also identifies operational risks, and the relevant controls to mitigate them, in conjunction with Service Managers.

Corporate Anti-Fraud Team

Under Section 151 of the Local Government Act 1972, the Council needs to ensure that reasonable provision is made for the prevention and detection of fraud, including benefit fraud.

The Council administers Housing and Council Tax Benefits on behalf of the Department for Work and Pensions. Corporate Investigation Officers will investigate cases involving various combinations of Housing Benefit, Council Tax benefit and Social Security Benefits. The officers work within the following legislation:

- Police and Criminal Evidence Act 1984
- Data Protection 1998
- Social Security Legislation
- Regulations of Investigatory Powers Act 2000
- Fraud Act 2006
- Departmental Lone Working Policy
- Fraud Strategy
- National guidelines on Social Security and Criminal Investigations.

The Corporate Anti-Fraud Team (CAFT) will also undertake investigations into all allegations of fraud, bribery and corruption, theft, deception, false accounting and

collusion affecting the authority, involving customers, service end users, suppliers, contractors, employees, members and other stakeholders.

Each referral will be risk-scored, and investigated appropriately. System weakness or system error cases will be investigated by the Internal Audit Section, whilst those cases that could involve high level disciplinary or criminal charges to be brought, will be investigated by CAFT.

Verification Framework

In September 2002 the Government introduced the Verification Framework, which is a “Good Practice Guide” developed by the Department for Work and Pensions and is applied to all benefit claims. The guidance is designed to:

- Detect and prevent fraudulent benefit claims.
- Set a minimum standard of evidence needed for a benefit claim to be assessed.
- Encourage accuracy in calculating benefit claims from the start of a claim.

Evidence in support of claims can be received in a number of ways, from a number of sources (e.g. Department for Work and Pensions, Pension Service, Benefit customer) via:

- post/written documentation
- verbal information
- electronic information

External Audit

The external auditor has a responsibility to review the Council’s arrangements in respect of preventing and detecting frauds and irregularities, and arrangements designed to limit the opportunity for corrupt practices.

Whilst it is not the external auditor’s responsibility to prevent fraud and irregularities, they are always alert to the possibility of fraud and corruption and will take action if grounds for suspicion are identified.

Deterrence and Detective Measures

Management Checks

It is important that managers at all levels within the Council are alert to potential problems in their work area and that adequate and effective safeguards are in place to prevent financial irregularities. However, managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach, any irregularity would be picked up promptly, so minimising any loss to the Council.

Whistle-blowing

Employees play a vital role in detecting fraud, theft and corruption. All employees are encouraged to discuss their concerns with line management. The procedure for raising concerns is detailed in the Council's "Confidential Reporting Code".

Prosecution

The Council is determined to deal with fraudsters in the strongest possible terms.

The Council will prosecute offenders, either in conjunction with the Police or independently. This is designed to deter others from committing offences against the Council.

Disciplinary Action

The Council will treat fraud and corruption committed against it by employees as a serious offence. Employees will face disciplinary action where there is evidence that they have been involved in these activities. Disciplinary action may result in dismissal from the Council's service.

Publicity

Press releases and publicity about theft, fraud and corruption may be used to act as a deterrent to potential fraudsters.

Restitution

Where fraud and corruption is proved and the Council has suffered a financial loss, then the Council will seek to recover the full value of any loss from the perpetrators.

Investigation and Reporting

Investigation

The Council will ensure that all investigations carried out into suspected fraud and corruption will comply with legislative requirements.

CAFT are responsible for the investigation of all suspected fraud and corruption, dependent on the level of risk and fraud involved. CAFT will also handle specific Housing, Council Tax and Social Security Benefit fraud cases.

Investigation Reporting and Follow Up

Most instances of fraud and corruption highlight a lack of adequate internal control. It may be that the system was weak or that the controls were bypassed or not in existence.

The Council expects all managers to respond to, and act upon, reports issued following any investigation. Recommendations made in any investigation reports should be implemented to reduce the risk of the event recurring.

Confidential Reporting Code

The Council will deal promptly with suspicions and allegations of theft, fraud or corruption. The Council's "Fraud Response Plan" gives basic guidance to employees and managers of the authority to help them take the right action and contact the right people. It also outlines the way in which fraud and irregularity investigations will be conducted.

The "Fraud Response Plan" is based on guidance issued by the Audit Commission and is attached at Appendix A.

In addition to the "Fraud Response Plan", the:

- Internal Audit Section has also adopted (with CAFT) a Fraud Risk Assessment Policy that enables all allegations and referrals to be risk assessed and prioritised.
- Benefit Investigations have a "Fraud Strategy" that outlines how Housing, Council Tax and Social Security Benefit investigations will be conducted.

External Reporting

The Audit Commission requires the Council to report cases of fraud and corruption on an annual basis as follows:

a) Fraud

- Where there has been intentional distortion of records to conceal the misappropriation of assets or other for gain.
- Individual cases with a value exceeding £1,000.

b) Corrupt Acts

- Where the offering, giving, soliciting or acceptance of inducements may have influenced a person's actions.
- All cases regardless of value.

A "Fraud and Corruption Annual Return" is sent to the Audit Commission via the Authority's external auditors.

Records are kept by CAFT and Internal Audit of all cases referred for investigation, which includes levels of financial (or other) gain.

6. CONCLUSION

Bromsgrove Council has in place a robust network of systems, policies and procedures to assist in the fight against fraud and corruption. It is determined that these arrangements will keep pace with future developments, in both preventative and detection techniques regarding fraudulent and corrupt activity affecting its operation or related responsibilities.

The Corporate Anti-Fraud and Corruption Strategy provides a comprehensive framework for tackling fraudulent and corrupt acts against the authority. The approval of this policy by the Corporate Management Team and Cabinet demonstrates Bromsgrove's commitment to protecting public funds and minimising losses to fraud and corruption. Having made this commitment it is vital that Chief Officers put in place arrangements for disseminating the policy and promoting awareness throughout their departments.

FRAUD RESPONSE PLAN

1. Reporting Suspected Fraud, Corruption or Other Malpractice

Employees

Employees are encouraged, and indeed expected, to raise any concerns that they may have about fraud or corruption in the workplace, without fear of recrimination. Such concerns will be treated in the strictest confidence and will be properly investigated. If you suspect a fraud within the workplace, there are a few simple guidelines that should be followed:

DO:

- Make an immediate note of your concerns.
- Convey your suspicions to someone with the appropriate authority and experience (see below).
- Report the matter promptly, if you feel your concerns are warranted.

DO NOT:

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

Report your suspicions to the Corporate Anti-Fraud Team (CAFT). If you think that management is involved, let CAFT know and they will then inform (as appropriate), any/all of the following:

- The Chief Executive.
- Section 151 Officer (Executive Director for Finance and Corporate Resources).
- Monitoring Officer (Head of Legal, Equality and Democratic Services).
- Internal Audit Section.

Elected Members

Elected members should normally report any concerns to any of the following:

- The Chief Executive.
- Section 151 Officer (Executive Director for Finance and Corporate Resources).
- Monitoring Officer (Head of Legal, Equality and Democratic Services).
- Corporate Anti-Fraud Team (CAFT)
- Internal Audit Section.

The Public

The General Public are also encouraged to report any concerns to the Council. An online web-referral has been made available to both staff and the public to report any fraudulent activity that affects the Council.

Where an Elected Member has been reported to be involved in any fraud or corruption, the Chief Executive will be informed.

In the event that any person feels unable to raise their concerns with the Council, either in person or via the web-referral form, they may wish to report those concerns to the Council's external auditor.

2. Action Following Allegations of Theft, Fraud or Corruption

Managers

There are some commonsense guidelines that managers should apply in all cases where fraud or corruption is suspected in the workplace and you have been informed of potential fraud or corruption.

DO:

- Be responsive to staff concerns.
- Note details.
- Report the matter to CAFT if you feel your concerns are warranted.

DO NOT:

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

Fraud and Corruption

Any manager who has received information about any suspected fraud or corruption must report it immediately to CAFT.

Theft

In the case of theft, the manager should contact the Chief Executive. A decision will then be made on the most effective action to take and whether the Police should be contacted, if sufficient evidence exists to indicate that a theft has occurred. The Council's insurance officer should also be notified.

3. Investigating and Acting Upon Suspected Theft, Fraud or Corruption

Investigation

Any information concerning suspected fraud or corruption involving an elected member will normally be referred to the external auditor and / or the Police. However CAFT may be involved in the investigation, either to assist or to undertake specific tasks as requested.

CAFT, in conjunction with the Internal Audit Section, will investigate all other potential or alleged cases of fraud, corruption or breach of "Financial Standards and Regulations".

Managers will co-operate fully with the CAFT or Internal Audit and/or the Police during any investigation.

Interviews

Interviews will only be conducted by the Police or by Investigation Officers who have received appropriate training and have a full understanding of the correct procedures to be followed. Formal interviews may be conducted in accordance with the Police and Criminal Evidence Act (1984).

Evidence

Evidence of fraud or corruption must be gathered objectively, systematically, and in a well-documented manner.

Criminal Proceedings

Senior Management will deal swiftly fairly and firmly with those who offend against the Council.

The Monitoring Officer (Head of Legal, Equality and Democratic Services) will be consulted when referring a case for prosecution (whether dealt with in-house or by the Police) where there appears to be sufficient evidence for criminal proceedings.

Disciplinary Action

Senior managers will implement the Council's disciplinary procedure where appropriate, taking into account all the information available from an investigation.

4. Reporting and Follow Up of Fraud and Corruption

Investigation Reporting

Following all investigations, a report will be prepared and distributed to the appropriate personnel, including (where appropriate):

- The Chief Executive.
- Executive Director.
- Corporate Director.
- Monitoring Officer (Head of Legal, Equality and Democratic Services).
- Service Manager.

Report Recommendations

All investigation reports will make appropriate recommendations to improve internal control, if weaknesses in systems have presented the opportunity to perpetrate a corrupt or fraudulent act.

Managers will take prompt action to implement any recommendations made by the report.

Reporting to External Audit

The Council will inform their external auditors of cases of theft, fraud or corruption in the following circumstances, where the:

- value is significant (in excess of £1,000).
- the case may be relevant to other organisations.
- the case is politically sensitive.
- the fraud may be material to the authority's accounts.
- wider powers of interview from the external auditor can assist the investigation.

Key Roles and Responsibilities

Audit and Risk Function	Corporate Anti-Fraud Team Function
Audits of the Council's overall anti-fraud function	Drafting/Updating of Anti-Fraud and Corruption Strategy including financial irregularities, fraud investigation guidelines
Audits of the Council's investigation arrangements (CAFT)	National Anti-Fraud Network liaison, fraud/scam alerts, police liaison/protocols, bulletins, newsletters
Systems based anti-fraud reviews in high risk areas	National Fraud Initiative investigations and co-ordination
Investigation of irregularities which appear to stem from errors or system weaknesses	Investigation of irregularities which appear to stem from fraud, theft, deception, bribery and corruption or collusion. To include internal and external cases and any surveillance/RIPA activities.
Systems advice on fraud prevention and detection	Advice and guidance on fraud investigation, fraud awareness raising activities including e-learning, group learning and new employee inductions
Reporting to the Audit Board on irregularities arising from system weaknesses	Reporting to the Head of Resources on activities and areas of concern. Trend analysis. Working with IA with a view to concerns being raised with the Audit Board
Assisting external audit in their annual review of anti-fraud arrangements	Assisting external audit in their review of anti-fraud arrangements
To work with other departments, e.g. HR on internal enquiries where irregularities found and minor disciplinary action is appropriate.	To work with other departments, e.g. HR, on internal enquiries where more serious disciplinary charges or criminal charges could be brought against individual(s)

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BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

Whistle-blowing – Confidential Reporting Code

Relevant Portfolio Holder	Cllr Geoff Denaro
Relevant Head of Service	Head of Resources – Teresa Kristunas
Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 The Confidential Reporting Code (Whistleblowing) has been revised as part of the annual review of the Policy. The Policy has been updated to:
- Include changes to job titles as a result of the recent management re-structure

2. RECOMMENDATIONS

- 2.1 **That the Confidential Reporting Code (Whistleblowing) attached at Appendix 1 be approved.**

3. BACKGROUND

- 3.1 The Confidential Reporting Code (Whistleblowing) has been updated to reflect changes as a result of the recent management re-structure. The Policy provides a commitment to fighting fraud and corruption that affects the Council. It also provides arrangements for the reporting of fraud.

4. KEY ISSUES

- 4.1 The Policy has been updated as shown above. No other changes were necessary.

This Policy is reviewed on an annual basis, in order to ensure that it is as up-to-date as possible. It is a public policy, for the information of all of our residents.

5. FINANCIAL IMPLICATIONS

None

6. LEGAL IMPLICATIONS

- 6.1 None.

7. POLICY IMPLICATIONS

- 7.1 This is a revised policy based on the previously approved Confidential Reporting Code (Whistleblowing), by Members.

8. COUNCIL OBJECTIVES

- 8.1 Improvement.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

n/a – this is an updated policy specific to the Council in relation to putting in place an effective strategy for tackling fraudulent and corrupt acts against the authority.

10. CUSTOMER IMPLICATIONS

- 10.1 This Policy will be posted on the internet for public consumption. Staff will have access via the ORB intranet.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

- 11.1 None – this policy sets out the framework for tackling fraudulent and corrupt acts against the authority.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

None

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

None

14. HUMAN RESOURCES IMPLICATIONS

None

BROMSGROVE DISTRICT COUNCIL

Audit Board

27TH SEPTEMBER 2010

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 This Policy assists in the governance of Bromsgrove Council. It is designed to publicly raise awareness of how to report fraud affecting the Council, both internally and externally.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

None

17. HEALTH INEQUALITIES IMPLICATIONS

None

18. LESSONS LEARNT

18.1 The amendments of this Policy show that an annual review is necessary to ensure that the Policy reflects current procedures, and structures.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

None – this Policy reflects the Council’s commitment to the prevention, detection and investigation of fraud against the Council.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	No
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No

BROMSGROVE DISTRICT COUNCIL

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Head of Service	Yes
Head of Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards

22. APPENDICES

Appendix 1 Confidential Reporting Code (Whistleblowing)

23. BACKGROUND PAPERS

None

24. KEY

N/A

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Bromsgrove
District Council

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Confidential Reporting Code (Whistleblowing)



Confidential Reporting Code

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Introduction

This Policy relates to 'Whistleblowing', which is a popular term used when someone who works in or for an organisation raises concern over a possible fraud, crime, danger or other serious risk that could threaten customers, colleagues, the public or the organisations own reputation.

Whistleblowing can alert employers to:

- a danger in the workplace
- fraud in, on or by the organisation
- offering, selling or taking of bribes
- misreporting performance data

By taking such reports seriously, Bromsgrove District Council will be able to:

- deter wrongdoing
- pick up potential problems early
- address the issue
- demonstrate that it is accountable and well managed
- create a culture of openness and honesty
- minimise costs and compensation from accidents, investigations and inspections
- maintain and build on its reputation

This Code of Confidentiality applies to all staff working for the Council, full and part time, temporary and casual and it also covers agency and contractor staff. Reference to workers within this Code covers all of these categories.

Although not covered by the Public Interest Disclosure Act 1998, Members are also encouraged to use this Code to raise concerns to ensure a consistent protocol is applied.

Workers are often the first to realise that there may be something wrong within the Council. However, they may not express their concerns or make allegations because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.

The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect workers and others that we deal with, who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.

This Code makes it clear that workers can do so without fear of victimisation, subsequent discrimination or disadvantage. This Code is intended to encourage and enable workers to raise concerns or make allegations within the Council rather than overlooking a problem or 'blowing the whistle' outside. Anyone responsible for victimising a worker who uses this Code will be subject to disciplinary action.

This Code, when applicable, also applies to suppliers and those providing services under a contract with the Council.

This Code is in addition to the Council's Code of Conduct, Local Disciplinary Procedure, Grievance Procedure, Harassment Policy, Complaints Process and other policies and procedures.

This Code has previously been discussed with the relevant trade unions and has their support.

Aims and Scope of the Code

This Code aims to:

- encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice;
- provide avenues for you to raise those concerns or make allegations and receive feedback on any action taken;
- ensure that you receive a response to your concerns or allegations and that you are aware of how to pursue them if you are not satisfied;
- reassure you that you will be protected from possible reprisals or victimisation if you have a reasonable belief that you have made any disclosure in good faith.

This Code is not intended to cover concerns that can be progressed under existing Human Resource procedures. There are existing procedures in place for workers to legitimately complain about harassment, violence and aggression, discrimination and instances where they feel they have a grievance. The Confidential Reporting Code is intended to cover concerns or allegations that fall outside the scope of other procedures. These concerns or allegations include:

- conduct which is an offence or a breach of law;
- disclosures related to miscarriages of justice;
- health and safety risks, including risks to the public as well as other workers;
- damage to the working environment;
- the unauthorised use of public funds;
- misappropriation of money, materials and equipment, or other irregularities;
- possible fraud and corruption;
- sexual or physical abuse of clients; or
- other unethical conduct.

The above does not represent an exhaustive list of areas covered by this Code.

Any serious concern that you have about any aspect of service provision or the conduct of officers or Members of the Council or others acting on behalf of the Council can be reported, together with any allegations that you may wish to make, under the Code. This may be about something that:

- makes you feel uncomfortable in terms of known standards, your experience, or the standards that you believe the Council subscribes to;
- is against the Council's Financial Standing Orders, Financial Regulations, Contracts Procedure Rules or general procurement procedures;

- falls below established standards of practice; or
- amounts to improper conduct.

This Code does not replace the Corporate Complaints Procedure.

The Public Interest Disclosure Act 1998

The Public Interest Disclosure Act 1998, called the “Whistleblowers Act” provides protection for workers who disclose information that might otherwise be regarded as confidential. The Act provides that employers should not victimise any worker who blows the whistle in one of the ways set out in the legislation.

The Act makes it clear that where the nature of such a disclosure falls into one of six categories detailed below and the manner of the disclosure is one permitted by the Act; workers will have protection in law from detrimental action by the employer. The six categories are:

1. a criminal offence has been, is being, or is about to be committed;
2. the employer is failing to comply with legal obligations;
3. a miscarriage of justice has happened or is likely to happen;
4. an individual’s health and safety is being jeopardised;
5. the environment is, or is likely to be damaged; or
6. information falling into one of the above categories which has been, is being or is likely to be, deliberately concealed.

A worker does not have to show that, for example, a criminal offence has been committed. He or she has to have a reasonable belief that this is the case. It will be for an employment tribunal to decide whether or not such a belief was reasonable.

The Act gives protection to workers who make disclosures to specified persons in various circumstances. Protection applies where a disclosure is made:

- to the employer or to another responsible person provided the worker acts in good faith;
- in the course of obtaining legal advice; or
- to a person or body prescribed by the Secretary of State, provided the worker acts in good faith and reasonably believes the information falls within the potentially protected categories and is substantially true.

The Act also gives protection to workers who make “external” disclosures to persons other than listed above. Workers however will only be protected under this general category if they have previously disclosed the matter to the employer or a prescribed body or have not done so because they reasonably believe they would have been victimised or evidence would have been concealed or destroyed. They must also:

- make the disclosure in good faith;
- reasonably believe that the information, and any associated allegation, are substantially true;
- not act for personal gain; and
- act reasonably.

In deciding whether a worker has acted reasonably, all the circumstances will be taken into account but in particular:

- the identity of the person to whom the disclosure is made;
- the seriousness of the relevant offence;
- whether the offence is continuing or is likely to occur in the future;
- whether the disclosure is made in breach of a duty of confidentiality owed by the employer to any other person;
- any action the employer or prescribed person might reasonably be expected to take as a result of a previous disclosure; and
- whether in making the disclosure to the employer the worker complied with any procedure approved by the employer.

In disclosing “exceptionally serious” breaches, i.e. where the subject of the disclosure is sufficiently serious to disclose it to persons other than detailed in paragraph 3.3, the worker will be protected as long as:

- the disclosure is made in good faith;
- the worker believes that the information disclosed and any associated allegation are substantially true;
- the disclosure is not made for personal gain;
- the matter disclosed is of an exceptionally serious nature; and
- in all the circumstances it is reasonable for the worker to make the disclosure.

Safeguards

a) Harassment or Victimisation of Workers

The Council is committed to good practice and high standards and wants to be supportive of workers.

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate any harassment or victimisation (including informal pressures), and will take appropriate action, including the application of the Disciplinary Procedure, to protect a worker who raises a concern or makes an allegation in good faith.

In accordance with the Public Interest Disclosure Act 1998 a worker cannot be dismissed or selected for redundancy as a result of making a disclosure. In addition an employer cannot withhold a pay rise, object to a promotion or not give training.

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

b) Confidentiality

All concerns will be treated in confidence and every effort will be made not to reveal your identity if you so wish.

At appropriate times, however, you may need to come forward as a witness. If whistleblowers are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for them to receive advice and support.

c) Anonymous Allegations

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

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

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

d) Rights and Responsibilities of Workers

All workers are required to report any issue of concern regarding the provision of services or management of those services. In the majority of cases, this will be done through the usual line management channels.

Workers are expected to report concerns as soon they arise and avoid any unnecessary delay in doing so.

Other than raising concerns in good faith, workers are not required to 'prove' the truth of any allegation. However, a complainant will need to demonstrate that there are reasonable grounds for the concern, and will be expected to co-operate with any investigation that takes place.

When any meeting or interview is arranged, workers may, if they so wish, be accompanied by a trade union official or a workplace colleague.

e) Untrue Allegations

If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. However, if you make malicious or vexatious allegations, disciplinary action may be taken against you.

How to Raise a Concern

As a first step, you should normally raise concerns with your immediate line manager or their superior. This depends, however, on the seriousness and sensitivity of the issues involved and who is thought to be involved in the malpractice. If you have any concerns about raising the issue with your line manager then you should initially approach:

- The Corporate Anti Fraud Team

Alternatively, you can approach:

- The Chief Executive;

- Section 151 Officer (Executive Director of Finance and Resources);
- Monitoring Officer (Head of Legal, Equality and Democratic Services);
- Internal Audit Section;

who will liaise with the Corporate Anti-Fraud Team as necessary.

Where concerns are raised with Line Management, Managers can get help or can refer such concerns to the Corporate Anti-Fraud Team. Managers should:

- listen carefully
- avoid pre-judging
- consider whether it is a Whistleblowing concern
- consider how serious and urgent the risk is
- consider whether it needs referring the Corporate Anti-Fraud Team for further investigation.
- Establish if the employee is anxious about reprisals
- Establish where the concern first arose and, where relevant, what is prompting the decision to speak up now
- Whether the information is first hand or hearsay
- Whether confidentiality is sought
- Is there anything else relevant that the employee should mention?

These issues are guidance and should not be seen as a definitive list. However the Line Manager should not investigate the concern themselves unless it can be treated as information that could improve system weaknesses or practical procedures and can be resolved easily. If this is the case, the employee should be informed.

Where confidentiality has been requested, this should be respected. Where the concern needs to be referred to the Corporate Anti-Fraud Team, this should be done without undue delay. Additionally, the employee should be asked whether he/she wants to be in direct contact with the Corporate Anti-Fraud Team or would rather that communication is done through another designated officer or the internal hotline.

Where specific enquiries need to be made in an area in which the whistleblower works, they should be forewarned so that he/she is prepared to answer questions along with everyone else.

Concerns or allegations may be raised verbally or in writing. Staff who wish to make a written report are invited to use either the form held in the Corporate Anti-Fraud Team area (within Financial Services) on the intranet or using the online referral form on the Bromsgrove District Council website (Fraud area within 'Business' tab) providing:

- the background and history of the concern (giving relevant dates); and
- the reason why you are particularly concerned about the situation.

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

Although you are not expected to prove the truth of your concern or allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern or allegation.

You may invite your trade union representative, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised or allegations that you have made.

Workers can obtain advice and guidance on how matters of concern may be pursued from:

- The Corporate Anti-Fraud Team
- Monitoring Officer (Head of Legal and Democratic Services);
- The Human Resources and Organisational Development section.

The Council has also introduced a telephone line for workers to report concerns. There are two options for workers:

- If you want to remain anonymous when reporting a concern, use the full external number 01527 881221; or
- If you are comfortable with your identify being known, use the short internal number on extension 1221

All calls go direct to the Council's Corporate Anti-Fraud Team for action.

How the Council Will Respond

The action taken by the Council will depend on the nature of the concern. The matters raised may:

- be investigated internally;
- be referred to the Police;
- be referred to the Council's external auditor; or
- form the subject of an independent enquiry.

In order to protect individuals, the Council and those accused of misdeed or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle that the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures will normally be referred for consideration under those procedures.

Some concerns or allegations may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.

Once a concern or allegation has been received, the Council will write to you:

- acknowledging that the concern has been received;
- indicating how it proposes to deal with the matter;
- giving an estimate of how long it will take to provide a final response; and
- inform you whether any initial enquiries have been made and whether or not further investigations will take place.

The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.

Where any meeting is arranged, off-site if you so wish, you can be accompanied by a trade union or professional association representative or a friend.

The Council will take steps to minimise any difficulties that you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive advice about the procedure.

The persons investigating the concerns will produce a written report that:

- outlines the concern / allegation;
- details the investigation process;
- gives the outcome of the investigation; and
- details recommendations where appropriate.

The Council accepts that the worker needs to be assured that the matter has been properly addressed. Thus, subject to legal constraints, they will be informed of the outcome of any investigation.

If the person who expressed the concern is not satisfied with the outcome then they have the right to take matters further as detailed below in Section 8.

Investigations will not discriminate or condone unacceptable behaviour, in relation to race, colour, nationality, national or ethnic origin, sexual orientation, gender, gender re-assignment, religion, age, disability, income group, marital status or geographical location.

The Responsible Officer

The Council's Monitoring Officer (Head of Legal, Equality and Democratic Services) has overall responsibility for the maintenance and operation of this Code. The Head of Legal, Equality and Democratic Services will report as necessary on the operation of the Code, but not on individual cases, to the Council's Audit Board.

How the Matter Can Be Taken Further

This Code is intended to provide you with an avenue to raise concerns within the Council and the Council hopes you will be satisfied. If you are not, and if you feel it is right to take the matter outside the Council, the list below shows possible contact points:

- The Council's External Auditor.
- Audit Commission (Public Interest Disclosure Line 0845 052 2646).
- Trade Unions;
- Professional Bodies; or
- Police.

If a worker is unsure whether or how to raise a concern or wants confidential and independent advice, contact can be made with the independent charity “Public Concern at Work”:

Public Concern at Work
Suite 301
16 Baldwins Gardens
London
EC1N 7RJ

Telephone (general enquiries and helpline): 020 7404 6609
Fax: 020 7404 6576

E-mail: helpline@pcaw.co.uk.

Their lawyers can provide free confidential advice on how to raise a concern about serious malpractice at work.

If concerns are raised through Trade Unions or Professional Bodies then it is expected that the Trade Union / Professional Body representative will act in accordance with this Code and with the Public Interest Disclosure Act 1998 with regard to the information disclosed. Such a disclosure made by a worker will not be treated as grounds for disciplinary action.

If workers do take the matter outside the Council, you should take into consideration the requirements in relation to the disclosure of confidential information as set out in this Code. Additionally, workers should be aware of the relevant Acts when reporting concerns, specifically:

- Public Interest Disclosure Act 1998.
- Human Rights Act 1998.
- Data Protection 1998.
- Fraud Act 2006
- Regulation of Investigatory Powers Act 2000 (RIPA)

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 27th September 2010

RISK MANAGEMENT TRACKER – QUARTER 1

Relevant Portfolio Holder	Councillor Geoff Denaro
Relevant Head of Service	Executive Director (Finance & Corporate Resources)
Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To present an overview of the current progress in relation to Actions/Improvements (actions) as detailed in service area risk registers for the period 1st April 2010 to 30th June 2010.

2. RECOMMENDATIONS

- 2.1 The Audit Board is recommended to note progress to date against all service area risk register actions for Quarter 1 2010/11 (April 2010 – June 2010).

It should be noted that Regulatory Services are currently not included within the risk management process to allow for the shared service to be fully embedded.

3. BACKGROUND

- 3.1 During December 2006 a review of the Council's risk management arrangements was undertaken by the Internal Audit section. Following the review a new approach, which included updated documentation, was adopted. The revised Risk Management Strategy was approved by the Executive Cabinet on the 7th March 2007.

- 3.2 As part of the new approach, each business area is required to collate a risk register that details:

- Key Objectives;
- Risk Score;
- Current controls;
- Actions and improvements;
- Responsible officers and target dates for each action; and
- Progress against each action.

AUDIT BOARD

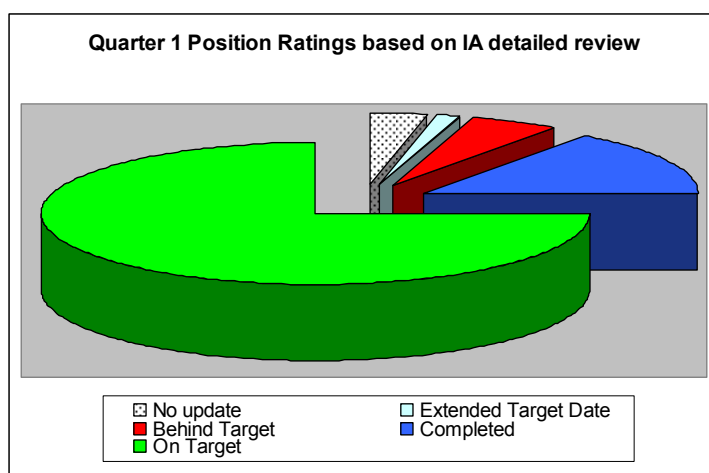
Date 27th September 2010

- 3.3 Business areas update their risk registers on a regular basis to ensure that actions are being monitored and implemented. The actions are designed to reduce risks, improve controls and aid individual sections to achieve their objectives.
- 3.4 The Risk Management Steering Group meets on a monthly basis to review departmental registers, highlight any concerns with the Head of Service and to review progress on actions.
- 3.5 The departmental registers are reviewed at Corporate Management Team and Audit Board on a quarterly basis.
- 3.6 In addition to the review of the registers there is a planned programme of risk management training that supports the development of the risk culture through the organisation.

4. KEY ISSUES

Service areas summary

- 4.1 Service areas have submitted to Internal Audit the quarter 1 position for each action detailed on their risk register.
- 4.2 We have carried out a detailed review of each action, target date, quarter 1 position rating and commentary. The rationale is that this analysis aids management of actions. This information is illustrated in the chart below.

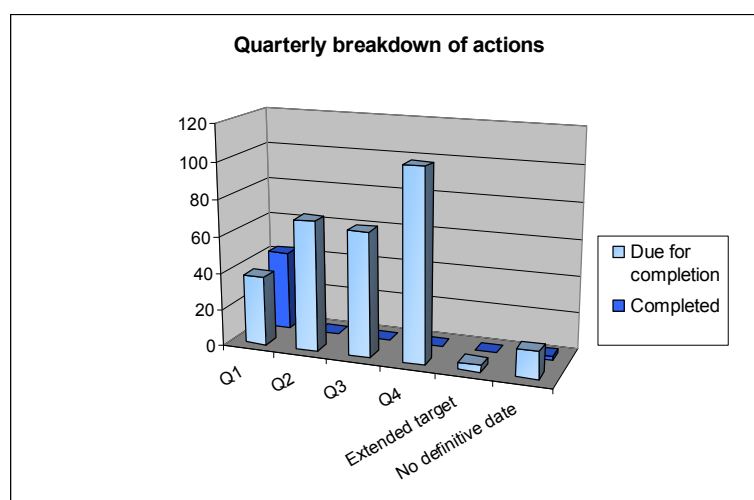


- 4.3 In previous reports Internal Audit has included an end of year prediction based on the number of actions completed since the 1st April up to the end of the reporting quarter.

We have not included such a prediction within this report. The reason for this is that to base a prediction on the current number of completed actions would not provide meaningful information. For example, if a service area has not completed any actions during quarter 1 because none had a target date within the quarter the prediction would be that no actions would be completed during the year.

The next Internal Audit report, which will be based on the half year position, will include an end of year prediction.

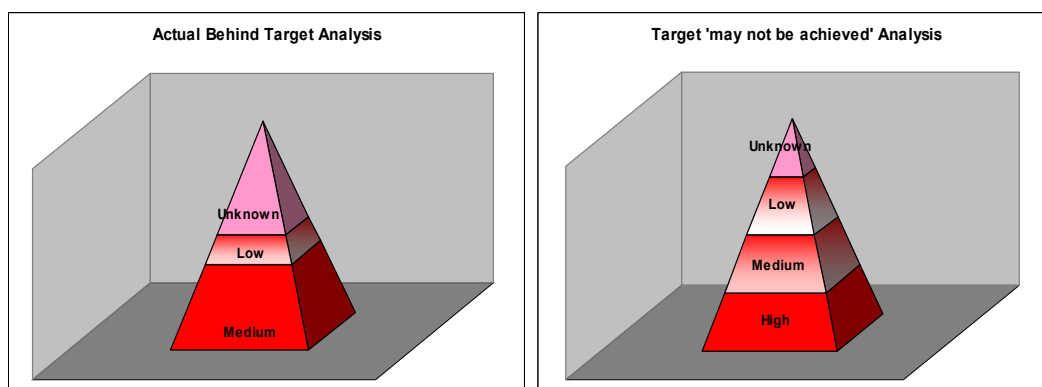
- 4.4 As part of the detailed review we have analysed the number of actions due for completion each quarter. The total quarterly breakdown is illustrated in the chart below.



With 35% of actions (that is, 104 of 300) due for completion in quarter 4, if any slippage occurs, the likelihood that a significant number may not be completed by year end increases.

- 4.5 For 2010/11 the risk register template has been updated and all actions are required to be allocated a High/Medium/Low rating. The rationale for this addition is to categorise actions that are behind target in order to provide an analysis of the potential impact on the control environment.

The charts below illustrate the overall number of actions that are currently behind target based on Internal Audit's detailed review.



There are 8 actions that are currently behind target with none having been allocated a high rating. Additionally, a further 8 actions have been ‘flagged’ as potentially not being achieved by the target date. Of these, 2 are rated high and are in relation to ongoing projects to ensure improvements are being achieved rather than fundamental problems with processes.

Analysis of the above charts has identified that 4 ‘actual’ behind target and 2 ‘flagged’ actions have not been allocated a rating. Internal Audit is unable to verify whether any of these are rated high and, accordingly, provide an accurate evaluation of the potential impact on the control environment.

4.6 In order to highlight successes Internal Audit have selected three actions that have been completed during quarter 1.

Relevant Key Obj.	Action/Improvement
Community Services - Housing	
Effective, efficient and legally compliant Strategic Housing Service	Participation in the Steering Groups overseeing the implementation of the NW Younger Persons Service and Foyer Scheme is ongoing.
Customer Services	
Minimise impact of potential Benefits VRA process change September/October 2010	Trial basis Benefits surgeries have been introduced at the Customer Service Centre. The objective of which is to enhance customer service delivery, improve communications between front and back offices and assists with CSC staff training.
Leisure & Cultural Services	
Effective implementation of successful funding projects by Sports Development	Funding document for rolling programme of funding, indicating timelines, national indicators and partnerships is complete and distributed bi-monthly to partners.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 27th September 2010

Overall summary

- 4.7 In order to ascertain an overall perspective of progress, Internal Audit has compared the current position of actions with the quarter 1 positions for 2009/10:

Position Rating	Quarter 1 2009/10	Quarter 1 2010/11
Behind target	8%	5.33%
On target	68%	75%
Completed	17%	15%
Extended target	4%	1.33%
No update	3%	3.33%
Total	100%	99.99%

From the above it may be seen that that there are fewer actions behind target and use of extended target dates is decreasing.

Whilst the number of completed actions is less than quarter 1 last year, analysis has verified that 2% have been completed early.

5. FINANCIAL IMPLICATIONS

- 5.1 None outside of existing budgets. The continued development of the risk management culture within the Council will aim to achieve improved assessment under the Use of Resources scoring.

6. LEGAL IMPLICATIONS

- 6.1 None except specific legislation associated with any of the risk registers key objectives.

7. POLICY IMPLICATIONS

- 7.1 None.

8. COUNCIL OBJECTIVES

- 8.1 Council Objective 02: Improvement.

AUDIT BOARD

Date 27th September 2010

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

9.1 Developing and maintaining Service risk registers will assist the Council to achieve its objectives, priorities, vision and values. The development and continual review of the registers will also support the Councils achievement of the Use of Resources framework.

9.2 Improvements and actions are monitored as part of each service risk register.

10. CUSTOMER IMPLICATIONS

10.1 In addressing the risks associated with the delivery of the Councils services the customers will receive a consistent and controlled quality of service provision.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 The specific issue of improving equality and diversity is included within the Legal, Equalities and Democratic Services departmental register.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 Ensuring the Council has adequate arrangements in place for VFM, procurement and asset management and that these areas are addressed in risk registers.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 Climate Change has been added as a High Impact Area and, therefore, will be considered for all objectives (Corporate and service area).

14. HUMAN RESOURCES IMPLICATIONS

14.1 The HR implications are addressed as part of the HR risk register.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 Effective governance process.

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 27th September 2010

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None.

18. LESSONS LEARNT

18.1 The risk management framework constantly evolves following advice from the Audit Commission and stakeholder.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	Yes
Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	Yes
Executive Director – Planning & Regeneration, Regulatory and Housing Services	Yes
Director of Policy, Performance and Partnerships	Yes
Head of Finance and Resources	Yes
Head of Legal, Equalities & Democratic Services	Yes
Corporate Procurement Team	No

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 27th September 2010

21. WARDS AFFECTED

All Wards.

22. APPENDICES

None.

23. BACKGROUND PAPERS

Risk registers – available from Heads of Service.

AUTHOR OF REPORT

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BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 27th September 2010

2010/11 INTERNAL AUDIT PERFORMANCE AND WORKLOAD

Relevant Portfolio Holder	Councillor Geoff Denaro
Relevant Head of Service	Executive Director (Finance & Corporate Resources)
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

1.1 To present:

- A summary of the current performance and workload of the Internal Audit Section.
- For approval, a revised 2010/11 Internal Audit Plan that takes into consideration a number of factors that have impacted performance against the plan.

2. RECOMMENDATION

2.1 That the Audit Board considers and approves:

- Current status and work completed in the 2009/10 and 2010/11 Audit Plans.
- Work completed by the Internal Audit Section during the first quarter of the year, that is, to end of June 2010.
- A revised 2010/11 Internal Audit Plan as set out in Appendix A.
- Work regarding any investigations.
- Current Performance Indicator statistics.
- Amendments to the section's standard documentation.

3. BACKGROUND

3.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to "maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control".

3.2 To aid compliance with the regulation, the CIPFA Code of Practice for Internal Audit in Local Government in the United Kingdom 2006 details that "Internal Audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives and ensure the effective and efficient use of audit resources".

AUDIT BOARD

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- 3.3 A revised three year plan was approved by the Audit Board at its meeting of 28th September 2009. The purpose of the three year plan is to ensure that all of the Council's key systems are audited at least once every three years, thus providing assurance that the Council's systems are operating as intended.
- 3.4 The annual plan for 2010/11 is the second year of the three year plan. In accordance with best practice, each year the three year plan should be subject to review to ensure that identified changes, for example, external influences, risk score and process re-engineering, are taken into consideration within the current year's annual plan.
- 3.5 The 2010/11 Internal Audit Plan will aid the effectiveness of the Internal Audit function and ensure that:
- Internal Audit assists the Authority in meeting its objectives by reviewing the high risk areas, systems and processes.
 - Audit plan delivery is monitored on a weekly basis, appropriate action is taken and performance reports are issued on a regular basis.
 - The key financial systems are reviewed annually, enabling the Authority's external auditors to place reliance on the work completed by Internal Audit.
 - An opinion can be formed on the adequacy of the Authority's system of internal control, which is detailed in the annual Internal Audit Opinion report included in the statement of accounts.
- 3.6 The WETT Internal Audit Shared Service came into effect on 1st June 2010. Accordingly, the plan for 2010/11 was compiled in accordance with the WETT Business Case.
- 3.7 Following the Audit Board meeting on the 25th April 2006, a number of standard agenda items and topics were agreed. This report includes information on the following areas:
- Audit Plan – Current Status.
 - Audit Work Completed since the previous Audit Board meeting.
 - Summary of Investigations.
 - Performance Indicator statistics.
 - New or updated audit documents.

AUDIT BOARD

Date 27th September 2010

4. KEY ISSUES

2009/10 Audit Plan – current status

- 4.1 There are 3 audits from the 2009/10 Audit Plan (that is, Procurement, Asset Management and Payroll) where draft reports have been issued and we are waiting for the Head of Service to agree the Action Plan before the reports can be finalised.

The following is a list of audits from the 2009/10 Audit Plan that have been completed during quarter 1:

- Budgetary Control and Strategy
- Benefits
- Cash, Bank Reconciliations and General Ledger
- Town Centre Development
- Dolphin Centre
- Travel Concessions

2010/11 Audit Plan – current status

- 4.2 There are four performance indicators for Internal Audit:

- Actual time compared with planned time,
- Percentage of productive time,
- Number of jobs planned for the year actually finished,
- Number of customer surveys returned that scored the service as 'good'.

The first two performance indicators are monitored and reported quarterly and the latter two indicators will be measured and reported annually.

- 4.3 The table below details planned time compared with actual time for the first quarter.

BROMSGROVE DISTRICT COUNCIL

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	Plan (days)	Actual (days)	% used	Comments
Operational days:				
Completion of 09/10 audit work	26	32.82	126%	Insufficient days planned to take into consideration all outstanding audit work.
Audit reviews	327	0.68	0%	Q1 concentrated on completion of the 09/10 plan. Additionally, the number of days is based on 2.42fte auditors, as per the WETT business case.
Risk Management	60	25.15	42%	The percentage of time allocated in the first quarter includes: <ul style="list-style-type: none"> resource for supporting the business compiling new financial year risk registers; and training new Senior Management.
Follow up checks (Agreed Action Tracker process)	0	0.00	0%	No days allocated to Agreed Action Tracker process, therefore, 5.02 days allocated to audit reviews contingency.
Consultancy	10	5.51	55%	As required.
Audit reviews contingency	5	5.02	100%	See above.
Sub-totals	428	69.18	16%	
Non-operational days:				
Non-operational contingency	21	0.00	0%	
Administration	20	3.82	19%	
Leave/approved absences	100	22.50	23%	
Management	60	35.63	59%	No days planned for: <ul style="list-style-type: none"> WETT, for example, attendance at management meetings which totalled 12.08 days in Q1; and Professional training which totalled 4 days in Q1.
Sub-totals	201	61.95	31%	
Total	629	131.13	21%	
	Planned		Actual	
Percentage of operational days: (benchmark 65%)	68%		53%	
				Actual is unlikely to reach planned target for reasons outlined above.

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4.3 Since coming into effect on the 1st April 2010 a number of factors have impacted the 2010/11 plan. These include:

- The WETT programme for Internal Audit, that is, consultation began in November 2009 with additional demands arising. For example, attendance at Worcestershire Internal Audit Shared Service (WIASS) management meetings.
- The likelihood that the 0.42fte resource, included within the WETT Business Case, will not be provided.
- Insufficient days allocated taking into consideration all outstanding audit work from the 2009/10 Audit Plan.
- The impact of the shared service/transformation programme will affect approach to audits in the areas involved.
- Increased number of days for Risk Management required to provide additional support for new members of the Senior Management Team.
- Fundamental activities omitted from the original plan, for example, follow up checks and professional training block release.

4.4 An interim review of the plan with the Section 151 Officer has taken into consideration the factors detailed above and, based on risk, identified reviews to remove, add or change the emphasis to reflect requirements for the remainder of the year.

A revised 2010/11 Internal Audit Plan is attached at Appendix A.

Summary of investigations

4.6 Responsibility for investigations is held by the Council's Corporate Anti Fraud Team with no investigations being undertaken by Internal Audit.

New or updated Audit documents

4.7 There are no new or updated Internal Audit documents to report.

Recommendations Tracker

4.8 This is a separate report.

AUDIT BOARD

Date 27th September 2010

5. FINANCIAL IMPLICATIONS

5.1 None as a direct result of this report.

6. LEGAL IMPLICATIONS

6.1 The Council is required under Regulation 6 of the Accounts and Audit Regulations 2003 (as amended 2006) to “maintain an adequate and effective system of internal audit of its accounting records and of its system of internal control in accordance with the proper internal audit practices”.

7. POLICY IMPLICATIONS

7.1 None.

8. COUNCIL OBJECTIVES

8.1 Council Objective 02: Improvement.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

9.1 The main risks associated with the details included in this report are.

- Non-compliance with statutory requirements.
- Ineffective Internal Audit service.
- Lack of an effective internal control environment.

9.2 These risks are being managed as follows:

- Risk Register: Financial Services
- Key Objective Ref No: 3
- Key Objective: Efficient and effective Internal Audit service

10. CUSTOMER IMPLICATIONS

10.1 The internal control and assurance framework ensures that the services delivered by the Council to the customer are undertaken with a robust and effective framework of processes and procedures.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

11.1 None as a direct result of this report.

AUDIT BOARD

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12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

12.1 A robust internal control environment ensures that Value for Money is delivered in the service provision across the Council.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

13.1 Climate Change is included as a risk to be managed on the Corporate and service area risk registers.

14. HUMAN RESOURCES IMPLICATIONS

14.1 None.

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

15.1 Effective governance process.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

16.1 None.

17. HEALTH INEQUALITIES IMPLICATIONS

17.1 None.

18. LESSONS LEARNT

18.1 Previously two reports, Performance & Workload and Annual Plan, have been compiled. These have been combined into one report to make it more user friendly.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report.

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	No
Chief Executive	No

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

Date 27th September 2010

Executive Director (S151 Officer)	Yes
Executive Director – Leisure, Cultural, Environmental and Community Services	No
Executive Director – Planning & Regeneration, Regulatory and Housing Services	No
Director of Policy, Performance and Partnerships	No
Head of Finance and Resources	Yes
Head of Legal, Equalities & Democratic Services	No
Corporate Procurement Team	No

21. WARDS AFFECTED

All Wards.

22. APPENDICES

Appendix A Updated 2010/11 Internal Audit Annual Plan

23. BACKGROUND PAPERS

None.

AUTHOR OF REPORT

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Executive Director (Finance and Corporate Resources)
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APPENDIX A**2010/11 Revised Internal Audit Plan**

Description	Days as per original plan	Days as per revised plan	Difference	Reason for change
Audit Reviews				
Completion of 2009/10 audit work	26	44	18	Insufficient days planned to take into consideration all outstanding audit work.
Audit reviews contingency	5	5		
Corporate				
Value for Money Study	30		(30)	Agreed with the Section 151 Officer that this review is no longer required.
Shared Service - tbc Community Safety, Lifeline or CCTV	25		(25)	Agreed with the Section 151 Officer that this is currently perceived as low risk.
Finance and Corporate Resources				
Budgetary Control & Strategy	10		(10)	Removed as assurance will be obtained from External Auditors.
Payroll	10		(10)	This is a shared service and is included in the Redditch Borough Council (RBC) plan
Benefits	20	20		
Asset Management	10		(10)	Finance side perceived as low risk. Property side is a WETT shared service and the assumption is that audit work will be undertaken by Worcestershire County Council auditors.
Creditors	10	12	2	Increased risk due to change of system.
General Ledger & Bank Reconciliations	15		(15)	Removed as assurance will be obtained from External Auditors.
NDR	15	15		
Debtors	12	12		

Description	Days as per original plan	Days as per revised plan	Difference	Reason for change
Treasury Management	15	10	(5)	Review of time taken in previous years indicates that this is a more realistic number of days.
Council Tax	15	15		
Petty Cash	10		(10)	Removed – low risk.
Insurance		10	10	Not recently audited and, therefore, perceived increase in risk.
Corporate Governance	15	10	(5)	Focus on Governance and Accounts.
HR Services & Policies	15		(15)	Removed as not aware of any significant issues in current year.
Equality and Diversity	15		(15)	Removed – low risk.
Policy, Performance and Partnerships				
Performance Indicators and Data Quality	10	10		
Leisure, Environmental and Community Services				
Waste Collection	15	15		
Business Transformation				
ICT: Infrastructure	15	10	(5)	To be resourced by WIASS.
ICT: Procurement and agency staff		10	10	Added as perceived as high risk.
ICT: Data Protection and Freedom of Information		10	10	Added as perceived as high risk.
ICT: Business Continuity		10	10	Added to replace Civil Contingencies as perceived as higher risk. To be resourced by WIASS.
Planning and Regeneration				
Environmental Health (commercial & pollution)	15		(15)	Agreed with the Section 151 Officer that this is currently perceived as low risk.
Licensing & Taxi Licensing	15		(15)	As above.
Civil Contingencies	15		(15)	Replaced with ICT Business Continuity - perceived as higher risk.

Description	Days as per original plan	Days as per revised plan	Difference	Reason for change
Projects				
Risk Management	60	80	20	As agreed with Section 151 Officer, days increased for: <ul style="list-style-type: none"> • additional support required for the new members of the Senior Management Team; and • inclusion of climate change as a High Impact area.
Operational				
Follow up checks (Agreed Action Tracker)	0	20	20	No days allocated in original plan.
Consultancy	10	14	4	Number of ad hoc queries greater than expected.
Sub-totals	428	332	(96)	
Non-Operational				
Administration	20	15	(5)	Based on quarter 1.
Management	60	50	(10)	Anticipated that management time will reduce following the appointment of the WIASS Manager (1st September).
Professional Training and Seminars		36	36	No days allocated in original plan.
Contingency	21		(21)	Not considered necessary.
Leave/approved absences	100	82	(18)	Reduction based on revised best estimate of sickness and other leave.
Sub-totals	201	183	(18)	
Total	629	515	(114)	
	Planned	Actual		
Percentage of operational days: benchmark 65%	68%	64%		

Notes:

1. Original plan based on 2.42fte (2 auditors and 0.42fte manager) as per the WETT Business Case. Up until 1st September no management resource was made available to Bromsgrove. As of 1st September the WIASS Manager is managing Internal Audit at the Authority until a long term managerial solution has been agreed. Once a long term managerial solution has been agreed this plan will be revised accordingly.
2. The revised plan is based on 2.00fte, that is 520 days, less 25 days which is for a Worcestershire Internal Audit Shared Service (WIASS) external contract plus 20 days to be resourced by WIASS. The external contract is included within the Worcester City plan and will be charged against that plan.

BROMSGROVE DISTRICT COUNCIL

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INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Relevant Portfolio Holder	Councillor Geoff Denaro Cabinet Member for Finance
Relevant Head of Service	Jayne Pickering, Executive Director Finance and Corporate Resources
Key Decision / Non-Key Decision	

1. SUMMARY OF PROPOSALS

- 1.1 To inform members of the progress made for the transition to International Financial Reporting Standards (IFRS).

2. RECOMMENDATIONS

- 2.1 **That the Council's preparations for the introduction of International Financial Reporting Standards are noted; and**
- 2.2 **That progress made to date for the introduction for compliance with the International Financial Reporting Standards, as detailed in Appendix 1, is noted.**

3. BACKGROUND

- 3.1 The Audit Board is an important part of Corporate Governance as a key source of assurance about the Council's arrangements for managing risk, maintaining an effective control environment and reporting on financial and non-financial performance. As part of this function the Audit Board should be aware of the requirements of IFRS to ensure that the transition project is given suitable corporate priority.

A failure to achieve successful transition to IFRS would cause significant reputational damage to the Council, and will heighten the risk that accounts will not meet requirements and so attract a qualified auditor's opinion.

- 3.2 As previously stated in the report to the Audit Board on 17th March 2010, the annual financial statements for this council and all other local authority entities are currently prepared using accounting policies based on UK Generally Accepted Accounting Practice(UK GAAP).
- 3.3 In order to bring benefits in consistency and comparability between financial reports in the global economy and to follow private sector best practice, local government bodies are to move to preparing their financial statements

using International Financial Reporting Standards(IFRS). These standards will be adapted as necessary to meet the requirements of the public sector.

- 3.4 The 2010/11 financial year will be the first year for IFRS based local authority accounts, but prior to that date preparation is required for transition to this new basis, this includes the restatement of the 2009/10 comparative figures.
- 3.5 Even though IFRS is to be effectively implemented in the 2010/11 financial year there will be a stepped transition to the production of the council's statement of accounts on a solely IFRS basis. There are three key stages in this transition:
- Restate the opening balance sheet as at 1 April 2009 to comply with IFRS.
 - Prepare the accounts for the 2009/10 financial year in accordance with UK GAAP and also restate these accounts to comply with IFRS for use as comparatives to the 2010/11 financial statements.
 - Prepare the 2010/11 financial statements on an IFRS basis only.

4. KEY ISSUES

- 4.1 The Code of Practice on Local Authority Accounting in the United Kingdom 2010/11, which is based on the IFRS accounting requirements, has been reviewed by the Finance Section and compliance with its requirements is being assessed to ensure compliance with best practice.
- 4.2 Staff received training as part of the initial implementation of the project, but this training has been ongoing as need has arisen during the course of the project.
- 4.3 Key staff that have input into the transition have been identified and inevitably centre around the Finance Section, but the Council's Valuation Service have been consulted on offering assistance with Property and Lease Valuations. Where required guidance/support has been sought from outside the Council, where possible this has been done through the Hereford and Worcester Finance Managers Group, but in addition KPMG are offering advice on IFRS through a joint purchasing arrangement with Redditch.
- 4.4 A skeleton set of accounts has been created which are being used in the restatement of the final accounts comparative figures for the financial year ended 31st March 2010 (2009/10) these will be used as the comparative figures for the 2010/11 IFRS compliant financial statements. This skeleton

set of accounts will then be used for the Audit of the 2009/10 comparatives and will then become the 2010/11 accounts template.

- 4.5 Key areas have been identified by CIPFA as areas that will result in changes to the figures in the financial statements. These areas are being worked through and the following work is being carried out for each area:-
1. Restate the 1/4/2009 opening balances on the balance sheet
 2. Restate the relevant areas of the 31/3/10 financial statements on the skeleton set of accounts
 3. Update the relevant accounting policies in the skeleton set of accounts
 4. Change current procedures and working files for the 2010/11 accounts/ balance sheet monitoring.
 5. Train staff (both operational and finance) on new accounting treatment for the 2010/11 accounts under IFRS to ensure smooth 2010/11 year end.
 6. Assess the impact on budgets and report to finance and budget holders.
- 4.6 An assessment has been carried out by the Finance Section (in accordance with Cipfa requirements), of those areas which will be impacted by the implementation of the IFRS accounting requirements. The progress on each individual area has been included at Appendix 1.

The target dates to ensure compliance with the national timetable is as follows:

- All numerical adjustments and related accounting policies and notes completed by 30th September 2010.
- Presentation of the financial statements (including segmentation and group accounting where applicable) and disclosures in the remaining accounting policies and notes to be completed by 30th November 2010.
- Review of the skeleton set of accounts and resulting adjustments to be completed by 31st December 2010.
- Audit of the 2009/10 comparatives and disclosures has been booked for January 2011.

Work is progressing in accordance with these targets.

- 4.7 As stated above we are working through the Code, prioritising areas highlighted by CIPFA to achieve the following:-
- Restatement of the 1/4/2009 opening balances on the balance sheet

- Restatement the of the 31/3/10 financial statements
- Amend the relevant accounting policies for the 2010/11 accounts
- Change current procedures and working files for the 2010/11 accounts/ balance sheet monitoring.
- Train staff (both operational and finance) on new accounting treatment for the 2010/11 accounts under IFRS to ensure smooth 2010/11 year end.
- Assess and communicate the impact on budgets and report to finance and budget holders.

4.8 We are engaging with our external auditors, the Audit Commission. We have had meetings with them discussing our progress. We have booked the audit of the comparatives and have requested a disclosure checklist which they have agreed to provide when it is ready. Working papers for the audit of comparatives are being created as the areas are being completed. Working paper requirements have been requested from the Audit Commission.

4.9 Officers have attended a number of seminars and are of members of Countywide working groups to assess the impact of the introduction of IFRS. It is envisaged that further seminars will be attended over the coming months as further clarification of its application is given.

5. FINANCIAL IMPLICATIONS

5.1 None other than those covered in this report.

6. LEGAL IMPLICATIONS

6.1 The Accounts and Audit Regulations 2003 require that the Council complies with statutory accounting legislation and changes.

7. POLICY IMPLICATIONS

7.1 The changes that will be made in relation to IFRS will be adopted in the financial policies of the Council.

8. COUNCIL OBJECTIVES

8.1 Compliance with the accounting standards supports the improvement objective across the Council.

9. RISK MANAGEMENT INCLUDING HEALTH & SAFETY CONSIDERATIONS

- 9.1 The Financial Services risk register includes the preparation of the accounts and the controls in place to ensure the accounts are treated in compliance with accounting standards.

10. CUSTOMER IMPLICATIONS

- 10.1 None as a direct result of this report.

11. EQUALITIES AND DIVERSITY IMPLICATIONS

- 11.1 None as a direct result of this report.

12. VALUE FOR MONEY IMPLICATIONS, PROCUREMENT AND ASSET MANAGEMENT

- 12.1 None as a direct result of this report.

13. CLIMATE CHANGE, CARBON IMPLICATIONS AND BIODIVERSITY

- 13.1 None as a direct result of this report.

14. HUMAN RESOURCES IMPLICATIONS

- 14.1 None as a direct result of this report

15. GOVERNANCE/PERFORMANCE MANAGEMENT IMPLICATIONS

- 15.1 The statement of accounts and the controls in place to ensure the accounts are accurate is key to the effective governance arrangements in place within the Council.

16. COMMUNITY SAFETY IMPLICATIONS INCLUDING SECTION 17 OF CRIME AND DISORDER ACT 1998

- 16.1 None as a direct result of this report.

17. HEALTH INEQUALITIES IMPLICATIONS

- 17.1 None as a direct result of this report.

18. LESSONS LEARNT

BROMSGROVE DISTRICT COUNCIL

AUDIT BOARD

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18.1 Officers continue to seek advice from best practice authorities and the Audit Commission recommendations to ensure the accounts are presented in compliant format for consideration.

19. COMMUNITY AND STAKEHOLDER ENGAGEMENT

19.1 None as a direct result of this report .

20. OTHERS CONSULTED ON THE REPORT

Portfolio Holder	Yes
Chief Executive	N/A
Executive Director (S151 Officer)	N/A
Executive Director – Leisure, Cultural, Environmental and Community Services	N/A
Executive Director – Planning & Regeneration, Regulatory and Housing Services	N/A
Director of Policy, Performance and Partnerships	N/A
Head of Service	N/A
Head of Resources	N/A
Head of Legal, Equalities & Democratic Services	N/A
Corporate Procurement Team	N/A

21. WARDS AFFECTED

All wards

22. APPENDICES

Appendix 1 – IFRS Update, progress to date

23. BACKGROUND PAPERS

Detailed working papers for final accounts & IFRS accounting

24. KEY

IFRS – International Finance Reporting Standards

AUTHOR OF REPORT

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Progress to date on the restatement of Accounts using IFRS accounting requirements

	Restate 1/4/09	Restate 31/3/10 and update accounting policies in skeleton accs	Change 2010/11 procedures/working papers/ train staff.	Budget impact assessed and communicated
Property Plant and Equipment	√	√	√	√
Impairment	√	√	√	√
Assets held for sale	√	√	√	√
Investment properties	√	√	√	√
Leases	√	√	√	Conversations to be held with budget holders regarding planned leases in next budget period so impact assessment can be done.
Employee Benefits	Workings complete	Data collected		√
Revenue/Capital Grants and contributions	√	√	√	√
Group accounts	The impact of the Group Accounting IFRS requirements is now being assessed and work will be completed by 30 th September 2010.			
Segmental Reporting	It is not thought there will be much impact as the Income statement is already split by segment. To be discussed in detail at September H&W finance managers meeting.			

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