

Audit Panel

Monday, 29th September, 2008

MEETING OF AUDIT PANEL

Members present: Councillor Rodgers (Chairman); and
Councillors Ekin, Lavery, Mullaghan and Rodway.

In attendance: Mr. A. Wilson, Head of Audit, Governance and
Risk Services;
Mr. A. Harrison, Acting Corporate Assurance
Manager;
Mrs. G. Ireland, Corporate Risk and Governance
Manager;
Mr. L. Mulholland, Auditor;
Mr. H. Downey, Committee Administrator; and
Mr. N. Malcolm, Committee Administrator.

Apology

An apology for inability to attend was reported from the external Member Dr. Smith.

Minutes

The minutes of the meeting of 5th August were taken as read and signed as correct.

Staff Travel Policy

The Panel was reminded that, at its meeting on 5th August, it had recommended that the Strategic Policy and Resources Committee approve an amended the Staff Travel Policy. The Committee Administrator reported that at its meeting on 22nd September the Strategic Policy and Resources Committee had adopted that recommendation. However, at the Council meeting on 1st September, that minute had been taken back to the Committee for further consideration. Following discussion at the meeting of the Strategic Policy and Resources Committee on 19th September, it had been agreed that, in connection with points 4.4 and 4.5 of the Travel Policy, which referred to the purchase in certain circumstances of business class air travel and the use of airport business lounges, the Policy be amended so that these matters be subject to the approval of the relevant Committees. He pointed out that this decision would, of course, be subject to ratification by the Council at its meeting on 1st October.

Noted.

Risk Management and Business Continuity Planning

The Panel considered the undernoted report:

“Purpose of Report

The purpose of this report is to bring Members of the Audit Panel up to date with the most recent activities in the following areas:

- Risk Management, including the implications for future internal audit work
- Governance; and
- Business Continuity.

Relevant Background Information

The terms of reference for the Council’s Audit Panel state that part of its responsibility will be *‘to monitor the effective development and operation of risk management and corporate governance of the Council.’* In accordance with this role, the plan of Audit Panel business for 2008 / 2009 provides for an update to Members on the current risk management arrangements and related activity at this Audit Panel meeting.

Members will recall that the Council is obliged to implement risk management and governance processes to ensure that the Council is compliant with the recent amendments in legislation.

In addition, the DOE also advised that they considered the CIPFA Solace Delivering Good Governance in Local Government: Framework (2007) to be appropriate professional guidance regarding proper practices. These practices embraced the wider governance issues and were not confined to risk management activities.

Key Issues

Implementation of Risk Management

The Council has a risk management strategy in place which outlines the approach we have adopted to implement risk management. A number of activities have taken place in line with this strategy including:

- A corporate risk register has been created which identifies the management of risks which chief officers feel are the greatest risk to the achievement of Council objectives.

- Risk registers are in place for all Departments, and for their critical services / units and major corporate projects. The registers contain details relating to risks and causes which have been identified in relation to the department or service objectives
- Ongoing facilitation of the risk management process by AGRS
- The process of management of risk is reported on a quarterly basis to Senior Management Teams, the Assurance Board and periodically to the Audit Panel.

Identified risks must be evaluated to give an indication of their relative importance against objectives. Managers consider the risks against the likelihood of them occurring or the impact were they to do so. The overall evaluation of this is defined in the risk matrix. This evaluation is necessary so that operational staff can target the limited resource they have available to manage key risks. Risks are categorised as green, amber and red, with red risks being the most serious and always requiring active action to manage them.

It is this robust risk management process which has allowed senior staff to develop their annual management 'sign-offs' as part of the process of preparing the Annual Governance Statement.

How good is the process?

Risk management is acknowledged as a process which takes a number of years to become embedded into an organisation's culture. In our view there is a general awareness of risk management processes in Belfast City Council but there is still further work to be done to integrate risk management fully into business planning processes.

Moving forward how can the risk management process be used to give further assurances on the management of risk?

In order to give senior management and Members assurance, an element of internal audit resource must be targeted on the areas of the greatest risk within the Council. Where management have adopted a reliable process of managing their key risks, then it follows that process can be audited.

The AGRS plan for 2008/09 took account of the need for an objective review of the risk management process and the management of key risks. These reviews will provide evidence for the Head of AGRS to form an opinion on the Council's risk management processes and provide assurance to the Assurance Board and relevant Directors regarding the risk management process and controls.

Code of Governance

The CIPFA Solace Delivering Good Governance in Local Government: Framework (2007) brings together an underlying set of legislative requirements, fundamental principles of corporate governance and management processes. Crucially it states good governance relates to the whole Council and therefore a more holistic approach needs to be adopted. A copy of this framework can be found in the Members' Library; in addition, we will be issuing Audit Panel Members with their individual copy.

A Code of Governance was produced for the Council in which we adopted the six core governance principles outlined in the framework.

The Code sets out the measures currently in place to show how we are demonstrating good governance and highlights the wider proposed actions we intend to implement to improve our position. Most importantly, the Code is a prerequisite to the Council being able to produce the Annual Governance Statement. This is the formal statement that explains and publishes the Council's governance arrangements in its Annual Financial Report. For the 2007 / 2008 financial year, this statement was signed by the Chief Executive, the Accounting Officer and the Chair of Strategic Policy and Resources Committee. During 2008/09 we plan to take action to communicate the Code.

Business Continuity Management

I can give assurance that in line with a COMT decision, the Council has now implemented BCM. This was a huge piece of work which has taken several years to achieve and involved the identification and participation of all critical services. BCM will help us anticipate, prepare, respond to and recover from the impact of disruptive events, including a pandemic.

All critical services and their relative importance to Council objectives have been identified. For information, a list of the agreed critical services is attached at Appendix A. BCM strategies and plans or aide memories as appropriate were then produced for these services.

At a corporate level we also have the following plans:

- A Council-wide IT business continuity plan which focus's IT resource
- An accommodation plan which outlines how to relocate displaced staff
- In addition, BCM activities have been included in the Council Emergency Plan.

The Council also has a strategic pandemic plan in addition to individual critical services plans; these indicate how services would continue to deliver their service during a pandemic.

We are currently implementing a programme of testing the service BCM plans.

Finally to give assurance on the process adopted we have been working with BCM qualified consultants who have given an assurance on the BCM framework we have adopted.

Resource Implications

There are no significant resource implications arising from this report. The resources required are included in the AGRS plan for 2008/09.

Recommendations

That the Audit Panel note this report

Key to Abbreviations

AGRS - Audit, Governance and Risk Services
BCM - Business Continuity Management
CIPFA - Chartered Institute of Public Finance and Accountancy
COMT - Chief Officers Management Team
DOE - Department of the Environment
IT - Information Technology

Documents Attached

Critical Services (BCM) – Appendix A

Appendix A

Belfast City Council Critical Services

The following services have produced BCM strategies and/or plans.

Health & Environmental Services Department, individual service strategies and plans

- Cleansing
- Waste management
- Building Control
- Environmental Health Service

Development Department, departmental overview strategy and plan / aide memoir

- **Waterfront Hall / Ulster Hall**
- **Community Services**

Corporate Services Department, individual service strategies and plans

- **Human Resources**
- **Finance**
- **Central Transaction Unit**
- **Information Services Belfast**
- **Property Maintenance Unit**
- **Fleet Maintenance Unit**
- **Facilities Management**
- **Births Deaths and Marriages**

Parks and Leisure Department, individual service strategies and plans / aide memoir

- **Bereavement services**
- **Belfast zoological garden**
- **Leisure centres**

Legal Services Department, departmental overview strategy and plan”

During discussion in the matter, several Members expressed surprise that, given the likely cost to the Council arising from any failure to put in place by 2012 appropriate arrangements for the treatment of residual waste, the risk was rated in the Corporate Risk Register as significant rather than major. It was pointed out that any inaction by the Council in this regard could result in substantial fines for non-compliance with the relevant legislation. They suggested, therefore, that the rating be amended to reflect the seriousness of the situation.

In response, the Corporate Risk and Governance Manager indicated that the issue was rated as a high risk within the Health and Environmental Services Department’s Risk Register. However, having regard to the views of the Members she stated that she would discuss with the Director of Health and Environmental Services the upgrading of the risk from significant to high within the Corporate Risk Register.

In his capacity as Chairman of the Health and Environmental Services Committee, Councillor Mullaghan informed the Members that a report highlighting the anticipated costs to the Council of any failure to establish residual waste treatment facilities would be presented to the next monthly meeting of the Committee.

The Corporate Risk and Governance Manager provided clarification to the Members regarding a number of the issues contained within the report. In addition, the Acting Corporate Assurance Manager reminded the Members that the Head of Audit, Governance and Risk Services was required to provide an annual opinion on the Council's risk management system in his Annual Assurance Statement. In order to provide information to support his opinion, Internal Audit would be auditing the process of risk management and the management of key risks in Departments.

After further discussion, the Panel agreed to note the contents of the report and the comments thereon of the officers.

Fraud and Whistleblowing Update

The Head of Audit, Governance and Risk Services introduced to the Panel Mr. Liam Mulholland, a member of staff within the Section who was qualified in fraud investigation, who had prepared an update report regarding the Council's Policy Statement on Fraud and Corruption and Whistleblowing Policy. The Panel then considered the undernoted report:

"Purpose of Report

The purpose of this report is to bring the Members of the Audit Panel up to date with:

**The Council's existing counter fraud arrangements / policies
New joint initiatives on tackling fraud in the Public Sector in
Northern Ireland**

Background Information

The terms of reference for the Council's Audit Panel state that part of its responsibility will be *'to monitor Council policies on Whistle blowing and the Anti-Fraud and Corruption Strategy.'* In accordance with this role, the plan of Audit Panel business for 2008 / 2009 provides for an update to Members on the current policy arrangements and related activity. As with other large organisations, the size and nature of activities undertaken by Belfast City Council (BCC) puts it at risk of loss due to fraud and corruption both from within and from outside the organisation. However, it is worth noting that the Council is not responsible for the management or administration of large benefits systems, for example, housing benefit. In this regard the level of fraud risk to which the Council is exposed is not as significant as with other large public sector organisations. However, the Council recognises that there is always a residual risk of fraud and as such has taken a number of steps to mitigate this risk, as detailed below.

Key Issues

1. The Council's existing Counter Fraud arrangements

(a) Policy arrangements

The Council's current policies with regard to Fraud and Corruption and Whistleblowing were approved by the Audit Panel on the 22nd of April 2004, and subsequently approved by the Policy and Resources Committee and ratified by full Council on the 1st June 2004. The policies were then publicised via the staff magazine and intranet (Belnet) site.

Audit, Governance and Risk Services (AGRS) has recently carried out a review of the key policies: i.e. the Council's 'Policy Statement on Fraud and Corruption' and the Council's 'Whistleblowing Policy.' The policies have been reviewed to ensure that they remain appropriate and up to date, particularly in the light of new fraud legislation. AGRS have also carried out some benchmarking of the contents of the Council's fraud and whistleblowing policies by comparing them to those policies used by the Department of Finance and Personnel (DFP), the Department of Health, Social Services and Public Safety (DHSSPS) and Sunderland City Council. This review has found that the 'Policy Statement on Fraud and Corruption' and the 'Whistleblowing Policy' used by BCC continue to reflect good practice, have served the Council well over the last 4 years and require only minor revision. The revised policies are attached as Appendices 1 and 2. The only changes we have made to the policies are:

- A description of the new Fraud Act 2006 and implications of this Act
- Minor changes to job titles (for example, change of title from 'Head of Internal Audit' to the 'Head of Audit, Governance and Risk Services')
- Insertion of a paragraph on the use of the Regulation of Investigatory Powers Act (RIPA).

Typically, each year there may be 2 – 3 fraud related investigations undertaken, although not all of these investigations find evidence of fraud. In the last eight years, only three of the investigations undertaken by Belfast City Council Audit, Governance and Risk Services have found evidence of fraud and in all cases disciplinary action was taken and / or the case referred to the police.

(b) Fraud prevention

The primary responsibility for preventing fraud lies with management, through the:

- Identification of risks to which systems and procedures are exposed
- Implementation, documentation and operation of internal controls
- Establishment of an environment that promotes compliance with internal controls
- Promotion of fraud awareness amongst staff
- Fostering of an 'anti fraud' culture.

As such, the most important control over the prevention and detection of fraud is management review and supervision. The Council's Financial Regulations / Accounting Manual require departments to have local, documented procedures in place, including, where appropriate, segregation of duties within key financial processes. The Council's key financial system enforces a separation of duties within the procurement / payment process and a system of access control. In addition, the Council has a number of other written rules and procedures to guard against the risk of fraud and malpractice. The most important of these are as follows:

- Standing Orders relating to Contracts
- Code of Conduct for Employees
- Code of Conduct for Councillors
- Scheme of Delegation / budgetary control
- Employees' Condition of Service

(c) Role of Audit, Governance and Risk Services (AGRS)

Whilst AGRS does not have direct operational responsibilities for the prevention and detection of fraud, the service does, through its audit and risk management work, contribute to the management of the risk of fraud. In terms of audit planning, the Service undertakes an annual audit needs assessment exercise. This exercise involves the identification, risk assessment, and prioritisation of auditable areas. The risk assessment specifically involves a review of 'fraud risk'. As a result, the overall programme of audit work includes coverage of areas inherently susceptible to the risk of fraud – such as income, purchasing, payments and grant schemes. Audits of these areas incorporate evaluation of the controls in place to mitigate the risk of fraud and review of samples of transactions. Where weaknesses in the systems of control are discovered we make recommendations for improvement and, in our follow up audits, we confirm whether or not the recommendations made have been implemented and report accordingly.

AGRS may also be involved in the investigation of suspected fraud and / or whistleblowing cases that involve allegations of fraud. The service has two members of staff who have obtained the Advanced Professional Certificates in Investigative Practice (APCIP), enabling them to carry out fraud investigations in line with established best practice. In addition, AGRS will routinely liaise with the Council's Human Resources and Legal Services sections to ensure that investigations are conducted appropriately. Where investigations are undertaken a report will be produced for the Council's Fraud Response Group (FRG), summarising the findings of the investigation in relation to the initial allegation(s). The FRG comprises the Director of Corporate Services, Head of AGRS, a representative from Legal Services and a representative from Human Resources. The results of our investigations are summarised in our annual report to the Audit Panel / Assurance Board. Any instances of any actual frauds would be notified to the Department of the Environment and the Local Government Auditor (LGA). Where control weaknesses are identified during the course of investigations, we would issue appropriate audit reports with recommendations for improvement.

Over the past number of years AGRS has run some presentations / training which have covered the areas of fraud risk. We plan to do further work in this area during the course of 2008/2009, and time for this is included in our audit plan.

AGRS is therefore actively involved in promoting an anti fraud culture, but, in itself, cannot guarantee that the Council will not be affected by instances of fraud.

2. New joint initiatives on tackling fraud in the Public Sector in Northern Ireland

In recent years, government has placed greater emphasis on the management of the risk of fraud. In many ways, this interest reflects concern over levels of benefit fraud, prescription fraud etc. As noted previously, the Council does not currently administer major benefits systems so, in certain respects, there is a lower inherent risk to the Council of large scale external fraud. It should be noted however, that there remains a residual risk of fraud to the Council by virtue of its size and the nature of the activities it undertakes, many of which are conducted at disparate locations.

The practical implications of the greater emphasis on fraud in government for Belfast City Council has been increased interest from Department of Finance and Personnel (DFP) and the Local Government Auditor (LGA) in terms of the arrangements we have in place to manage the risk of fraud and the contribution we make to multi-agency working. Both the DFP and LGA have invited us to

complete an annual fraud questionnaire on the Council's existing counter fraud arrangements. In addition, the Council has recently signed up to a Memorandum of Understanding (MOU) involving all large public sector organisations in Northern Ireland and the Police Service of Northern Ireland (PSNI). The MOU aims to establish a framework for ensuring that appropriate action is taken by public sector organisations in dealing with cases of suspected fraud and that the investigative process is conducted in accordance with the Police and Criminal Evidence (Northern Ireland) Order 1989 (PACE), where appropriate. The MOU also provides for the exchange of information between relevant parties i.e. the PSNI and any public sector organisation(s) affected, to ensure that such disclosures of information are done in a timely manner and comply with relevant legislation.

On the 6th of October 2008 the Council will be involved in carrying out a data matching exercise as part of a wider 'National Initiative' being conducted in conjunction with the Northern Ireland Audit Office and the Audit Commission. The data matching exercise will see the Council provide payroll and creditor data to the NIAO to determine if there are any matches with data held by other public sector bodies, for the purpose of detecting potential fraud. Matched data will be forwarded to the Council for investigation.

In addition, two members of staff from AGRS recently attended a fraud seminar hosted by DFP. The seminar provided case analyses of frauds committed in some NI departments and the lessons to be learned from these particular types of fraud. AGRS is also in regular contact with the Northern Ireland Civil Service's Fraud Forum. The fraud forum comprises representatives from each Civil Service Department and the PSNI and provides an important resource in terms of keeping up to date with developments in fraud policy and investigation.

It can therefore be seen from this paper that the issue of fraud is one that is increasing in importance / profile and an area where the Council has been proactive in developing policies to reduce the risk of fraud and investigate allegations of fraud when they do arise. That said, it is also an area where there is no room for complacency and the Council will continue to devote appropriate priority to tackling fraud risk.

Resource Implications

None.

Recommendations

The Audit Panel is asked to:

- (a) Approve the updated :
 - (i) 'Policy Statement on Fraud and Corruption' (Appendix 1)
 - (ii) 'Whistleblowing Policy' (Appendix 2)
- (b) Note that these updated policies will be posted on the Council's website and re-publicised in the staff magazine.
- (c) Note ongoing developments and future work plans in relation to fraud and note that AGRS will be rolling out a programme of fraud training during 2008 / 2009.

Key to Abbreviations

AGRS	Audit, Governance and Risk Services
APCIP	Advanced Professional Certificate in Investigative Practice
BCC	Belfast City Council
DFP	Department of Finance and Personnel
DHSSPS	Department of Health, Social Services and Public Safety
FRG	Fraud Response Group
LGA	Local Government Audit
MOU	Memorandum of Understanding
NIAO	Northern Ireland Audit Office
PACE	Police and Criminal Evidence Order
PSNI	Police Service of Northern Ireland

Documents Attached

Belfast City Council Policy Statement on Fraud and Corruption (Appendix 1)
Belfast City Council Whistleblowing Policy (Appendix 2)

Appendix 1

POLICY STATEMENT ON FRAUD AND CORRUPTION

1.0 POLICY STATEMENT

1.1 WHAT IS FRAUD?

Prior to 2007 there was no legal definition of fraud and in response to the growing threat of fraud the Government introduced 'The Fraud Act 2006'. The legislation became effective from the 15th January 2007. The 'Fraud Act' now provides for a general offence of fraud, with three defined

ways of committing fraud. These are: by false representation, this section makes it an offence to commit fraud by dishonestly making a false representation to make a gain for himself or another, or to cause loss to another, or to expose them to a risk of loss. By failing to disclose information, this aspect of the Fraud Act makes it an offence to commit fraud by failing to disclose information to another person where there is a legal duty to disclose information. The legal duty may arise from statute, under oral implied, written contracts or where there is a fiduciary duty or good faith. For example, the relationship between a solicitor and client and or employer and employee. Finally, abuse of position, examples of abuse of position may include, for example, an employee who grants contracts and discounts to friends and family.

1.2 WHAT IS THE COUNCIL DOING ABOUT IT?

The Council is committed to protecting the public money it looks after and to making sure that the opportunity for fraud and corruption is reduced to the lowest possible risk. Where there is the possibility of fraud, corruption and other problems, the Council will deal with it in a firm and controlled manner.

1.3 POLICY STATEMENT

The policy statement on Fraud and Corruption applies to:

Employees
Elected Members
Contractors
Consultants
Suppliers
and Service Users as we expect the citizens of Belfast to be honest in their dealings with us

This policy statement explains the Council's position on fraud and corruption and includes a 'fraud response plan' which provides more detailed guidance on how to deal with fraud and corruption.

1.4 The main message is that the Council expects all Employees, Elected Members, contractors, consultants, suppliers and service users to be fair and honest, and to give it any help, information and support needed to deal with fraud and corruption.

- 1.5 The Council will maintain robust control mechanisms to both prevent and detect fraud and corruption. All Line Managers have a responsibility for maintaining documented control systems and must be seen to be setting an example by complying fully with all procedures, regulations and controls.**

All members of staff have a responsibility to protect the assets and reputation of the Council and are expected to be alert to the potential for fraud. Line Managers will be expected to brief staff on the common types of fraud perpetrated in their areas of responsibility.

Confidential mechanisms will be established to allow staff to report suspected frauds to Management or to the Audit, Governance and Risk Services Section. All reported suspicions will, in the first place, be referred to the Fraud Response Group which will undertake as limited a review as is necessary to establish whether the allegation does require further investigation. Details on how to raise a concern are detailed in the Council's Whistleblowing Policy.

If as a result of this review it is agreed that there is sufficient evidence to justify further investigation such an investigation will be undertaken by the Audit, Governance and Risk Services Section.

If fraud is proven to involve staff, disciplinary action will be taken by management. Formal action may be taken in regard to staff who are found after investigation to have facilitated fraud as a result of a serious dereliction of duty.

The Council is committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, it will be prepared to help and exchange information with other Councils and organisations to deal with fraud.

THE DETAILED GUIDANCE

- 1.11 The guidance set out in this document covers the following areas:**
- The Council's written rules**
 - How the Council expects Members and employees to behave**
 - Preventing fraud and corruption**
 - Management responsibility and risk management**
 - Internal controls**
 - Management checks**
 - Corporate governance**

- Staff training
- Fraud detection and reporting
- Fraud Response Plan

2.0 OUR WRITTEN RULES

The Council has a number of procedures and rules to make sure that its financial, working and organisational procedures are properly controlled. These are an important part of its internal control process, and it is important that all Members and staff are aware of them.

2.2 The most important of these are as follows:

- Standing Orders relating to Contracts
- Financial Regulations
- Code of Conduct for Employees
- Code of Conduct for Councillors
- Scheme of Delegation
- Employees' Condition of Service
- Accounting Manual

2.3 Individual departments have also introduced their own measures, which are designed to control their activities, e.g. accounting control procedures, working manual and operating procedures.

2.4 Line Managers must make sure that all staff have access to these rules and regulations and that staff receive suitable training.

2.5 Members and employees must make sure that they read and understand the rules and regulations that apply to them, and act in line with them.

2.6 If anyone breaks these rules and regulations the Council may take formal action against them.

2.7 The Council must regularly review and update its written rules.

2.8 Directors must make sure that suitable levels of internal checks are included in working procedures, particularly financial procedures. It is important that duties are organised so that no one person can carry out a complete transaction without some form of checking process being built into the system.

3.0 HOW WE EXPECT COUNCIL MEMBERS AND EMPLOYEES TO BEHAVE

- 3.1** The Council expects all people and organisations that are in any way associated with it to be honest and fair in their dealings with it and our clients and customers. The Council expects our Members and employees to lead by example in these matters.
- 3.2** The Codes of Conduct for Members and employees set out an approach to work that is both honest and fair. Members and employees must act in line with the codes at all times.
- 3.3** The Council feels that Members and employees have an important part to play in dealing with fraud and corruption and will encourage staff and Members to inform us if they suspect fraud.
- 3.4** The Council will deal with all information fairly and confidentially. It will endeavour not to reveal the names of the people who gave it the information unless legally required to do so. The Councils fraud response plan gives more advice on this issue for staff.
- 3.5** The Council expects Directors to deal firmly and quickly with anyone who is responsible for fraud or corruption. The Assurance Board take the decision to refer matters to the police if they suspect any criminal activity has been carried out.
- 3.6** The Council must ensure that any investigative process is not misused and therefore any abuse, such as raising allegations that are demonstrably made for an ulterior and undesirable purpose will be deemed not to have been made in good faith and disciplinary action may be considered against the individual making the allegation.

4.0 MANAGEMENT RESPONSIBILITY AND RISK MANAGEMENT

- 4.1** The primary responsibility for preventing fraud lies with Management through:
- Identification of risks to which systems and procedures are exposed
 - The implementation, documentation and operation of internal controls.
 - Establishing an environment that promotes compliance with internal controls.
 - Promoting fraud awareness amongst staff.
 - Fostering an 'anti fraud' culture.

- 4.2 However, while Managers are responsible for assessing and controlling the level of risk within their areas of authority, it is the responsibility of all staff to be aware of fraud and take the necessary steps to minimise the risk to the Council.
- 4.3 Managing the risk of fraud is the same in principle as managing any other business risk. It is best approached systematically both at organisational and operational level. Managers should identify risk areas, assess the scale of risk, allocate responsibility for managing specific risks and implement and test controls to minimise the risks.
- 4.4 Management also have a responsibility to familiarise themselves with common fraud techniques in areas for which they have control. This should include being alert to signs which may indicate that fraud is taking place. These may include:
- staff under stress without a heavy workload
 - unexplained wealth and sudden change in lifestyles
 - staff always working late
 - new staff resigning quickly
 - original documents being lost and replaced by photocopies
 - suppliers/contractors/customers insisting on dealing with a particular member of staff
 - excessive use of correcting fluids
 - cosy relationships with suppliers/contractors/customers
 - reluctance of staff to take leave
 - sudden changes in behaviour
 - staff refusing promotion.
- 4.5 Management will support the Council's responsibilities and will co-operate with Audit, Governance and Risk Services, other involved services and the Police in the detection, reporting and investigation of fraud and corruption, including prosecution of offenders. Audit, Governance and Risk Service shall have full and unrestricted access to all necessary records and personnel. All Council furniture and contents, including desks and computers are open to inspection when there is reasonable suspicion of a dishonest or fraudulent activity which makes such inspection appropriate. There is no assumption of privacy.
- 5.0 **INTERNAL CONTROLS**
- 5.1 Internal controls are the key element in preventing fraud. They should be documented, communicated to all staff and the importance of compliance regularly reminded to staff.

It is the responsibility of Management to ensure controls in their areas of responsibility have been documented and communicated. The Financial Regulations are just that, they are not the definitive record of the Council's systems of internal control.

- 5.2 Management should periodically monitor compliance with controls. Audit, Governance and Risk Services may also test compliance. It should be emphasised that the primary function of Audit, Governance and Risk Services is to evaluate the effectiveness of the overall framework of internal control, with management being responsible for ensuring implementation and monitoring the framework. However Audit, Governance and Risk Services will be available to work with management in an advisory and facilitating role in developing and improving the control framework and also in regard to the monitoring arrangements necessary to provide management with evidence of compliance.
- 5.3 Common excuses for non-compliance with controls are that they are no longer applicable, insufficient time is available or they are not appropriate. It is important that such comments are reported to Management so that the need for the controls can be re-evaluated.

6.0 MANAGEMENT CHECKS

- 6.1 The prevention and detection of fraud and corruption is only possible where strong internal controls are present and constantly applied. Routine checks and monitoring by management to ensure that procedures are being followed are therefore essential. There are two benefits from implementing a culture of strong management controls.
- a deterrent effect when it is known that Management are actively involved in ensuring that procedures are followed, and
 - the results of the checks will allow Management to identify any operational areas where controls are not being uniformly applied and investigate whether systems have been exploited.

7.0 CORPORATE GOVERNANCE

- 7.1 The subject of Corporate Governance in the public sector will be regularly monitored by the Council. Development of best practice and recommendations arising from the Nolan, Cadbury and Turnbull reports and any subsequent reports will continue to be important in the development of an

environment in which awareness of responsibility for fraud prevention and detection can flourish.

- 7.2 The Nolan Committee sets out the seven guiding principles that apply to people who serve the public. The Council will develop its working behaviour around these principles which are as follows:

Selflessness

Holders of public office take decisions in terms of the public interest. They should not do so in order to gain financial or other material benefits for themselves, their family, 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 their performance of the official duties.

Objectivity

In carrying out public business, including making public appointments, awarding contract, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.

Accountability

Holders of public office are 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 that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.

Honesty

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

Leadership

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

- 7.3 The Corporate Governance arrangements in relation to fraud will be overseen by the Assurance Board (Chief Executive, Director of Corporate Services and Director of Legal Services) which will be regularly updated on the progress of any fraud investigation and other matters brought to the

attention of the Fraud Response Group. The Assurance Board will at the conclusion of any fraud investigation reserve the right to notify the Police.

8.0 STAFF TRAINING

8.1 A recent HM Treasury Report concluded that staff provide the best protection against fraud and corruption. It is important therefore that Council policy on fraud prevention and investigation is fully communicated to all staff. The lack of clear guidance and ignorance of procedures will often be the first excuse used by offenders.

8.2 The recruitment of suitable staff is the Council's first defence in preventing fraud. Best practice recruitment policies such as detailed application forms including a statement on criminal records, written and verbal communication with referees and past employers and verification of educational and professional qualifications will be strictly adhered to.

8.3 Staff awareness of policy and procedures is fundamental to the effective operation of systems. Best practice includes:

- instruction and discussion on control and probity issues as part of staff induction
- formal staff training on operational procedures
- detailed written instructions for specific tasks
- publication of Council policy on fraud and corruption
- regular staff notices regarding changes to Standing Orders and financial procedures.

9.0 FRAUD DETECTION AND REPORTING

9.1 The primary responsibility for detecting fraud lies with Management through the implementation, documentation and operation of effective systems of internal controls. The Audit, Governance and Risk Services Section, through their evaluation of the control framework also have a role to play in preventing and detecting fraud, however this is not the main function of Audit, Governance and Risk Services.

9.2 Responsibility for internal control rests with Management and they should ensure they are effective without regard to audit activity. However internal audit will during the course of any assignment exercise due professional care and be alert to indicators of fraud and carry out the review so that they have a reasonable expectation that any fraud occurring would be detected.

- 9.3 All staff have a responsibility to be aware of the potential for fraud and take the necessary steps to minimise the risk to the Council. Management should ensure staff in their areas of operation are familiar with the common types of fraud. The Council is not advocating the creation of an overtly suspicious environment but expects staff to be alert to the potential for fraud in areas where they operate.**
- 9.4 Staff will often be the first to notice the potential for, or actual fraud. Staff suspicious of fraud should in the first instance if appropriate report their concerns to their Senior Manager. Our fraud response plan paragraph 11 gives more advice and detail on this issue for staff. This requirement to alert Management is not confined to suspicions about other members of staff, but includes any misgivings staff may have about contractors, consultants, suppliers and service users. If necessary a route other than the Senior Manager may be used to raise such concerns, e.g.**
- Head of Audit, Governance and Risk Services**
 - Director of Corporate Services**
 - Chief Executive**
 - Director of Legal Services**
- 9.5 A Fraud Response Group should be established to investigate all reported fraud. This group would comprise:**
- Director of Corporate Services**
 - Head of Audit, Governance and Risk Services**
 - Head of Human Resources**
 - Representative from Legal Services**
- 9.6 Staff should not be dissuaded from reporting actual or suspected fraud, as all cases will be treated in the strictest confidence. The Council is fully committed to supporting and protecting staff who raise legitimate concerns and the anonymity of individuals who report any suspicions will be preserved if requested unless this is incompatible with a fair investigation or legal imperative. The Council's Whistleblowing Policy is intended to encourage and enable staff to raise serious concerns. Employees reporting concerns in this way are afforded certain rights through legislation (Public Interest Disclosure (NI) Order 1998).**
- 9.7 If an allegation is made in good faith, but is not confirmed by the investigation, no action will be taken against the originator. If however the allegation is demonstrably made for an ulterior and undesirable purpose it will be deemed not to have been made in good faith and disciplinary action may be considered against the individual making the allegation.**

- 9.8 Any action to prevent the reporting or any attempts at intimidation will be treated seriously; the person involved may be subject to disciplinary action.
- 9.9 Fraudulent or corrupt activity is regarded as a breach of contract and where there are reasonable grounds for suspicion then suspension, pending the outcome of enquiries, is likely. Where there are genuine grounds to suspect that fraud has occurred or where there is direct evidence of fraud, the Council's policy in all cases is to advise the Police.
- 9.10 Where fraud is detected then disciplinary procedures will be instigated and this may lead to dismissal of the individual concerned. In all cases the Council will co-operate fully with the Police and pursue prosecutions where possible.
- 9.11 Line Managers should note that suspects have certain rights under the law and no action (such as interviewing staff) should be taken without prior consultation with the Fraud Response Group. Failure to follow established procedures in relation to investigating fraud and interviewing the staff involved can invalidate disciplinary action and compromise the success of any future investigation and/or prosecution.

10.0 FRAUD RESPONSE PLAN

Introduction

- 10.1 Management and staff are likely to have little experience in dealing with fraud and when suspected cases arise, may be unsure of the appropriate action to take. The Council's Whistleblowing Policy will provide adequate guidance as to the avenues open to employees to raise concerns. The objectives of this response plan are:
- to provide a documented framework which the Council can refer to in the event that fraud is suspected or reported, and
 - to ensure that in the event of fraud, timely and effective action is taken to prevent further losses, identify fraudsters, safeguard evidence, minimise publicity, reduce adverse effect on the service involved and to learn lessons.

11.0 REPORT FRAUD

- 11.1 Paragraph 9.4 outlines the methods by which staff can report suspected fraud.

- 11.2 When staff report suspected fraud it is important that their suspicions are treated seriously and that all details provided by the reporting employee are promptly and accurately recorded. They should be repeated to the reporting employee to confirm understanding.
- 11.3 Of primary importance, regardless of the method of reporting, is the need to put staff at ease since the decision to report may be traumatic for the individual concerned. Employees reporting fraud must be assured that all information will be dealt with in the strictest confidence and that their anonymity will be preserved if requested, unless that is incompatible with a full and fair investigation or legal imperative.
- 11.4 Regardless of the direction any future internal or Police investigation may take, the anonymity of any reporting employee will be guaranteed during the initial investigation. The advice of Human Resources will also be sought at an early stage to see if any guarantees over future employment will be appropriate. It would not be normally expected that the employment status of any reporting employee to be affected unless they themselves have broken the law or admit to gross misconduct.
- 11.5 If the person having been notified of suspected fraud is not a member of the Fraud Response Group they will after having recorded the details of the individual case, immediately contact a member of the Fraud Response Group, namely the Director of Corporate Services, Head of Audit, Governance and Risk Services, Head of Human Resources, providing all recorded details together with any supporting evidence or documentation.
- 11.6 The person referred to in 11.2 will retain a copy of the details and record the time and date when they notified the Fraud Response Group. The maintenance of detailed and accurate records is important in supporting any subsequent investigations.
- 11.7 At this stage management should also take whatever steps are necessary to prevent further losses, e.g. by changing procedures or suspending payments, without compromising the quality of evidence or alerting the fraudsters. This should be done on the advice of the Fraud Response Group.
- 12.0 Initial Enquiry
- 12.1 On receiving details of a suspected fraud, the Fraud Response Group undertakes as limited review as is necessary to establish whether the allegation does require

further investigation. Any detailed internal investigation at this stage runs the risk of alerting the perpetrator and the destruction of evidence. Until there is sufficient evidence to support the accusation, the details of the case should be restricted to the Fraud Response Group.

- 12.2 Once the Fraud Response Group is satisfied that there is a case to be answered, immediate steps will be taken to safeguard any evidence and to revisit the action taken at paragraph 11.7 above to see if further measures can be taken to prevent further losses.
- 12.3 If staff are implicated at this stage and it would appear that there is sufficient evidence to justify future disciplinary action, the possibility of suspension must be considered. Staff should not be dismissed prior to a thorough investigation. In such circumstances the Council's disciplinary procedure will apply.

13.0 **CONDUCTING A FRAUD ENQUIRY**

- 13.1 Once it is agreed that there is sufficient evidence to justify a further investigation, such an investigation will be undertaken by the Audit, Governance and Risk Services section, supported as necessary by Council staff who may have the specialist knowledge required.

The access rights of the Audit, Governance and Risk Services section are those as detailed in paragraph 4.5. and are set out in the Charter for Audit, Governance and Risk Services which has been approved by the Assurance Board and the Audit Panel.

In exceptional circumstances the Fraud Response Group after seeking the authority of the Assurance Board may meet initially with the Police to decide who is best placed to undertake the further investigation.

- 13.2 Once the Fraud Response Group has decided that an internal enquiry should take place, a detailed remit will be agreed, including deadlines for reporting. Throughout the course of the enquiry there should be regular meetings between the investigators and the Fraud Response Group with minutes taken and agreed.
- 13.3 All involved should be clear on the scope of any investigation. Is it simply to confirm there is sufficient evidence to support the allegations, to identify those involved, to gather evidence for the Police or does the Council wish to quantify the potential loss?

13.4 There is an obvious requirement to record all details fully, accurately and in a manner that is accessible.

14.0 **STAFFING ISSUES**

14.1 A member of Human Resources is on the Fraud Response Group as further investigations may have employee rights and disciplinary repercussions.

14.2 Of crucial importance in any fraud investigation is the need to conduct enquiries within the parameters of relevant laws and regulations. Employees have certain statutory rights and if infringed, the likely success of disciplinary action or prosecution is diminished. It is vital therefore that any interviews with suspects are undertaken strictly in accordance with established procedures.

14.3 No interviews should progress without first seeking advice from the Fraud Response Group, which has members from Legal Services and Human Resources, on the relevant procedures and rules to be followed.

15.0 **CONCLUDING AN INVESTIGATION**

15.1 At the end of a case, irrespective of outcome, it is important that the progress of the investigation is reviewed to see what lessons can be learnt and to assess the effectiveness of the action taken. Such reviews will help identify any weaknesses in internal control that initially led to the fraud and should highlight any deficiencies in the systems for reporting and investigating, enable more effective future enquiries and precipitate changes to internal procedures designed to prevent reoccurrence.

15.2 Reviews should be undertaken by a member of the Fraud Response Group in consultation with relevant line managers and a brief report summarising the main points of the case produced for submission to the Assurance Board and to the Audit Panel.

15.3 Where enquiries have resulted in disciplinary action or a successful prosecution, consideration should be given to publishing summary details for staff circulation.

15.4 This could be in the form of a staff notice, briefly covering the case details and reiterating the overall Council policy on fraud.

15.5 This open approach is likely to be appreciated by the majority of staff, would emphasise the Council's active commitment to maintaining probity of operations and may indeed have a deterrent effect.

16.0 **REGULATION OF INVESTIGATORY POWERS ACT (RIPA)**

16.1 The Council has arrangements in place that will allow it to conduct surveillance, where appropriate, using the conditions outlined in the RIPA legislation. This includes obtaining the necessary written authorisation prior to undertaking surveillance. Any use of powers under RIPA must be discussed with and approved by the Director of Legal Services.

FRAUD INVESTIGATION - CHECKLIST

- Don't rush in – consider the facts
- Establish the facts without alerting anyone
- Maintain confidentiality
- Make an immediate note of everything reported. Repeat these notes to whoever is reporting the details to establish understanding
- Take steps to minimise any immediate further losses
- Consider legal implications
- Inform a member of the Fraud Response Group
- Fraud Response Group convenes to consider allegation
- Initial investigation to establish substance of allegation
- Agree if further investigation is required
- Agree a remit, establish scope of investigation and reporting deadlines
- Suspend rather than sack (if applicable)
- Secure any evidence
- Assume the worst case scenario in terms of losses and staff involved
- Hold regular meetings at which progress and agreed action is documented
- Identify all internal and external sources of information and evidence
- Prepare for interviews thoroughly
- Do not interview one to one – offer all interviewees the opportunity to have a witness/representative
- Document and reference all sources of evidence, including interview notes
- If enquiry is inconclusive, consider what internal measures need to be taken – commission further investigation, changes in procedures, disciplinary action, transfer of staff, etc.

- On completion of investigation hold a review of the process to consider what lessons need to be learnt for the future.

Appendix 2

WHISTLEBLOWING POLICY

1.0 INTRODUCTION

- 1.1** The Nolan Committee on Standards in Public Life made clear recommendations that local authorities should adopt 'Whistleblowing' procedures. The Public Interest Disclosure (NI) Order 1998 now gives protection to whistleblowers who are treated unfairly. This policy addresses those issues.
- 1.2** Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns 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.
- 1.3** The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment we expect employees 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. It is recognised that certain cases will have to proceed on a confidential basis. This Policy Document makes it clear that you can do so without fear of victimisation, subsequent discrimination or disadvantage
- 1.4** This Whistleblowing Policy is intended to encourage you to raise serious concerns within the Council rather than overlooking a problem or blowing the whistle to the media or other external bodies.
- 1.5** The Policy applies to all staff working for the Council, both full and part-time, temporary and casual, and it also covers those contractors working for the Council on City Council premises for example, agency staff and builders. It also covers suppliers and those providing service under a contract with the Council in their own premises.
- 1.6** The procedures as set out in this Policy are in addition to the Council's Complaints Procedures, Grievance Procedure, Policy on Fraud and Corruption and other reporting procedures applying to some departments.

2.0 AIMS AND SCOPE OF THE POLICY

2.1 This policy aims to:

- Make you feel confident to raise concerns and to question and act upon concerns.
- Give you avenues to raise concerns and receive feedback on any action taken.
- Inform you on how to take the matter further if you are dissatisfied with the response, and
- Reassure you that you will be protected from reprisals or victimisation for whistleblowing in good faith.

2.2 There are existing procedures in place for you to legitimately complain about harassment, violence and aggression, discrimination and instances where you feel that you have a grievance. The Whistleblowing Policy is intended to cover concerns that fall outside the scope of other procedures. These 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 employees
- damage to the environment
- the unauthorised use of public funds
- fraud and corruption
- any attempt to prevent disclosure of any of the above or
- other conduct which gives you cause for concern.

2.3 Thus any serious concerns that you have about any aspect of service provision or the conduct of staff or members of the Council or others acting on behalf of the Council can be reported under this policy. This may be something that:

- makes you feel uncomfortable in terms of known standards, your experience or the standards you believe the Council subscribes to or
- is against the Council's Standing Orders and policies or
- falls below established standards of practice
- has caused damage to the environment
- amounts to improper conduct.

3.0 Safeguards

3.1 Harassment or Victimisation

3.2 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. However uncovering malpractice will be doing a service to the Council. You will be doing your duty to your employer and those for whom you are providing a service.

3.3 The Council will fulfil its responsibility to ensure that you are NOT harassed, victimised or otherwise disadvantaged when you raise a concern. The Council will take appropriate action including the application of the disciplinary procedure, to protect an employee who raises a concern in good faith.

3.4 In accordance with the Public Interest Disclosure (NI) Order 1998 you 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.

3.5 This does not mean that if an employee is already the subject of disciplinary or redundancy procedures, that these procedures will be halted as a result of their Whistleblowing.

4.0 Confidentiality

4.1 The Council will make every effort to preserve your anonymity if you so wish. It must be appreciated however that the investigation process may reveal the source of the information and a statement from you may be required as part of the evidence.

5.0 Anonymous Allegations

5.1 This policy encourages you to put your name to your allegation. Concerns expressed anonymously are much less powerful but they 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 issue(s) raised
- the credibility of the concern
- the likelihood of confirming the allegation from attributable sources

6.0 Untrue Allegations

6.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If however the allegation is demonstrably made for an ulterior and undesirable purpose it will be deemed not to have been made in good faith and disciplinary action may be considered and taken against you.

7.0 How to Raise a Concern

7.1 For some minor issues (e.g. personal use of Council equipment, abuse of flexi-time) you should normally raise your concerns with your immediate manager or superior. In general, however, the whistleblowing procedure is expected to be used for potentially more serious and sensitive issues (e.g. corruption, fraud).

7.2 As a first step you should normally raise concerns to your Senior Manager. This depends however on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice.

7.3 For example if you believe that Senior Management is involved you should approach one of the following officers:

- Chief Executive
- Head of Audit, Governance and Risk Services
- Director of Corporate Services
- Director of Legal Services

7.4 You may also take the matter outside the Council to one of the bodies referred to in paragraphs 9.1.

7.5 Concerns are better raised in writing. The background and history of the concern, giving names, dates and places where possible, should be set out and the reason why you are particularly concerned about the situation. If you do not feel able to put your concern in writing you can telephone or meet the appropriate officer.

7.6 The earlier you express the concern the easier it will be to take action.

7.7 Although you are not expected to prove the truth of an allegation, you will need to demonstrate to the person contacted that there are sufficient grounds for concern.

7.8 Advice and guidance on how matters of concern may be pursued can be obtained from the Head of Audit, Governance and Risk Services. You can get confidential, independent advice from the charity Public Concern at Work on 02074046609 or check the website www.pcaw.co.uk. You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

7.9 You can invite your trade union or professional association representative or a friend to be present during any meetings or interview in connection with the concerns you have raised.

7.10 Concerns can be raised through your trade union.

8.0 **How The Council Will Respond?**

8.1 The Council will respond to your concerns, and it will be necessary to investigate your concerns but this is not the same as either accepting or rejecting them.

8.2 Within ten working days of a concern being received, you will receive a written response –

- 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;
- telling you whether any initial enquiries have been made; and
- telling you whether further investigations will take place, and if not, why not.

8.3 The action taken by the Council will depend on the nature of the concern.

8.4 The matters raised may:

- be investigated internally
- be referred to the police or other statutory agencies
- be referred to the Local Government Auditor.

8.5 In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations which fall within the scope of other existing procedures will normally be referred for consideration under these procedures.

- 8.6 Some concerns 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.
- 8.7 The amount of contact between the individual 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 investigating officers, will seek further information from you.
- 8.8 Where any meeting is arranged, and this can be off-site if you so wish, you can be accompanied by a trade union or professional association representative or a friend.
- 8.9 The Council will take steps to minimise any difficulties which 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 advise you about the procedure.
- 8.10 The Council accepts that you need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform you of the outcomes of any investigation.
- 9.0 How the Matter Can Be Taken Further
- 9.1 This policy is intended to provide you with an avenue within the Council to raise concerns. If you are not satisfied with the outcome you can write to the Chief Executive and ask for the investigation and outcome to be reviewed. If you remain dissatisfied and you feel it is right to take the matter outside this process, the following are possible contact points:
- the Commissioner of Complaints
 - the Local Government Auditor
 - relevant professional bodies or regulatory organisations
 - your solicitor
 - the police
- 9.2 One possibility is that you may wish to rely on your rights under the Public Interest Disclosure (NI) Order 1998. This Act gives you protection from victimisation if you make certain disclosures of information in the public interest. The provisions are quite complex and include a list of prescribed persons outside of the Council who can be contacted in certain circumstances. You should seek advice on the effect of the Act from for example your solicitor, your local Citizens Advice Bureau, the Ombudsman or Public Concern at Work.

9.3 If you take the matter outside the Council, you should ensure that you do not disclose confidential information or that disclosure would be privileged. In order to ensure that you do not make any such disclosures you may want to check the position with the Director of Legal Services or the persons referred to in paragraph 9.2.

10.0 The Responsible Officer

10.1 The Chief Executive (as Monitoring Officer) has overall responsibility for the maintenance and operation of this policy. The Monitoring Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and may report to the Council, but in such a way that your confidentiality will be preserved.”

The Panel was informed that the risk of fraud was one of the factors which was taken into account in the internal audit needs assessment exercise. In the run-up to the implementation of the Review of Public Administration the fraud risks which would be presented by the Council obtaining new responsibilities would be identified and assessed.

After discussion, the Panel adopted the recommendations contained within the foregoing report.

**Audit, Governance and Risk Services –
Progress Report**

The Panel considered a report regarding the work which Audit, Governance and Risk Services had undertaken between June and September, 2008.

The Acting Corporate Assurance Manager pointed out that one of the most significant pieces of work which had been completed during the period related to a detailed review of the corporate arrangements for the management of health and safety following the introduction of the Corporate Manslaughter Act and he apprised the Members of the work which this had entailed.

In answer to a Member’s question regarding contractors, the Acting Corporate Assurance Manager informed the Panel that the legal agreements which were prepared regarding their appointment should address the respective health and safety responsibilities of the different parties. He informed the Panel further that the audit of fixed assets, which was in the Section’s programme of work for the current financial year, would be deferred until the next financial year to enable the Financial Services Section to resolve ongoing systems issues.

The Panel noted the contents of the progress report regarding the work which had been undertaken between June and September by the Audit, Governance and Risk Services Section and the comments thereon of the Acting Corporate Assurance Manager.

**Local Government Auditor's Management
Letter 2006/2007 – Follow-up Report**

The Head of Audit, Governance and Risk Services reminded the Panel that the Local Government Auditor had provided an unqualified opinion on the Council's accounts for the 2006/2007 financial year. However, the Local Government Auditor had identified a number of issues and had made thirty-six recommendations, eleven of which had been classified as Priority 1.

He reported that the Section had undertaken follow-up work regarding the implementation of the recommendations which had been made by the Local Government Auditor. However, that work had been hampered by the fact that it had proved difficult to identify the individual officers who had been responsible for the various issues which had been highlighted. He pointed out that arrangements had been made to ensure that this situation did not arise in the future.

The Head of Audit, Governance and Risk Services indicated that 60% of the recommendations had been implemented fully, 26% had been implemented partly and 14% had not yet been implemented or had been superseded by subsequent events but that work was under way to deal with those issues. He informed the Panel that the Local Government Auditor had referred to two important issues: the number of staff who were permitted to amend the bank details of the Council's creditors and the lack of a policy regarding economic appraisals and post-project evaluations. He informed the Panel that work was ongoing to reduce the number of staff who were permitted to change bank details. In connection with the recommendations that the Council draft an economic appraisal policy and that post-project evaluations be completed on all capital projects, a report in the matter would be considered by the Chief Officers' Management Team later in the week.

The Acting Corporate Assurance Manager informed the Members that the introduction recently of a new core financial system had meant that some of the recommendations within the Local Government Auditor's Management Letter were no longer applicable.

The Head of Audit, Governance and Risk Services pointed out that, although the Local Government Auditor had made thirty-six recommendations, in terms of materiality they were not of such significance as to prevent him issuing an unqualified opinion on the Council's accounts.

The Panel noted the information with which it had been provided.

**Claims against the Council and the
Employment of Agency Staff**

The Chairman (Councillor Rodgers) suggested that the Panel should receive at future meetings reports regarding the amount of money which the Council was spending on settling claims and information regarding the number of agency staff who were employed within the Council.

In response, the Head of Audit, Governance and Risk Services indicated that he would raise the matter with the Director of Corporate Services to ascertain his view as to whether the Audit Panel would be the appropriate forum to receive such reports and that he would discuss the matter further with the Chairman directly.

Noted.

Chairman

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