Dear Member,

You are invited to attend the meeting of the Audit and Accounts Committee to be held as follows for the transaction of the business indicated.

Miranda Carruthers-Watt
Proper Officer

DATE: Wednesday, 25 January 2017
TIME: 9.00 am
VENUE: Committee Room 1, Salford Civic Centre, Chorley Road, Swinton

In accordance with ‘The Openness of Local Government Bodies Regulations 2014,’ the press and public have the right to film, video, photograph or record this meeting.

AGENDA

1 Greater Manchester Devolution Update

Greater Manchester Devolution Update – Miranda Carruthers-Watt

2 Apologies for Absence

3 The Committee is asked to consider whether it agrees to the inclusion of the items listed in Parts 1 and 2 of the agenda.

4 Declarations of Interest.

5 To approve, as a correct record, the minutes of the previous meeting.

Minutes of the previous meeting held on the 1st November 2016

6 Matters Arising

7 Recruitment of Independent members

8 Local Audit Accountability Act 2014 - Options to Appoint External Auditor

9 Audit Committee Update- Grant Thornton

10 Internal Audit Progress Report Nov - Dec 2016

11 Revised Counter Fraud and Corruption policies and procedures

12 URGENT BUSINESS - PART 1
Business which, due to special circumstances, the Chair of the meeting is of the opinion should be considered as a matter of urgency.

13 EXCLUSION OF THE PUBLIC - Part Two

The officers consider that the following items contain exempt information as provided for in the Local Government Access to Information Act and that the public interest in maintaining the exemption outweighs the public interest in disclosing the information. Members are recommended to agree the necessary resolutions excluding the public from the meeting during consideration of this item. At the time this agenda is published no representations have been that this part of the meeting should be open to the public.

14 Completed and Current Investigations

15 URGENT BUSINESS - PART 2

Business which, due to special circumstances, the Chair of the meeting is of the opinion should be considered as a matter of urgency.

16 Date of Next Meeting

Wednesday 22\textsuperscript{nd} March 2017 at 9.00am

Contact Officer: Helen.Oldland - Senior Democratic Services Advisor
Tel No: 0161 793 2811
E-Mail: helen.oldland@salford.gov.uk
AUDIT AND ACCOUNTS COMMITTEE

1st November 2016

Meeting commenced: 1.00 p.m.
“ended: 3.25pm

PRESENT: Councillor Christopher Clarkson - in the Chair
Councillors: Jim Dawson, David Jolley, Gina Reynolds, Bill Hinds and
John Walsh
Co-opted Members: Tony Bannister and Rabbi Grant

OFFICERS: Jim Taylor – City Director
Jean Gleave – Head of Internal Audit
Ben Dolan – Strategic Director Environment &Community Safety
Neil Thornton - Director of Finance & Corporate Business
Sam Betts – Assistant Director – Human Resources
Jacqui Dennis – Interim Head of Legal Services -Manchester
Carol Stuart –Audit Manager
Paula Summersfield – Strategic Finance Manager
Mike Thomas – (Grant Thornton) Director
Helen Oldland– Senior Democratic Services Advisor
Carol Eddleston - Senior Democratic Services Advisor

The meeting was preceded by a private meeting between the external auditors, Grant Thornton and the members of the committee.

1. APOLOGIES FOR ABSENCE
Apologies for absence were submitted on behalf of Councillors Paul Wilson, Howard Balkind and Roger Jones.

2. THE COMMITTEE IS ASKED TO CONSIDER WHETHER IT AGREES TO THE INCLUSION OF THE ITEMS LISTED IN PARTS 1 AND 2 OF THE AGENDA

RESOLVED: THAT the items included on the agenda for this meeting be approved.

3. DECLARATIONS OF INTEREST

The officers from Grant Thornton declared in interest in agenda item no 11 and left the meeting for the duration of that item.

4. TO APPROVE AS A CORRECT RECORD THE MINUTES OF THE PREVIOUS MEETING

It was noted that Councillor Howard Balkind had submitted his apologies for this meeting but these had not been included in the minutes.
RESOLVED: THAT the minutes of the meeting held on 24th August 2016 be approved as a correct record subject to the above amendment.

5. MATTERS ARISING

Item 6 Annual Governance Statement – Manchester Mayor and Governance

The committee was informed that Miranda Carruthers-Watt, Assistant Director, Legal and Governance would be providing an update in regard to developments to the governance arrangements for GMP, GMFRS and TfGM at the January meeting of the committee.

RESOLVED: THAT the committee to receive an update on the above developments at the meeting scheduled for the 25th January 2017.

6. EARLY CLOSURE OF THE ACCOUNTS

Paula Summersfield, Strategic Finance Manager introduced the above report which provided detail on the proposed steps being taken by the Finance team in order to continue to reduce the overall timescales for the final closing of the accounts. It was explained that this is required in order for the local authority to meet the changes in the statutory requirements to complete the final accounts process by 31st July 2018 for the 2017/18 published accounts.

The committee were informed that by continuing to reduce these timescales in 2017 this would allow time to assess the process and take any corrective action necessary in order to complete these as required the following year.

It was noted that the revised date for the final sign off for the accounts would require a meeting of this committee to be held on 26th July 2017 and it was agreed that this would be an additional meeting with a one item agenda.

RESOLVED: (1) THAT the revised date of 26 July 2017 for the signing of the 2016/17 statement of accounts be approved and an additional meeting scheduled.

(2) THAT the report be noted.

7. GRANT THORNTON

A) PROGRESS AND UPDATE REPORT

Mike Thomas, Engagement Lead, Grant Thornton, introduced the above report which provided members with progress to date from Grant Thornton in delivering on their responsibilities as the Councils’ external auditors. The attention of members was drawn to the following areas;-:

- Value for Money Conclusion
- Annual Audit letter
- Housing Benefit Subsidy claim

In addition to the above, Mike Thomas highlighted the following issues which were emerging nationally and which would be of interest to the committee;-:

- Financial sustainability of local authorities (Capital Expenditure and Resourcing)
• Integrated Reporting
• Changes to the Code of Practice 16/17 (Highways Network Asset)
• Culture of Place
• Pioneer World Class health Event in Manchester
• Advancing closure – need to accelerate financial reporting

The key challenges around the changes to the Code of Practice in relation to the detailed accounting requirement for the Highways Network Asset (HNA) were discussed in more detail, as briefings were currently being delivered by Grant Thornton in order to support local authorities in completing the supporting records for HNA inventory and expenditure.

B) ANNUAL AUDIT LETTER

Mike Thomas also introduced the Annual Audit letter which summarised the key findings from the work carried out by Grant Thornton for the year ended 31st March 2016.

The following areas were detailed to the members:-
• Risks identified in the audit plan
• Value for Money conclusion
• Housing Benefit Grant Certification work in progress
• Fees charged
• Recommendations

RESOLVED: THAT the reports be noted

8. SWINTON GATEWAY REVIEW

The City Director presented the above report which provided the committee with information on the review of arrangements regarding governance, management and delivery of the Swinton Gateway project. The review had been wide-ranging in its consideration of the project and had identified areas of learning and development. The report into the review provided members with the key findings and suggested recommendations for improvement.

Senior officers were also in attendance at this meeting of the committee as the City Director highlighted the seriousness of the issues raised by the review and the actions required in order to provide comprehensive assurances to the members that all the concerns had been addressed.

The background to the project was provided to the members alongside the description of the contract, the project management approach and the decision making process.

The key lines of enquiry were discussed in detail during which reference was made to the following:-
• Lack of clarity in regard to communication of revised policies to officers
• Project Board acted as a ‘User Group’
• Changes in senior personnel and unclear handover of responsibilities
• Speed of project and changes to project managers
• Insufficient identification and escalation of risks
The City Director highlighted the actions being taken and implemented to prevent a repeat of the issues that had happened during the delivery of the Swinton Gateway and answered members’ questions in regard to the escalating costs, delays to the scheme (including those caused by the additional asbestos found) and lack of governance in the management of the project.

The Strategic Director, Environment and Community Safety explained the revised arrangements and procedures which included the new regeneration project board who will receive monthly updates on every project and keep an overview of the total capital programme.

The committee was assured that the procurement was compliant with the Council’s Standing Orders and that no expenditure took place without the approval of the then City Mayor. In closing, it was noted that many large scale capital projects had been successfully delivered and the issues raised by the internal audit report on this particular scheme had been taken extremely seriously, by the City Director and senior management and the necessary actions taken to reduce the risk of this happening again.

The chair thanked the officers for their attendance at the committee and for their full and frank honesty in addressing the difficult situation around this capital project.

RESOLVED: (1) THAT the Audit and Accounts Committee noted the progress of the review into resolving issues concerning the governance, project and risk management of the Swinton Gateway project.

(2) THAT the Audit and Accounts Committee endorsed and noted progress on the recommended improvement actions specifically:

a) The Strategic Director of Environment and Community Safety to carry out an audit of current capital projects to ensure project management arrangements are in good order, review the suitability of project governance and support arrangements, and ensure risks are effectively managed.

b) The Monitoring Officer to develop and agree a protocol for how changes to the governance arrangements, Financial Regulations, Project and Risk Management policies are communicated and understood throughout the organisation.

c) The Assistant Director Strategy and Change, with the Head of Internal Audit, to review the existing Risk Management Strategy and Salford Project Management Methodology and their effective implementation across the Council.

9. INTERNAL AUDIT CHARTER

Jean Gleave, Head of Internal Audit introduced the above report which provided members of the committee with the updated version of the Internal Audit Charter. It was noted that the committee had been presented with a previous revised version in March of this year and, following some minor amends to the UK Public Sector Internal Audit Standards (PSIAS) these had now been incorporated into the charter.
RESOLVED: THAT the updated version of the Internal Audit Charter for 2016/17 is approved by the Audit and Accounts committee.

10. INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

Jean Gleave, presented the above report which detailed the updated Internal Audit Quality Assurance and Improvement Programme and requested members to consider an assessment by an external assessor in February/March 2017. It was noted that an external assessment of the Internal Audit activity was now required once every 5 years with the first phase of this period ending in 2017/18.

Members referred to the Action Plan, dated June 2016, where it was indicated that further skills were required in the areas of Counter Fraud, Contract Audit and Financial audits and were updated with the current staffing situation including posts within the Corporate Counter Fraud Team.

RESOLVED: (1) THAT the Internal Audit Quality Assurance and Improvement Programme be approved.

                                                (2) THAT Members approved an external assessment to be undertaken in February/March 2017.

11. APPOINTMENT OF EXTERNAL AUDITORS

Mike Thomas, Grant Thornton Engagement Lead left the meeting for the discussion of this item.
Jean Gleave reminded members in regard to a previous report which had been brought to the committee in October 2016 which set out the three broad options available to the local authority to respond to changes for the arrangements for appointing External Auditors.
Members were now being asked to consider the preferred option across Greater Manchester which proposed the establishment of a local joint procurement arrangement with GMCA and neighbouring authorities for the provision of external audit services from 2018/19. It was noted the Manchester City Treasurer would take the appropriate actions necessary to progress this option but sufficient time needed to be allowed to affect the legal procurement process. Members were advised that a decision had to have been taken by Spring 2017.
Neil Thornton, Director of Finance & Corporate Business informed members that Richard Paver, Treasurer of GMCA had undertaken some preliminary work to determine which firms would be interested in delivering these contracts and further updates would be provided to the committee in due course.
Members wished to defer any decisions on the options available until further discussions had taken place at the January meeting of the committee.

RESOLVED: THAT the preferred option be noted and a further report be presented to the committee in January 2017.

12. INTERNAL AUDIT PROGRESS REPORT

Carol Stuart, Audit Manager, introduced the above report the purpose of which was to inform members of the resources utilised by Internal Audit during 2016/17, the
activities undertaken in the reporting period, the status of work currently being undertaken and of that proposed to the end of the next reporting period. It was noted that 12 final reports had been issued and 6 reports were at the draft stage. Discussions took place during which reference was made to the following issues:-

- Current shortfall in resources of approx 50 days and impact on the achievement of the Internal Audit Plan
- Grant work no longer required
- Reports issued- all received a ‘satisfactory’ level of assurance
- Four grant reviews and an advisory report also issued

RESOLVED: THAT the committee note the contents of the report.

13. COUNTER FRAUD UPDATE

Carol Stuart presented the above report which provided the committee members with an update of the work being undertaken by the Council to minimise the risk of fraud, bribery and corruption. The report sought to provide assurances that the Council’s assets were being safeguarded and resources directed to legitimate areas of activity. In addition, members were provided with detail in regard to any significant investigations or fraud risks currently affecting the Council.

Members were advised that the Council takes a zero tolerance approach to fraud and since its inception in February 2016, the Corporate Counter Fraud team had made savings for the Council of £50,304. The creation of the team had also presented opportunities to further develop its capacity to investigate other suspected frauds against the Council in areas like blue badges, social care, procurement and insurance. The fraud awareness work badged “Spot it, Stop It” was ongoing and further publicity was planned, with successful prosecutions always reported in the local press. It was noted that the team is seen as being both proactive and reactive and is proving to be self financing.

RESOLVED: THAT the report be noted.

14. URGENT BUSINESS IN PART ONE

There was no urgent business.

15. EXCLUSION OF THE PUBLIC

RESOLVED: THAT, under section 100A(4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the ground that they involve the likely disclosure of exempt information as specified in the paragraphs of Part 1 of Schedule 12A to the Act.

PART 2 – CLOSED TO THE PUBLIC

16. OPEN AND COMPLETED INVESTIGATIONS
Carol Stuart presented the above report which informed Members of the special investigation activity undertaken by Internal Audit and concluded during the period 1st August 2016 to 31st October 2016 inclusive.

RESOLVED: THAT the content of the report be noted.

17. **URGENT BUSINESS – PART 2**

There was no urgent business to discuss.

18. **DATE OF NEXT MEETING**

Members were thanked for their attendance and it was noted that the next meeting was to be held on Wednesday 25th January 2017 at the Civic Centre, commencing at 9.00 a.m.
## Attendances 2016/2017

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<thead>
<tr>
<th>Councillor</th>
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<th>Aug</th>
<th>Nov</th>
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(A = Apologies received)  (✓ = Attended) (Blank - No apologies received)
REPORT OF
THE ASSISTANT DIRECTOR LEGAL AND GOVERNANCE

TO
AUDIT AND ACCOUNTS COMMITTEE

ON
WEDNESDAY 25TH JANUARY 2017

TITLE: Recruitment of Independent Members to the Audit and Accounts Committee

RECOMMENDATIONS: Members are requested to note the proposed recruitment process to be followed for the appointment of two independent members for the Audit and Accounts Committee.

EXECUTIVE SUMMARY: This report details the proposed recruitment process to be followed for the appointment of two independent members for the Audit and Accounts Committee from May 2017.

BACKGROUND DOCUMENTS: The Council’s Constitution.
Report to the Audit and Accounts Committee on 22nd June 2016
Report to the Audit and Accounts Committee on 27th March 2013
(Available for public inspection)

KEY DECISION: NO

DETAILS: The Audit & Accounts committee was created in May 2008. At an early meeting its members decided that, in common with some examples of best practice, they should recruit 2 independent members with some financial background and possibly experience of governance arrangements.

The vacancies in the Audit and Accounts Committee were advertised in Life In Salford. Details were also circulated to contacts by the business support team. Five applicants expressed interest of whom three were short listed and interviewed.
The Panel appreciated how fortunate they were in receiving such a high calibre of candidates and although the decision was a difficult one they were unanimous in recommending Mr Anthony Bannister and Rabbi Simon Grant for the two posts. The Chair and Head of Audit selected them after interviewing a number of candidates; both have backgrounds and experience that contribute to the work of the committee. The Independent members have provided effective and robust challenge and the Committee value their input and contribution. The Independent Members were originally appointed for three years (until the end of the Municipal Year 2011/12) and were re-appointed by the committee in March 2013. These re-appointments are due to finish at the end of Municipal Year 2017 as the members were re-appointed by the committee for a further twelve months in June 2016. It was the intention that over the coming twelve months the opportunity to refresh the panel members would be explored.

It is proposed that following on from the June 2016 decision, the Council authorise the Assistant Director Legal and Governance to carry out a recruitment process with the aim of replacing both Independent Members and that the Committee make recommendations to Council to appoint the successful candidates.

It is proposed that an Independent Member’s term of office will be for three years and they serve no more than two terms of office. This is to ensure the independence of the Independent Members and that the appropriate distance from the Council is maintained in accordance with good practice. A fixed allowance for Independent Members is set by the Council’s Remuneration Panel and is funded via the Members Service Budget. Currently this is £384.00 per annum.

The process will comprise:

- Preparation of an advertisement, role description and person specification.
- Advertisement of the roles in accordance with good practice, maintaining equality of opportunity in the process.
- Shortlisting by the Assistant Director Legal and Governance and Head of Audit in consultation with the Chair of the Committee.
- Interview by a panel comprising the Chair of the Committee, an ordinary member of the committee, the Assistant Director Legal and Governance and the Head of Audit
- Presentation of report by the Assistant Director Legal and Governance to Council seeking appointment of the successful candidates.

KEY COUNCIL POLICIES:
- Code of Conduct for Members
- Council Constitution

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: Recruitment will comply with the Council’s HR policies maintaining equality of opportunity in the process.

HR IMPLICATIONS: Recruitment will comply with the Council’s HR policies.
ASSESSMENT OF RISK: These appointments will continue to support the committee in maintaining its impartiality and independence.

LEGAL IMPLICATIONS: Supplied by Marina Moss
Guidance contained in Audit Committees: Practical Guidance for Local Authorities and Police issued by CIPFA (paragraph 7.13) recommends that provision be made for early termination of Independent Members’ appointments within the delegations of the Committee in the Constitution.

FINANCIAL IMPLICATIONS: A fixed allowance will be set by the Council’s Remuneration Panel and is funded via the Members Service Budget. Currently this is £384.00 per annum.

PROCUREMENT IMPLICATIONS Supplied by: N/A

OTHER DIRECTORATES CONSULTED: N/A

CONTACT OFFICER: Miranda Carruthers Watt TEL NO: 793 3620

WARDS TO WHICH REPORT RELATES: All
REPORT OF DIRECTOR OF FINANCE & CORPORATE BUSINESS

TO THE AUDIT & ACCOUNTS COMMITTEE

WEDNESDAY 25 JANUARY 2017

TITLE: Local Audit Accountability Act 2014 – Options to Appoint External Auditor

RECOMMENDATION:

1. Audit and Accounts Committee to note the current position in respect of arrangements for the appointment of external auditors and confirm the proposed approach to be taken by the S151 Officer to brief Audit and Accounts Committee in advance of a formal decision report to Council.

EXECUTIVE SUMMARY:

The Local Audit and Accountability Act 2014 (the Act) at Section 7 states that a “relevant authority must appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year.” Current auditor contracts have been extended for 12 months, therefore for Salford Council the appointment of an auditor must be completed by 31 December 2017 for the audit year 2018/19. Sufficient time needs to be allowed to affect an appropriate, legal procurement process.

BACKGROUND DOCUMENTS:

DCLG: Government response to the Future of Local Audit
DCLG: Future of local public Audit – consultation: summary of responses
Local Audit and Accountability Act 2014 (the Act)
Local Audit (Appointing Person) Regulations 2015
PSAA Ltd - Developing the option of a national scheme for local auditor appointments
PSAA Ltd website - prospectus

KEY DECISION: NO

DETAILS: Overleaf
1. BACKGROUND

1.1 In August and November 2016 Audit and Accounts Committee received reports on proposals for the appointment of external auditors. This report provides an update on progress.

1.2 In summary, the two reports confirmed the requirement, following the closure of the Audit Commission, for all local government and NHS bodies in England to locally appoint their external auditors.

1.3 The reports confirmed three broad options open to the Council under the Act which are:

- Option 1: Make a stand-alone appointment
- Option 2: Establish local joint procurement arrangements
- Option 3: Opt-in to a sector led body appointed by the Secretary of State under the Act - Public Sector Audit Appointments Limited (PSAA).

1.4 New appointments for auditors need to be made by December 2017 regardless of which option is chosen.

1.5 The report in November 2016 concluded that the City Treasurer and counterparts in GMCA, TfGM, GMPCC, GMP, GMFRS and across GM local government were supportive of the proposal for a GM level procurement (Option 2) and sought approval for this option to be pursued.

2. FUTURE DEVELOPMENTS

2.1 Since the November 2016 Audit Committee, GM treasurers have engaged in further discussions and meetings to explore option 3 with PSAA, to explore whether the approach being developed could be utilised to better meet the Councils and GM local authority needs. In particular PSAA were asked whether their process would:

(i) enable the same external auditor to be appointed to all GM local authorities
(ii) ensure an acceptable recognition of social value to be reflected in the procurement process.

If these requirements can be met then GM treasurers may look to opt into this sector led procurement approach as it could result in lower procurement costs and fees than might be achieved through a local appointment process.

2.2 Discussions with PSAA have been ongoing over the last two months. It appears unlikely at this stage that they would be able to guarantee the same external auditor for all GM local authorities but can provide reasonable assurance that it would be feasible for the same firm to be appointed for GMCA, TfGM and GMP.
2.3 The weighting to be afforded to social value in the procurement process is less clear as two options are being presented to the PSAA Board on 18 January. One of these options affords a lower weighting to social value than may be acceptable to a number of GM local authorities. This could result in some or all of the GM local authorities deciding to pursue the joint local appointment outside of the sector led approach.

2.4 A key challenge is that the deadline to opt in to the sector led approach is 9 March 2017 and is a decision that must be approved at Full Council.

3. SECTOR LED BODY – PUBLIC SECTOR AUDIT APPOINTMENTS LIMITED (PSAA)

3.1 Public Sector Audit Appointments Limited (PSAA) is a not-for-profit company established by the Local Government Association (LGA). PSAA have been specified by the Secretary of State for Communities and the LGA as the appointing person for principal local government bodies. This means that PSAA will make the auditor appointments for those bodies that choose to opt in to the national appointment arrangements - the ‘sector led body approach’ - from 2018/19. In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, a principal authority will need to make the decision to opt in to the national scheme at a full council meeting. The deadline for PSAA to receive formal acceptance of their invitation to opt in is 9 March 2017.

3.2 PSAA note that they intend to run the national scheme in a way that will save time and resources for local government bodies. PSAA will be able to negotiate contracts with firms nationally which they feel will secure the best prices, keeping the cost of audit as low as possible for the bodies who choose to opt in, without compromising on audit quality. Using the scheme will avoid the need for the Council to:

- Establish an auditor panel with independent members
- Manage the auditor procurement and cover its costs
- Manage the contract and monitor the independence of the appointed auditor for the duration of the contract
- Deal with the replacement of the auditor if required.

3.3 The LGA is strongly supportive of the sector led approach as it believes this offers best value to Councils by reducing set-up costs and having the potential to negotiate the lowest fees.
4. NEXT STEPS

4.1 The Council has until December 2017 to make an appointment. In practical terms this means one of the options outlined in the reports will need to be in place by Spring 2017 in order that the contract negotiation process can be carried out during 2017.

4.2 The Section 151 Officer and GM local authority treasurers await the decision to be made by PSAA on 18 January 2017 in respect of procurement award criteria as this will inform the final recommendation to be made to each local authority.

4.3 The Section 151 Officer will inform Audit and Accounts Committee members of the final proposed option in advance of a report that will need to be approved by Council.

5. CONCLUSION

5.1 The Council will need to take action to implement new arrangements for the appointment of external auditors from April 2018. The Committee is asked to note the current position in respect of arrangements for the appointment of external auditors and confirm the proposed approach to be taken by the S151Officer to brief Audit and Accounts Committee in advance of a formal decision report to Council.

KEY COUNCIL POLICIES:
None noted

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:
None Noted

ASSESSMENT OF RISK: low
The work of external audit forms a key element of the Council’s overall system of internal control. Effective external audit arrangements promote best practice and improvements in the management of risks and value for money. A key requirement for the Audit and Accounts Committee, in order for the Committee to meet its Terms of Reference, is to assess the adequacy of the external audit provision.

Early consideration by the Council of its preferred approach will enable detailed planning to take place so as to achieve successful transition to the new arrangement in a timely and efficient manner.

LEGAL IMPLICATIONS Supplied by: Melinda Edwards, Principal Solicitor
Section 4 of the Local Audit and Accountability Act 2014 (‘the Act’) imposes the general requirement that the accounts of a ‘relevant authority’ must be audited in
accordance with the Act (or a provision made under it) by a ‘local auditor’. In the Act “relevant authority” means a person or body listed in Schedule 2.

Section 7 of the Act requires a local authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding financial year, although it may make the appointment for more than one financial year provided it makes a further appointment at least once every 5 years or such other period as specified by the Secretary of State by regulation, which may include re-appointing the auditor.

The ‘local auditor’ must be eligible to audit the relevant authority's accounts (as set out in Part 4 of the Act) and must be independent from the body being audited. If a relevant authority is a local authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the authority under those arrangements. If a relevant authority is a local authority within the meaning of section 101 of the Local Government Act 1972 (arrangements for discharge of functions), that section does not apply to the authority's function of appointing a local auditor to audit its accounts.

Section 9 requires each relevant authority to have an auditor panel to exercise the functions of an auditor panel under the Act. Schedule 4 of the Act sets out the different ways in which a body may meet the requirement to have an auditor panel, namely that the auditor panel can be a panel appointed as such, a shared auditor panel appointed by one or more other authorities, or an existing committee that complies with provisions applying to auditor panels.

Section 17 of the Act gives the Secretary of State the power to make provision, by regulations, for certain relevant authorities to have a local auditor appointed on their behalf by a body (an ‘appointing person’) specified by the Secretary of State. In that regard, the Local Audit (Appointing Person) Regulations 2015 make provision for the appointment of a local auditor by a person specified by the Secretary of State (“an appointing person”) to audit the accounts of those authorities that choose to opt in to such arrangements.

The Secretary of State for Communities and Local Government has specified PSAA as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015.

**FINANCIAL IMPLICATIONS**: Supplied by: Jean Gleave Head of Internal Audit

It is anticipated that the SLB option will result in lower fees than could be negotiated by an individual local authority, through economies of scale from the large scale contracts negotiated by PSAA.

Opting-in to a national SLB provides maximum opportunity to limit the extent of any increases by entering into a large scale collective procurement arrangement and would remove the costs of establishing an auditor panel.
The cost of establishing a joint Auditor Panel will include the cost of recruiting independent appointees (members), servicing the Panel, running a bidding and tender evaluation process, letting a contract and paying members fees and allowances.

PROCUREMENT IMPLICATIONS Supplied by: not required

HR IMPLICATIONS Supplied by: not required

OTHER DIRECTORATES CONSULTED:
None

CONTACT OFFICER: Jean Gleave TEL NO: 0161 607 6651

WARDS TO WHICH REPORT RELATES: N/A
Audit and Accounts Committee
Progress and Update Report for
Salford City Council
17 January 2017

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Tommy Rooney
Audit Manager
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E tommy.o.rooney@uk.gt.com

Mark Stansfield
Executive
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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.
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Introduction

This paper provides the Audit and Accounts Committee with a report on progress in delivering our responsibilities as your external auditors.

Members of the Audit Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications including:

- **Your Generation: Making decentralised energy happen**

- **Culture of Place:** A copy of the report and a collection of short videos can be found on our website at: [http://www.grantthornton.co.uk/en/insights/culture-of-place/](http://www.grantthornton.co.uk/en/insights/culture-of-place/)

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.
## Progress at 17 January 2017

<table>
<thead>
<tr>
<th>2015/16 work</th>
<th>Completed</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Audit Letter</strong></td>
<td>October 2016</td>
<td>We issued our Annual Audit Letter on 24 October 2016 and it was presented to the Audit and Accounts Committee on 1 November 2016.</td>
</tr>
<tr>
<td>Our Annual Audit Letter summarises</td>
<td></td>
<td>The Annual Audit Letter includes confirmation that we completed the work required on the Council's consolidation return for the Whole of Government Accounts and issued an unqualified report on 21 October 2016.</td>
</tr>
<tr>
<td>the key findings arising from the</td>
<td></td>
<td>The Annual Audit Letter also confirms that we certified that we have completed the audit of the accounts of Salford City Council in accordance with the requirements of the Code on 21 October 2016.</td>
</tr>
<tr>
<td>work that we have carried out for the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>year ended 31 March 2016.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Housing Benefit Subsidy claim</strong></td>
<td>November 2016</td>
<td>We completed our work on the claim by the deadline of 30 November 2016.</td>
</tr>
<tr>
<td>We are required to review and certify</td>
<td></td>
<td>We will present our certification letter on the work completed to the next meeting of the Audit and Accounts Committee in March 2017.</td>
</tr>
<tr>
<td>the claim by 30 November 2016.</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other Grants work</strong></td>
<td>November 2016</td>
<td>We have issued an unqualified reasonable assurance report on both returns.</td>
</tr>
<tr>
<td>We have completed work to provide a</td>
<td></td>
<td></td>
</tr>
<tr>
<td>reasonable assurance report on the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Teachers Pensions Return and Housing</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Receipts Pooling Return.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
## Progress at 17 January 2017

<table>
<thead>
<tr>
<th>2016/17 work</th>
<th>Planned Date</th>
<th>Complete?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fee Letter</strong></td>
<td>April 2016</td>
<td>Yes</td>
<td>We issued the fee letter for 2016/17 in April 2016, with no change to the scale fee proposed. There is no change in the scope of the areas of audit from 2015/16.</td>
</tr>
<tr>
<td><strong>Accounts Audit Plan</strong></td>
<td>March 2017</td>
<td>In progress</td>
<td>Our Audit Plan for 2016/17 will be presented to the Audit and Accounts Committee meeting in March 2017.</td>
</tr>
<tr>
<td><strong>Interim accounts audit</strong></td>
<td>December 2016 to April 2017</td>
<td>In progress</td>
<td>Our interim audit started in December 2016 and we expect to complete this part of our work programme in January 2017. Any findings from our work will be reported in the Audit Plan.</td>
</tr>
<tr>
<td><strong>Final accounts audit</strong></td>
<td>June to July 2017</td>
<td>Not yet started</td>
<td>We anticipate scheduling our work on the Council's statement of accounts for June to July 2017. The findings from our final accounts work will be reported to the Audit and Accounts Committee on 26 July 2017 as part of the transition to the earlier closedown and audit cycle that is required from 2018. This is ahead of the statutory 30 September deadline. This is because the deadline changes in 2017/18 so that completion of the audit is required by 31 July 2018. We are keen to work with the Council to make 2016/17 a 'dry run' for both your finance team and our audit team in advance of this significant change in the timing of the audit.</td>
</tr>
</tbody>
</table>

- **Fee Letter**: We are required to issue a ‘Planned fee letter for 2016/17’ by the end of April 2016.
- **Accounts Audit Plan**: We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on the Council’s 2016-17 financial statements.
- **Interim accounts audit**: Our interim fieldwork visit plan included:
  - updated review of the Council’s control environment
  - updated understanding of financial systems
  - review of Internal Audit reports on core financial systems
  - early work on emerging accounting issues
  - early substantive testing
  - Value for Money conclusion risk assessment.
- **Final accounts audit**: Including:
  - audit of the 2016/17 financial statements
  - proposed opinion on the Council’s accounts
  - proposed Value for Money conclusion
  - review of the Council’s disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17.
### Progress at 17 January 2017

<table>
<thead>
<tr>
<th>2016/17 work</th>
<th>Planned Date</th>
<th>Complete?</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value for Money (VfM) conclusion</strong></td>
<td>January to July 2017</td>
<td>In progress</td>
<td>We will undertake our risk assessment alongside our interim work and will report any areas of significant risk to you in the Audit Plan. Between March and July we will complete any further work required from the risk assessment. We will report the final outcome of our work in our Audit Findings Report.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Annual Audit Letter</strong></td>
<td>October 2017</td>
<td>Not yet started</td>
<td>We will issue an Annual Audit Letter to the Council in line with specified deadlines after the audit of the 2016/17 financial statements.</td>
</tr>
</tbody>
</table>
Code of Practice on Local Authority Accounting in the United Kingdom 2016/17

This is the seventh edition of the Code to be prepared under International Financial Reporting Standards (IFRS), which have been adopted as the basis for public sector accounting in the UK. The 2016/17 Code has been developed by CIPFA/LASAAC and has effect for financial years commencing on or after 1 April 2016.

Local authorities in the United Kingdom are required to keep their accounts in accordance with ‘proper (accounting) practices’. This is defined, for the purposes of local government legislation, as meaning compliance with the terms of the Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

The Code includes changes resulting from the 'Telling the Story' review on improving the presentation of local authority financial statements. These include new formats and reporting requirements for the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement and the introduction of the new Expenditure and Funding Analysis.

Amendments arising from the narrow scope amendments to International Financial Reporting Standards including changes from the following amended standards:

- IAS 1 Presentation of Financial Statements under the International Accounting Standards Board Disclosure Initiative
- IAS 24 Related Party Disclosures in relation to key management personnel as a result of the Annual Improvements to IFRSs 2010 – 2012
- IFRS 11 Joint Arrangements Accounting for Acquisitions of interest in Joint Operations
- IFRS 8 Operating Segments as a result of the Annual Improvements to IFRSs 2010 – 2012.

An update to the Statements Reporting Reviews of Internal Controls Section of the Code for the changes to the Delivering Good Governance in Local Government: Framework (2016) published by CIPFA and SOLACE.
Highways network asset accounting update

On 14 November CIPFA/LASAAC announced a deferral of the move to measuring the Highways Network Asset ('HNA') at depreciated replacement cost in local authority financial statements for 2016/17. This is due to delays in obtaining updated central rates information that was required for the valuations.

CIPFA/LASAAC will issue an Update to the 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom to confirm this decision once it has completed the full due process before publication. CIPFA/LASAAC will review this position at its meeting in March 2017 with a view to implementation in 2017/18 and will consider whether central rates and the central assurance processes will be delivered in a timely manner to allow successful implementation. It expects that the 2017/18 Code will be on the same basis as planned for 2016/17, i.e. not requiring restatement of preceding year information.

In August, CIPFA published the 'Code of Practice on the Highways Network Asset (2016 Edition)' and additional guidance to aid the implementation process.
Telling the story – Changes in 2016/17 CIPFA Code

CIPFA has been working on the 'Telling the Story' project, which aims to streamline the financial statements and improve accessibility to the user. This has resulted in changes to CIPFA's 2016/17 Code of Practice on Local Authority Accounting in the United Kingdom ('the Code').

The main changes affect the presentation of the Comprehensive Income and Expenditure Statement ('CIES'), the Movement in Reserves Statement ('MIRS') and segmental reporting disclosures. A new Expenditure and Funding Analysis has been introduced.

The key changes are:

• the cost of services in the CIES is to be reported on basis of the local authority's organisational structure rather than the Service Reporting Code of Practice (SERCOP) headings
• an 'Expenditure & Funding Analysis' note to the financial statements provides a reconciliation between the way local authorities are funded and the accounting measures of financial performance in the CIES
• the changes will remove some of the complexities of the current segmental note
• other changes to streamline the current MIRS providing options to report Total Comprehensive Income and Expenditure (previously shown as Surplus and Deficit on the Provision of Services and Other Comprehensive Income and Expenditure lines) and removal of earmarked reserves columns.

Other amendments have been made to the Code:

• changes to reporting by pension funds in relation to the format and fair value disclosure requirements to reflect changes to the Pensions SORP
• other amendments and clarifications to reflect changes in the accounting standards.
Delivering Good Governance

In April, CIPFA and SOLACE published 'Delivering Good Governance in Local Government: Framework (2016)' and this applies to annual governance statements prepared for the 2016/17 financial year.

The key focus of the framework is on sustainability – economic, social and environmental – and the need to focus on the longer term and the impact actions may have on future generations.

Local authorities should be:

• reviewing existing governance arrangements against the principles set out in the Framework
• developing and maintaining an up-to-date local code of governance, including arrangements for ensuring on-going effectiveness
• reporting publicly on compliance with their own code on an annual basis and on how they have monitored the effectiveness of their governance arrangements in the year and on planned changes.

The framework applies to all parts of local government and its partnerships and should be applied using the spirit and ethos of the Framework rather than just rules and procedures.
Sector issues and developments
National Audit Office: Below is a selection of reports issued during 2016 which may be of interest to Audit and Accounts Committee members. Please see the website for all reports issued by the NAO.

Local welfare provision
Overall spending on discretionary local welfare support by central and local government has reduced since April 2013. The consequences of this gap in provision are not understood.
Sector(s): Community and society, Local services
Performance Improvement area(s): Financial and service sustainability, Local service delivery

English devolution deals
Devolution deals to devolve power from central government to local areas in England offer opportunities to stimulate economic growth and reform public services for local users, but the arrangements are untested and government could do more to provide confidence that these deals will achieve the benefits intended
Sector(s): Central Finance and Treasury, Community and society
Performance Improvement area(s): Economic growth, Local service delivery

Financial sustainability of local authorities: capital expenditure and resourcing
Local authorities have kept up levels of capital spending but face pressure to meet debt costs and maintain investment in existing assets.
Sector(s): Community and society, Local services
Performance Improvement area(s): Financial and service sustainability, Local service delivery
National Audit Office reports (continued)

Overview: Local government
This Overview looks at the local government landscape during the last financial year and summarises both matters of likely interest to Parliament as well as our work with local authorities. The NAO prepares statutory guidance on how local auditors should meet their responsibilities.

Sector(s): Local services
Performance Improvement area(s): Departmental Overviews, Local service delivery


The Troubled Families programme: update
This report is a factual update to support the Committee of Public Accounts' evidence session on the government's Troubled Families programme on 19 October 2016. It is based primarily on published sources, information supplied by the Department for Communities and Local Government and previous reports published by the National Audit Office.

Sector(s): Community and society, Local services

Integrated Reporting

Looking beyond the report

The move away from reporting based on historic financial information is beginning to gain momentum and Integrated Reporting is now mandatory in some countries.

In the UK, CIPFA proposed in their consultation document that the narrative report from 2017/18 reflects elements of the International Integrated Reporting Council’s framework whilst the Treasury is encouraging public sector organisations to adopt Integrated Reporting.

Integrated reporting: Looking beyond the report was produced by our global Integrated Reporting team, based in the UK, New Zealand and South Africa, to help organisations obtain the benefits of Integrated Reporting.

The International Integrated Reporting Council (IIRC) describes Integrated Reporting as “enhancing the way organisations think, plan and report the story of their business.”

At Grant Thornton, we fully agree with this and, in our view, the key word is ‘enhancing’ because a lot of the elements to support effective Integrated Reporting are likely to be in place already.

But anyone focussing purely on the production of the report itself will not reap the full benefits that effective Integrated Reporting can offer.

Instead, think of Integrated Reporting as demonstrating "integrated thinking" across your entire organisation, with the actual report being an essential element of it.

Our methodology is based on six modules which are designed to be independent of each other.

1. **Secure support** – effective Integrated Reporting needs leadership from the top.
2. **Identify stakeholders** – who are they and how can you engage with them?
3. **Identify the capitals for your organisation** – what resources do you use to create value?
4. **What do you have – and what do you need?** – do you have the data you need and is it accurate?
5. **Set limits and create boundaries** – make sure your report is focussed.
6. **Review and improve** – Integrated Reporting is a continuous learning process.

Our approach to Integrated Reporting is deliberately simple; experience has shown us that this works best. Things are often only complicated because people made them that way.

Our experienced, independent teams can help you keep focused throughout the entire Integrated Reporting process and can support you, no matter what stage you are at. Please speak to your Engagement Lead if you would like to discuss this further.
Integrated Thinking and Reporting

Focusing on value creation in the public sector

Grant Thornton has seconded staff to the International Integrated Reporting Council on a pro bono basis for a number of years. They have been working on making the principles of Integrated Reporting <IR> relevant to the public sector and co-authored a recent report by CIPFA and the World Bank: Integrated thinking and reporting: focusing on value creation in the public sector - an introduction for leaders.

Around one third of global gross domestic product (GDP) is made up by the public sector and this is being invested in ensuring there is effective infrastructure, good educational opportunities and reliable health care. In many ways, it is this investment by the public sector that is helping to create the conditions for wealth creation and preparing the way for the success of this and future generations.

Traditional reporting frameworks, focussed only on historic financial information, are not fit-for-purpose for modern, multi-dimensional public sector organisations.

Integrated Reporting supports sustainable development and financial stability and enables public sector organisations to broaden the conversation about the services they provide and the value they create.

The public sector faces multiple challenges, including:
- Serving and being accountable to a wide stakeholder base;
- Providing integrated services with sustainable outcomes;
- Maintaining a longer-term perspective, whilst delivering in the short term; and
- Demonstrating the sustainable value of services provided beyond the financial.

The <IR> Framework is principle based and enables organisations to tailor their reporting to reflect their own thinking and strategies and to demonstrate they are delivering the outcomes they were aiming for.

Integrated Reporting can help public sector organisations deal with the above challenges by:
- Addressing diverse and often conflicting public accountability requirements;
- Focussing on the internal and external consequences of an organisation’s activities;
- Looking beyond the ‘now’ to the ‘near’ and then the ‘far’;
- Considering the resources used other than just the financial.

The report includes examples of how organisations have benefitted from Integrated Reporting.
Planning can help organisations reduce the impact of Brexit

Several months have passed since the referendum to leave the European Union (EU), during which there has been a flurry of political activity, including the party conference season.

After many years of relative stability, organisations will need to prepare themselves for a period of uncertainty and volatility and will need to keep their risk registers under constant review. The outcome of the US Presidential election in November 2016 has added to this uncertainty.

The High Court ruling that Parliament should have a say before the UK invokes Article 50 of the Lisbon Treaty – which triggers up to two years of formal EU withdrawal talks – will not, in our view, impact on the final outcome. There appears to be a general political consensus that Brexit does mean Brexit, but we feel there could be slippage beyond the original timetable which expected to see the UK leave the EU by March 2019.

Existing EU legislation will remain in force

We expect that the Government will introduce a “Repeal Act” (repealing the European Communities Act of 1972 that brought us into the EU) in early 2017.

As well as undoing our EU membership, this will transpose existing EU regulations and legislation into UK law. We welcome this recognition of the fact that so much of UK law is based on EU rules and that trying to unpick these would not only take many years but also create additional uncertainty.

Taking back control is a priority

It appears that the top priority for government is 'taking back control', specifically of the UK's borders. Ministers have set out proposals ranging from reducing our dependence on foreign doctors or cutting overseas student numbers. The theme is clear: net migration must fall.

The question still remains, what does Brexit look like?

While there may be acceptance among politicians that the UK is leaving the EU, there is far from any agreement on what our future relationship with the continent should be.

So, what do we expect based on what has happened so far?

Leaving the Single Market appears likely

The tone and substance of Government speeches on Brexit, coupled with the wish for tighter controls on immigration and regulation, suggest a future where the UK enjoys a much more detached relationship with the EU.

Potential existing examples for the UK's future relationship, such as the 'Norwegian' or 'Swiss' models, seem out of the question. The UK wants a 'bespoke deal'.

Given the rhetoric coming from Europe, our view is that this would signal an end to the UK's membership of the Single Market. With seemingly no appetite to amend the four key freedoms required for membership, the UK appears headed for a so-called 'Hard Brexit'. It is possible that the UK will seek a transitional arrangement, to give time to negotiate the details of our future trading relationship.
Brexit

This is of course, all subject to change, and, politics, especially at the moment, moves quickly. Where does this leave the public sector? After a relatively stable summer, we expect there will be increased volatility as uncertainty grows approaching the formal negotiation period.

Planning can help organisations reduce the impact of Brexit

The chancellor has acknowledged the effect this may have on investment and signalled his intention to support the economy, delaying plans to get the public finances into surplus by 2019/20.

We expect that there will be some additional government investment in 2017, with housing and infrastructure being the most likely candidates.

Clarity is a long way off. However, public sector organisations should be planning now for making a success of a hard Brexit, with a focus on:

**Staffing** – organisations should begin preparing for possible restrictions on their ability to recruit migrant workers and also recognise that the UK may be a less attractive place for them to live and work. Non-UK employees might benefit from a degree of reassurance as our expectation is that those already here will be allowed to stay. Employees on short term or rolling contracts might find it more difficult to stay over time.

**Financial viability** – public sector bodies should plan how they will overcome any potential shortfalls in funding (e.g. grants, research funding or reduced student numbers).

**Market volatility** – for example pension fund and charitable funds investments and future treasury management considerations.

**International collaboration** – perhaps a joint venture or PPP scheme with an overseas organisation or linked research projects.

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REPORT OF THE STRATEGIC DIRECTOR OF FINANCE & CORPORATE BUSINESS
AND
HEAD OF INTERNAL AUDIT

TO THE AUDIT & ACCOUNTS COMMITTEE
ON WEDNESDAY 25th JANUARY 2017

TITLE:
INTERNAL AUDIT PROGRESS REPORT NOVEMBER TO DECEMBER 2016

RECOMMENDATIONS:
Members are requested to consider the contents of the report.

EXECUTIVE SUMMARY:
The purpose of this report is to inform Members of the resources utilised by Internal Audit during 2016/17, the activities undertaken in the reporting period, and the status of work currently being undertaken.

BACKGROUND DOCUMENTS:
Audit & Accounts Committee reports
Audit Management Information System.

KEY DECISION: NO

DETAILS: N/A

KEY COUNCIL POLICIES: N/A

EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS: N/A

ASSESSMENT OF RISK:
Internal Audit projects are managed within the Unit’s risk based audit protocols aimed at giving assurance regarding the management of the City Council’s key business risks.
LEGAL IMPLICATIONS Supplied by: Melinda Edwards, Principal Solicitor

Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and to secure that one of their officers has responsibility for the administration of those affairs. The Accounts and Audit Regulations 2015 also require authorities to ensure that they have a sound system of internal control which -

(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;

(b) ensures that the financial and operational management of the authority is effective; and

(c) includes effective arrangements for the management of risk.

A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management control and governance processes, taking into account public sector internal auditing standards or guidance.

In that regard, the Public Sector Internal Audit Standards (CIPFA/IIA) requires an authority’s chief audit executive to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The quality assurance and improvement programme must include both internal and external assessments. Internal assessments include the ongoing monitoring of the performance of the internal audit activity.

The purpose of this report is to inform Members of the resources utilised by Internal Audit during 2016/17, the activities undertaken in the reporting period, and the status of work currently being undertaken.

FINANCIAL IMPLICATIONS Supplied by: Jean Gleave Head of Internal Audit

The audit plan is funded from within the revenue budget and there are no additional financial demands resulting from this report.

PROCUREMENT IMPLICATIONS Supplied by: Christine Flisk Procurement Manager.

There are no known procurement implications with this report.

HR IMPLICATIONS Supplied by: Catherine Sharples HR Manager

There are no known HR implications arising from this report.

OTHER DIRECTORATES CONSULTED: N/A

CONTACT OFFICER: Carol Stuart TEL NO: 0161 607 6972

WARDS TO WHICH REPORT RELATES: N/A
INTRODUCTION
This report provides Members of the Audit & Accounts Committee with details of the resources utilised by Internal Audit since the commencement of Internal Audit’s 2016/17 work plan, the work being reported in this period and the work currently being undertaken.

SUMMARY OF AUDIT ACTIVITY
The Internal Audit plan was presented to the Audit and Accounts Committee for approval in June 2016. Planned Audit work for 2016/17 is continuing and the outstanding audit reviews from 2015/16 are now completed, with the exception of one review that has been re-scheduled for later in the year. Appendix 1 provides details of the progress and status of the audit reviews in the approved plan, including when reviews are planned and actually undertaken.

We have issued five final reports since the previous meeting of the Committee and ten reports are at draft stage. We anticipate being able to present these draft reports as final reports to the next meeting in March 2017.

Members should note that there continues to be a shortfall in resources, of approximately 50 days, due to the slight delay in the recruitment of the replacement Principal Auditor, who joined internal audit in January 2017.

This has had some impact on the achievement of the Internal Audit Plan and internal audit has also been involved in a number of special investigations which are reported separately under Part Two of this Committee.

We will therefore continue to monitor and re-appraise our audit plan on an on-going basis so as to concentrate our efforts on the highest risk areas in the plan. As a consequence, the priority of current internal audit work for quarter four will be concentrated on financial systems which may impact on the delivery of the planned school audit work.

We will also continue to respond to matters which require us to undertake special investigations.

REPORTS ISSUED
During the period from November to December 2016, a total of three audit reports have been finalised and issued to the client service groups across the Council. Table A below summarises the audits that have been finalised and the number of recommendations that have been put forward for management consideration.

A total of 11 recommendations have been made and classified over four categories of critical, high, medium, and efficiency (See Appendix 2 for explanations of the different categories).

Our recommendations are designed to improve the control environment within the client’s area of responsibility and we are pleased to report that all of the recommendations made in this period have been accepted by management.

Our audit reports include an action plan that records the detail of our findings; the action management intend to take in response to these findings and the timescale to undertake such action. This provides a record that progress can be measured against when we undertake our Post Implementation Reviews.

The level of assurance given to each audit is a balanced judgement based upon the established system of controls, the subjects’ approach to risk management, and the nature of any recommendations made and actions agreed. (See Appendix 3 for explanations of the different levels of assurance).
Table A – Audit Reports Issued

<table>
<thead>
<tr>
<th>Audit</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Efficiency</th>
<th>Number Agreed</th>
<th>Assurance Level</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchasing Cards</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>2</td>
<td>Significant</td>
</tr>
<tr>
<td>Moorside Primary School</td>
<td>0</td>
<td>0</td>
<td>2</td>
<td>3</td>
<td>5</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Treasury Management</td>
<td>0</td>
<td>1</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>Satisfactory</td>
</tr>
<tr>
<td>Totals</td>
<td>0</td>
<td>1</td>
<td>5</td>
<td>5</td>
<td>11</td>
<td></td>
</tr>
</tbody>
</table>

POST IMPLEMENTATION REVIEWS

Internal Audit undertakes Post Implementation Reviews (PIRs) of all the services that have been subject to an audit. The timing of a PIR is determined by the agreed implementation dates, detailed within the original audit report, and is generally undertaken within six months of the audit.

The PIR can take the form of an actual site visit by Internal Audit to verify the implementation of agreed recommendations, or by the client undertaking a self-assessment of implemented recommendations and reporting their outcomes to Internal Audit.

During the period 1st November to 31st December 2016, a total of two post implementation reviews have been undertaken and reported upon. Table B below provides details of the progress made by the schools in implementing the agreed actions.

In respect of the PIRs undertaken during this period, 15 of the 20 actions agreed by management have been implemented. The five outstanding actions have been discussed further with the Head teacher who has accepted the benefits of improved financial controls and has agreed to implement the outstanding recommendations in these areas with immediate effect in order to strengthen the controls.

Table B - Results of Post Implementation Reviews

<table>
<thead>
<tr>
<th>AUDIT</th>
<th>ACTIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Irlam Endowed Primary School</td>
<td></td>
</tr>
<tr>
<td>Original report issued 21st January 2015</td>
<td></td>
</tr>
<tr>
<td>Made</td>
<td>Critical</td>
</tr>
<tr>
<td>Agreed</td>
<td>Critical</td>
</tr>
<tr>
<td>Implemented</td>
<td></td>
</tr>
<tr>
<td>Comment</td>
<td></td>
</tr>
</tbody>
</table>
| The three high priority actions outstanding relate to the insufficient segregation of duties in relation to payroll transactions and the failure to evidence any reconciliation of purchase payments to bank statements and also the financial transactions related to school trips. Both of the medium priority actions are nearing completion and relate to the documentation of the school’s inventory asset and
disposal policy and the failure to include a declaration of any Business Interests at Committee meetings.

<table>
<thead>
<tr>
<th>St Peter’s CE Primary School</th>
<th>Critical</th>
<th>High</th>
<th>Medium</th>
<th>Efficiency</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Original report issued 1st December 2015</td>
<td>Made</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Agreed</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>10</td>
</tr>
<tr>
<td></td>
<td>Implemented</td>
<td>0</td>
<td>4</td>
<td>3</td>
<td>10</td>
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## Audit Review

<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Planned Start Qtr</th>
<th>Actual Start Date</th>
<th>Actual Final Report Date</th>
<th>Assurance Opinion</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CORE FINANCIAL SYSTEMS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>15/16 Income Receipting PIR</td>
<td>cfwd</td>
<td>Feb 2016</td>
<td>July 2016</td>
<td>N/A</td>
<td>Final report - Blue badge income action in progress.</td>
</tr>
<tr>
<td>15/16 Accounts Payable</td>
<td>cfwd</td>
<td>Feb 2016</td>
<td>July 2016</td>
<td>Significant</td>
<td>Final report</td>
</tr>
<tr>
<td>15/16 Housing &amp; Council Tax Benefits</td>
<td>cfwd</td>
<td>April 2016</td>
<td>August 2016</td>
<td>Satisfactory</td>
<td>Final report re: Discretionary Housing Payments</td>
</tr>
<tr>
<td>15/16 Payroll</td>
<td>cfwd</td>
<td>April 2016</td>
<td>September 2016</td>
<td>Satisfactory</td>
<td>Final Report</td>
</tr>
<tr>
<td>15/16 Treasury Management</td>
<td>cfwd</td>
<td>April 2016</td>
<td>December 2016</td>
<td>Satisfactory</td>
<td>Final Report</td>
</tr>
<tr>
<td>15/16 Business Rates</td>
<td>cfwd</td>
<td>June 2016</td>
<td></td>
<td></td>
<td>Audit delayed owing to staff absence within the revenues section</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>Q3</td>
<td>January 2017</td>
<td></td>
<td></td>
<td>Terms of reference issued</td>
</tr>
<tr>
<td>Budgetary Control</td>
<td>Q3</td>
<td>December 2016</td>
<td></td>
<td></td>
<td>Scoping work, delayed due to staff involvement in investigation work</td>
</tr>
<tr>
<td>Main Accounting System</td>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts Payable PIR</td>
<td>Q3</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Council Tax PIR</td>
<td>Q4</td>
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</tr>
<tr>
<td>Income Receipting</td>
<td>Q4</td>
<td></td>
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</tr>
<tr>
<td>Treasury Management</td>
<td>Q4</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payroll – transaction testing</td>
<td>Q4</td>
<td>December 2016</td>
<td></td>
<td></td>
<td>Work required for external audit assurance</td>
</tr>
<tr>
<td><strong>CORPORATE BUSINESS</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Greaves Trust</td>
<td>Q2</td>
<td>August 2016</td>
<td>August 2016</td>
<td>N/A</td>
<td>Audit report for the Greaves Trust</td>
</tr>
<tr>
<td>Purchasing Cards</td>
<td>cfwd</td>
<td>June 2016</td>
<td>December 2016</td>
<td>Significant</td>
<td>Final report.</td>
</tr>
<tr>
<td>Income Collection - online payment systems</td>
<td>Q3</td>
<td>December 2016</td>
<td></td>
<td></td>
<td>Scoping work</td>
</tr>
<tr>
<td>BPR - Review of Finance Transactional Systems</td>
<td>Q2-3</td>
<td></td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>BPC Arrangements/ SAP</td>
<td>Q2-3</td>
<td></td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
</tbody>
</table>
## Audit Review

<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Planned Start Qtr</th>
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<th>Assurance Opinion</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Projects - Final Accounts</td>
<td>Q2-3</td>
<td></td>
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</tr>
<tr>
<td>Salary Sacrifice Schemes</td>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
<td>Delayed due to staff absence within Employee Services</td>
</tr>
<tr>
<td>GM Combined Authority – assurance provision</td>
<td>Q1-4</td>
<td></td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>BPR - Review of Payroll Processes</td>
<td>Q1-4</td>
<td></td>
<td></td>
<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td>Transformation Support</td>
<td>Q1-4</td>
<td></td>
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<td></td>
<td>Ongoing</td>
</tr>
<tr>
<td><strong>GRANTS</strong></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Local Growth Fund Payment Determination (April 2015)</td>
<td>Q2</td>
<td>July 2016</td>
<td>July 2016</td>
<td>N/A</td>
<td>No issues</td>
</tr>
<tr>
<td>Local Transport Settlement Grant, Block Funding</td>
<td>Q2</td>
<td>September 2016</td>
<td>September 2016</td>
<td>N/A</td>
<td>No issues</td>
</tr>
<tr>
<td>Local Transport Settlement Grant, Block Funding – Flood Recovery</td>
<td>Q2</td>
<td>October 2016</td>
<td>October 2016</td>
<td>N/A</td>
<td>No issues – certification for additional funding for highways flood recovery, following December 2016 floods</td>
</tr>
<tr>
<td>Cycle City Phase 1</td>
<td>Q2</td>
<td>September 2016</td>
<td>September 2016</td>
<td>N/A</td>
<td>No issues</td>
</tr>
<tr>
<td>Local Pinch Point Grant - Department of Transport</td>
<td>Q1-4</td>
<td>October 2016</td>
<td>October 2016</td>
<td>N/A</td>
<td>No issues – certification of funding for Port Salford</td>
</tr>
<tr>
<td>Helping Families (Troubled Families)</td>
<td>Q1-4</td>
<td>September 2016</td>
<td></td>
<td></td>
<td>Testing completed for September 2016 claims to be certified March 2017.</td>
</tr>
<tr>
<td>Cycle City Phase 2</td>
<td>Q4</td>
<td></td>
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<tr>
<td>Local Sustainable Transport Funding - Highways</td>
<td>Q4</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Decent Homes Funding</td>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
<td>External certification</td>
</tr>
<tr>
<td>Pot Hole Grant</td>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
<td>Not required this year</td>
</tr>
</tbody>
</table>
## Audit Review

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<tr>
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</thead>
<tbody>
<tr>
<td>Disability Facilities Grant</td>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
<td>Not required this year</td>
</tr>
<tr>
<td>Cluster of Empty Homes Programme</td>
<td>Q2</td>
<td></td>
<td></td>
<td></td>
<td>Not required this year</td>
</tr>
<tr>
<td>Flood Resilience – tax relief</td>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
<td>Certification not required</td>
</tr>
</tbody>
</table>

### PUBLIC HEALTH SERVICES

- To be confirmed

### CHILDREN’S SERVICE GROUP

- **15/16 Next Step (Leaving Care Service)**
  - Planned: cfwd
  - Actual Start Date: N/A
  - Actual Final Report Date: July 2016
  - Assurance Opinion: None
- **15/16 Use of procurement cards**
  - Planned: cfwd
  - Actual Start Date: April 2016
  - Actual Final Report Date: August 2016
  - Assurance Opinion: Testing to visit establishments started August 2016
- **Adults/ Children with no recourse to public funds**
  - Planned: Q2
  - Actual Start Date: August 2016
  - Actual Final Report Date: Draft report
- **Virtual school spend**
  - Planned: Q3
  - Actual Start Date: December 2016
  - Actual Final Report Date: Scoping
- **Fostering Service**
  - Planned: Q2 to Q4
  - Actual Start Date: January 2016
  - Actual Final Report Date: Client request to cancel as undergoing service review
- **School Governance Support**
  - Planned: Q1-4
  - Actual Start Date: January 2016
  - Actual Final Report Date: Ongoing

### ADULTS’ SERVICE GROUP

- **2015/16 Integrated Care System for Adult Health & Social Care, Governance Arrangements**
  - Planned: N/A
  - Actual Start Date: July 2016
  - Actual Final Report Date: Advisory report
- **15/16 Social Care Mutual - Post Transfer Review**
  - Planned: N/A
  - Actual Start Date: January 16
  - Actual Final Report Date: September 2016
  - Assurance Opinion: Advisory report
<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Planned Start Qtr</th>
<th>Actual Start Date</th>
<th>Actual Final Report Date</th>
<th>Assurance Opinion</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>15/16 Inventory Management – Community Equipment Service</td>
<td>Q1</td>
<td>May 2016</td>
<td>October 2016</td>
<td>Satisfactory</td>
<td>Final report in relation to Burrows House Asset Management</td>
</tr>
<tr>
<td>15/16 Direct payments</td>
<td>Q1</td>
<td>May 2016</td>
<td></td>
<td></td>
<td>Draft report awaiting management response</td>
</tr>
<tr>
<td>Client Finances</td>
<td>Q1</td>
<td>June 2016</td>
<td></td>
<td></td>
<td>P-cards options report issued. Draft report awaiting management response.</td>
</tr>
<tr>
<td>Integrated Care System for Adult Health &amp; Social Care</td>
<td>Q4</td>
<td></td>
<td></td>
<td></td>
<td>Review to include financial monitoring</td>
</tr>
<tr>
<td>Commissioning and Contract Management</td>
<td>Q2-3</td>
<td></td>
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</table>

**ENVIRONMENT & COMMUNITY SAFETY SERVICE GROUP**

<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Planned Start Qtr</th>
<th>Actual Start Date</th>
<th>Actual Final Report Date</th>
<th>Assurance Opinion</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbon Reduction Commitment 2015-16</td>
<td>Q2</td>
<td>July 2016</td>
<td>July 2016</td>
<td>N/A</td>
<td>Audit certificate submitted to Environment Agency</td>
</tr>
<tr>
<td>15/16 Inventory Management - Citywide</td>
<td>Q3</td>
<td>November 2016</td>
<td></td>
<td></td>
<td>Drafting report</td>
</tr>
<tr>
<td>Mercury Abatement Regulations</td>
<td>Q4</td>
<td></td>
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**REGENERATION SERVICE GROUP**

<table>
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<tr>
<th>Audit Review</th>
<th>Planned Start Qtr</th>
<th>Actual Start Date</th>
<th>Actual Final Report Date</th>
<th>Assurance Opinion</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Swinton Gateway follow-up</td>
<td>Q4</td>
<td></td>
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<tr>
<td>Pendleton PFI cfwd 15/16</td>
<td>Q3-4</td>
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**CORPORATE GOVERNANCE**

<table>
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<tr>
<th>Audit Review</th>
<th>Planned Start Qtr</th>
<th>Actual Start Date</th>
<th>Actual Final Report Date</th>
<th>Assurance Opinion</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Governance Arrangements / AGS</td>
<td>Q1-4</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Risk Management and Assurance Framework</td>
<td>Q1-4</td>
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<tr>
<td>Audit Review</td>
<td>Planned Start Qtr</td>
<td>Actual Start Date</td>
<td>Actual Final Report Date</td>
<td>Assurance Opinion</td>
<td>Comments</td>
</tr>
<tr>
<td>------------------------------------------------------------------------------</td>
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</tr>
<tr>
<td><strong>ICT SYSTEMS</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Data Quality – The Bridge (data management system) Inc Information Governance</td>
<td>cfwd</td>
<td>N/A</td>
<td>August 2016</td>
<td>N/A</td>
<td>Summary action plan issued, work to continue in 16/17</td>
</tr>
<tr>
<td>ISO 27001 Information Security Management standard – certification review and support</td>
<td>Q1-4</td>
<td>April 2016</td>
<td>October 2016</td>
<td>N/A</td>
<td>Stage 2 completed in October 2016. Certification complete</td>
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<tr>
<td>ICT Management of Physical and Environment Security</td>
<td>Q2</td>
<td>July 2016</td>
<td>Draft report - review required for compliance with ISO27001</td>
<td></td>
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<tr>
<td>Change Management</td>
<td>Q2</td>
<td>October 2016</td>
<td>Draft report - review required for compliance with ISO27001</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Data Quality – The Bridge (data management system) – Follow-up</td>
<td>Q2-3</td>
<td></td>
<td></td>
<td></td>
<td>Follow-up work to assess progress.</td>
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<tr>
<td>Review of Technical Infrastructure, e.g. cloud security</td>
<td>Q2</td>
<td></td>
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<tr>
<td>Applications, e.g. SAP PIR</td>
<td>Q3</td>
<td></td>
<td></td>
<td></td>
<td>Summary action plan issued work to continue in 2016/17</td>
</tr>
<tr>
<td>Business Continuity Management</td>
<td>Q2-3</td>
<td></td>
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<tr>
<td>Carefirst access privileges</td>
<td>Q4</td>
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<tr>
<td>PCI DSS/ PSN Compliance</td>
<td>Q1-4</td>
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<tr>
<td><strong>PRIMARY SCHOOLS</strong></td>
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</tr>
<tr>
<td>St Mark's RC</td>
<td>Q1</td>
<td>June 2016</td>
<td>July 16</td>
<td>Satisfactory</td>
<td>Final report.</td>
</tr>
<tr>
<td>Springwood Special School</td>
<td>Q1</td>
<td>June 2016</td>
<td>September 2016</td>
<td>Satisfactory</td>
<td>Final report.</td>
</tr>
<tr>
<td>St Andrews Methodist</td>
<td>Q1</td>
<td>June 2016</td>
<td>October 2016</td>
<td>Satisfactory</td>
<td>Final report.</td>
</tr>
<tr>
<td>Audit Review</td>
<td>Planned Start Qtr</td>
<td>Actual Start Date</td>
<td>Actual Final Report Date</td>
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<tr>
<td>St Mary's RC (Eccles)</td>
<td>Q3/4</td>
<td>September 2016</td>
<td></td>
<td></td>
<td>Draft report awaiting management response, delay due to staff absence at school</td>
</tr>
<tr>
<td>Cathedral St's Peter &amp; St John</td>
<td>Q3/4</td>
<td>October 2016</td>
<td></td>
<td></td>
<td>Draft report</td>
</tr>
<tr>
<td>St Philip's CE</td>
<td>Q3/4</td>
<td>November 2016</td>
<td></td>
<td></td>
<td>Draft Report</td>
</tr>
<tr>
<td>St Paul's CE Heathside Primary</td>
<td>Q3/4</td>
<td>November 2016</td>
<td></td>
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</tr>
<tr>
<td>St Paul's CE (Peel)</td>
<td>Q3/4</td>
<td>November 2016</td>
<td></td>
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</tr>
<tr>
<td>Irlam Primary</td>
<td>Q3/4</td>
<td>November 2016</td>
<td></td>
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<tr>
<td>James Brindley</td>
<td>Q3/4</td>
<td>November 2016</td>
<td></td>
<td></td>
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<tr>
<td>Lightoaks Infants</td>
<td>Q3/4</td>
<td>December 2016</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>North Walkden</td>
<td>Q3/4</td>
<td>December 2016</td>
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</table>

**PRIMARY SCHOOLS PIRs**

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<thead>
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<th>School</th>
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<th>Actual Start Date</th>
<th>Actual Final Report Date</th>
<th>Assurance Opinion</th>
<th>Comments</th>
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</thead>
<tbody>
<tr>
<td>Clarendon Road</td>
<td>Q1</td>
<td>April 2016</td>
<td>April 2016</td>
<td>N/A</td>
<td>Final report</td>
</tr>
<tr>
<td>Christ the King</td>
<td>Q1</td>
<td>April 2016</td>
<td>April 2016</td>
<td>N/A</td>
<td>Final report</td>
</tr>
<tr>
<td>Clifton</td>
<td>Q1</td>
<td>April 2016</td>
<td>July 2016</td>
<td>N/A</td>
<td>Final report</td>
</tr>
<tr>
<td>St Joseph's RC</td>
<td>Q2</td>
<td>June 2016</td>
<td>September 2016</td>
<td>N/A</td>
<td>Final report</td>
</tr>
<tr>
<td>St John's CE</td>
<td>Q2</td>
<td>October 2016</td>
<td>October 2016</td>
<td>N/A</td>
<td>Final report</td>
</tr>
<tr>
<td>Irlam Endowed</td>
<td>Q3</td>
<td>November 2016</td>
<td>December 2016</td>
<td>N/A</td>
<td>Final report</td>
</tr>
<tr>
<td>St Peter's</td>
<td>Q3</td>
<td>November 2016</td>
<td>December 2016</td>
<td>N/A</td>
<td>Final report</td>
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## Audit Review

<table>
<thead>
<tr>
<th>Audit Review</th>
<th>Planned Start Qtr</th>
<th>Actual Start Date</th>
<th>Actual Final Report Date</th>
<th>Assurance Opinion</th>
<th>Comments</th>
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<tbody>
<tr>
<td><strong>HIGH SCHOOLS</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Walkden High School</td>
<td>Q3-4</td>
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<tr>
<td><strong>PUPIL REFERRAL UNITS</strong></td>
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<tr>
<td>The Canterbury Centre</td>
<td>Q3</td>
<td>November 2016</td>
<td></td>
<td></td>
<td>Work began in Q1. Request by Centre management to delay the review. Testing now complete, drafting report.</td>
</tr>
<tr>
<td>Alderbrook</td>
<td>Q3-4</td>
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<td></td>
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<tr>
<td>The New Broadwalk</td>
<td>Q3-4</td>
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<tr>
<td><strong>CHILDREN’S CENTRES</strong></td>
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<td>Central Children’s Centre</td>
<td>Q3-4</td>
<td></td>
<td></td>
<td></td>
<td>Includes Primrose Hill Children’s Centre</td>
</tr>
<tr>
<td>Swinton North (Gateway) cfwd</td>
<td>Q3-4</td>
<td>July</td>
<td>September 2016</td>
<td>Satisfactory</td>
<td>Final Report</td>
</tr>
<tr>
<td><strong>ANTI-FRAUD &amp; ANTI-CORRUPTION CONTROLS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Fraud Initiative</td>
<td>ongoing</td>
<td></td>
<td></td>
<td></td>
<td>NFI data uploaded - all matches received and being investigated/cleared</td>
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<tr>
<td>Investigate cases of fraud and/or misappropriation as required</td>
<td>ongoing</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Assist management in the collation of data appropriate to the case under investigation, as and when required</td>
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<td></td>
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<tr>
<td>Support the work of the Corporate Counter Fraud Team</td>
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Appendix 2 - Recommendation Priorities:

<table>
<thead>
<tr>
<th>Level</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical</td>
<td>These recommendations are control weakness that could have a significant impact on achievement of the council’s (or respective organisation’s) objectives.</td>
</tr>
<tr>
<td>High</td>
<td>These recommendations are likely to include fundamental control breakdowns within the audited service, illegal acts, fraud, and recommendations for improvements in systems design.</td>
</tr>
<tr>
<td>Medium</td>
<td>These recommendations are likely to consist of non-recurring, explainable events in internal controls which may have already been rectified.</td>
</tr>
<tr>
<td>Efficiency</td>
<td>These recommendations relate to improvements in working practices that would lead to a more efficient and/or cost reduced service.</td>
</tr>
</tbody>
</table>

Appendix 3 - Levels of Assurance:

<table>
<thead>
<tr>
<th>Assurance Level</th>
<th>Explanation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Significant</td>
<td>There is a sound system of internal control designed to meet the system objectives. Testing indicates the controls tested are consistently complied with, which minimises risk.</td>
</tr>
<tr>
<td>Satisfactory</td>
<td>There is a reasonably sound system of internal controls although there are some minor weaknesses and/or evidence of some non-compliance with controls, which may put some minor systems objectives at risk.</td>
</tr>
<tr>
<td>Limited</td>
<td>There are some weaknesses in the adequacy of the internal control systems which puts the school’s objectives at risk and/or the level of compliance puts some of the systems objectives at risk.</td>
</tr>
<tr>
<td>None</td>
<td>Serious control issues have been identified in the systems of internal control resulting in significant risk of the system being open to error or abuse and/or significant non-compliance with controls.</td>
</tr>
</tbody>
</table>
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REPORT OF THE STRATEGIC DIRECTOR OF FINANCE & CORPORATE BUSINESS

TO THE AUDIT & ACCOUNTS COMMITTEE
ON WEDNESDAY 25th JANUARY 2017

TITLE:
REVISED COUNTER FRAUD AND CORRUPTION POLICIES AND PROCEDURES

RECOMMENDATION:
Members are asked to:
- Consider and comment upon the revised policies and procedures
- Request further information as necessary to help ensure robust counter fraud policies and procedures are in place.
- Confirm that they consider that these policies deliver effectiveness in the council’s Risk Management arrangements, control environment, and associated anti-fraud and corruption arrangements.

EXECUTIVE SUMMARY:
The purpose of this report is to inform members of the revisions made to the council’s policies and procedures to counter fraud and corruption.

Approval for adoption of the policies and procedures has been submitted to the Workforce Panel on 24 January 2017.

BACKGROUND DOCUMENTS:  (Available for public inspection)
Governance Group reports
Audit Management Information System

KEY DECISION: NO

DETAILS: See attached report.

KEY COUNCIL POLICIES:
Code of Conduct, Local Disciplinary Procedure, Disciplinary Rules
EQUALITY IMPACT ASSESSMENT AND IMPLICATIONS:
All reactive and proactive counter fraud work is carried out within the policies and procedures set out by the Council or the relevant services involved. This minimises the risk that this work could be seen to be prejudicial to specific individuals or groups.

ASSESSMENT OF RISK:
If the Council fails to maintain robust counter fraud policies and fails to comply with legislation and regulations, then there are reputational risks as well as financial and legal risks.

SOURCE OF FUNDING: N/A

LEGAL IMPLICATIONS: Supplied by Modupe Oyedeji, Shared Legal Services
The Council has a legal obligation to ensure that its business is conducted in accordance with the law and proper standards. There is also a duty on the Council to ensure that public money is safeguarded and properly accounted for.

In discharging these responsibilities, the Council have put in place these counter fraud and corruption policies and procedures to ensure efficiency, transparency and accountability. These policies and procedures comply with the relevant legislations.

The Whistleblowing Policy complies with the Public Interest Disclosure Act 1998 which is contained within the Employment Rights Act 1996. The Council's policy affords protection to individuals who make certain disclosures of information in the public interest and explains how these will be investigated.

FINANCIAL IMPLICATIONS: Supplied by Jean Gleave, Head of Internal Audit
Managed through the normal revenue budget, the only additional cost relates to staff training.

HR IMPLICATIONS Supplied by Joanne Finnerty, Strategic HR Manager
Consultation on the attached policies has been undertaken with Trade Unions, and also with the staff equalities groups. No feedback was received from the staff groups, and feedback received from the Trade Unions relating to consent to record interviews has been incorporated into the policy.

A request was also made to monitor any actions taken under the Prosecuting, Searching and Interviews Policy against protected characteristics. This will be undertaken although in practice very few of these are undertaken.

Final approval of the policies will be by Workforce Panel.

OTHER DIRECTORATES CONSULTED:
Consultation through the Governance Group – which has Directorate representation
Lead Member Consultation at Executive Lead Members Briefing on 22/12/016
CONTACT OFFICER: Jean Gleave TEL. NO. 0161 607 6651

WARD(S) TO WHICH REPORT RELATE(S): N/A
REPORT DETAIL

1. Purpose of the report
1.1 The purpose of this report is to inform members of the revisions made to the council’s policies to counter fraud and corruption. Robust counter fraud policies and procedures provide members with assurance on the processes in place to protect the Council from risks related to fraud.

2. Background
2.1 It is estimated that fraud costs local government over £2 billion each year. The council has a zero tolerance approach to fraud and work is carried out across a number of departments to identify, investigate and prevent fraud.

2.2 Effective counter fraud policies and procedures can have a positive impact on the council’s financial position, through prevention of loss, recovery of overpayments or financial penalties imposed on fraudsters.

3. Revised Policies & Procedures
3.1 The relevant policies and procedures are attached as follows:

Members should note the following main changes:

- Inclusion of anti-bribery reference

**Appendix 1 - Anti-Fraud Bribery & Corruption Policy Statement**
- Inclusion of anti-bribery reference

**Appendix 2 - Anti-Fraud Bribery & Corruption Strategy**
- Inclusion of anti-bribery reference
- Updates of officer contacts and Council groups
- Re-ordering of content to aid clarity
- Members and Officers responsibilities split out
- Extension of section on detection and investigation
- Alignment of Strategy to other fraud policies in place
- Responsibility to publicise the strategy

**Appendix 3 – Anti-Bribery Policy**
Members should note that there have been no changes in the relevant legislation. Intranet links updated.

**Appendix 4 – Whistleblowing Policy**
- Clarity around who the policy applies to. Policy applicable to officers members and partners, agency staff and contractors
- Raising a concern – contacts
- Clarity around confidentiality and safeguards in raising concerns
- List of prescribed persons if complaint raised outside the Council.
Appendix 1 – Revisions to Fraud Policies, January 2017

Appendix 5 – Anti-Money Laundering Policy
- Extended definition of money laundering and relevant legislation
- Policy applies to all employees and members of the Council
- Updated reporting officer details

Appendix 6 – Anti-Money Laundering Procedures
- Council’s obligations extended and updated to included the Chartered institute of Public Finance and Accountancy (CIPFA) guidance
- Updated reporting officer details

Appendix 7 – Prosecution Searches and Interview Policy
- Reports of searches will be provided to Human Resources for monitoring purposes.
- All interviewees will be advised of the intention to tape record the interview when the interview is arranged, and asked if they consent to the recording.

3.2 There have been amendments to the Policy documents in terms of intranet links to other relevant policy documents following changes to the Council’s intranet pages.

3.3 Work will be undertaken to develop fraud awareness following approval of the revised policies and procedures. The Council’s e-learning platform will be utilised and work is under way to develop a whistleblowing e-learning module.

4. Recommendations

4.1 It is recommended that Members:
- Consider and comment upon the revised policies and procedures
- Request further information as necessary to help ensure robust counter fraud policies and procedures are in place.
- Confirm that they consider that these policies deliver effectiveness in the Authority’s Risk Management arrangements, control environment, and associated anti-fraud and corruption arrangements.

Neil Thornton
Director of Finance and Corporate Business
Anti-Fraud, Bribery and Corruption policy statement

The Council recognises that fraud, bribery and corruption cause financial loss and are damaging to the provision of services and harmful to the reputation of and confidence in the Council and public bodies in general.

The Council is committed to making sure that the opportunity for fraud, bribery and corruption is minimised and adopts a ‘Zero Tolerance’ approach to fraud, bribery and corruption.

The Council expects all Members; employees; consultants; contractors; and service users to be fair and honest in their dealings with and for the Council.

The Council expects all Members; employees; consultants; contractors; and service users to provide any help, information and support necessary to deal with fraud, bribery and corruption.

The Council operates a series of procedures designed to prevent, detect and deter fraud and to take effective action against an attempted or actual fraudulent act affecting the Council. Where fraud, bribery and corruption are found to exist the Council will deal with it in a firm and controlled manner.

The Council complies with the legislative requirements of having effective arrangements for tackling fraud, bribery and corruption and conforms to the professional guidance laid down in the Public Sector Internal Audit Standards.

The Codes of Conduct for both 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.

The council’s strategy on fraud bribery and corruption is to:

- Deter it in the first instance
- Detect it quickly
- Investigate it efficiently
- Discipline and/or prosecute offenders where appropriate
- Recover assets/income for the council.

Members and employees must ensure that they avoid situations where there is potential for a conflict of interest. Such situations can arise in situations such as purchasing, tendering and externalisation of services. Effective role separation will ensure decisions made are seen to be based on impartial advice.

Our Financial Regulations require that matters involving any suspected financial irregularities are referred to the Head of Internal Audit.

All referrals are taken seriously and the action to be taken guided by an assessment of the risk. Where fraud is found, appropriate disciplinary action and police
involvement will be taken. The investigative process should not be misused and, therefore, any abuse, such as raising unfounded malicious allegations, will be dealt with as a separate disciplinary matter/Standards Committee if staff/Members are involved.

The council provides a means of reporting concerns through its Whistle Blowing Policy. All information received will be dealt with fairly and confidentially. An undertaking can be given if required, not to identify the complainant who provides the information, unless required by legislation.

Fraud and Corruption awareness is provided in various forms for all employees of the City Council, by use of the Intranet, emails, payslips, and training modules.

In order to raise awareness of fraud & corruption in general, the council will, in conjunction with other agencies where necessary, actively promote regular publicity campaigns. It will also issue instructions/advice aimed at encouraging fraud awareness and reminding individuals of their responsibilities.

Where appropriate, the council will publicise on the Intranet, the results of any investigation to promote awareness, to deter, and to demonstrate the need for preventative measures.

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

The council will participate in the National Fraud Initiative and exchange information with other organisations, through the Cabinet Office, for the identification and investigation of suspected fraud cases.

This Policy Statement will be reviewed on an annual basis in line with best practice and relevant changes in legislation.
Salford City Council

ANTI-FRAUD, BRIBERY AND CORRUPTION STATEMENT & STRATEGY
Anti-Fraud, Bribery and Corruption Statement

The council recognises that fraud, bribery and corruption cause financial loss and are damaging to the provision of services and harmful to the reputation of and confidence in the council and public bodies in general.

The council is committed to making sure that the opportunity for fraud, bribery and corruption is minimised and adopts a ‘Zero Tolerance’ approach to fraud, bribery and corruption.

The council expects all Members, employees, consultants, contractors and service users to be fair and honest in their dealings with and for the council.

The council expects all Members, employees, consultants, contractors and service users to provide any help, information and support necessary to deal with fraud, bribery and corruption.

The council operates a series of procedures designed to prevent, detect and deter fraud and to take effective action against an attempted or actual fraudulent act affecting the council.

Where fraud, bribery and corruption are found to exist the council will deal with it in a firm and controlled manner.

The council complies with the legislative requirements of having effective arrangements for tackling fraud, bribery and corruption and conforms to the professional guidance laid down in the Public Sector Internal Audit Standards.

Jim Taylor
City Director
ANTI-FRAUD, BRIBERY AND CORRUPTION STRATEGY

Contents
1. Introduction
2. Council Policies and Procedures
3. Expected Levels of Behaviour
4. Preventing Fraud Bribery and Corruption
5. Detecting and Investigating Fraud Bribery and Corruption
6. Action to be taken against Fraudsters
7. Training
8. Sharing Information
9. Review Procedures
10. Conclusion
1. Introduction

1.1 The council recognises that as well as causing financial loss, cases of fraud, bribery or corruption are also detrimental to the provision of services and damaging to the reputation of, and confidence in, the council and public bodies in general.

1.2 The council is, therefore, committed to a culture that is one of honesty and opposition to fraud, bribery and corruption, and making sure that the opportunity for fraud, bribery and corruption is reduced to the lowest possible risk.

1.3 The council will not tolerate fraud, bribery and corruption in the administration of its responsibilities from inside or outside of the council. Where fraud, bribery, corruption and other problems occur, the council will deal with it in a firm and controlled manner.

1.4 An important part of this approach is introducing and maintaining an effective Anti-Fraud, Bribery and Corruption Strategy. This document provides an overview of the Strategy and includes detailed guidance on how the council will deal with allegations of fraud, bribery and corruption.

1.5 The council adopts a ‘Zero Tolerance’ approach to fraud, bribery and corruption. This Strategy is applicable to Members of the council; staff; the general public; and contractors with whom the council conducts its business. The council expects all persons to be fair and honest, and to provide any help, information and support necessary to deal with fraud, bribery and corruption.

1.6 The council operates a series of procedures designed to prevent, detect and deter fraud and to take effective action against attempted or actual fraudulent acts affecting the council. The council also complies with the legislative requirements of having effective arrangements for tackling fraud, bribery and corruption and conforms to the professional guidance laid down in the Public Sector Internal Audit Standards.

2. Corporate framework and culture

2.1 The Audit and Accounts Committee has delegated responsibility to ensure there are appropriate policies and processes in place to safeguard the council’s resources and their use, including appropriate mechanisms for anti-fraud and corruption.

2.2 The Director of Corporate Business and Finance has a statutory responsibility under Section 151 of the Local Government Act 1972 to make sure that proper arrangements are made for the council’s financial affairs. In addition, under the Accounts & Audit Regulations 2015 as the “responsible financial officer”, he/she is required to determine the accounting control systems which include:

- measures to enable the prevention and detection of inaccuracies and fraud
- identification of the duties of officers dealing with financial transactions and division of responsibilities of those officers in relation to significant transactions (this is a key control in the prevention of impropriety).
2.3 The Lead Member for Finance and Support Services has been nominated as the lead member for anti-fraud, bribery and corruption issues. This ensures that there is awareness and consideration of such matters at the highest level of decision-making in the council.

3. **Council policies and procedures**

3.1 The council has a range of systems, policies and procedures that provide a corporate framework to counter the risk of fraud and error. These are an important part of the internal control process, and it is important that all Members and staff know about them. To ensure transparency, the majority of these documents are available to view on the intranet and the internet.

3.2 The most important of these are as follows:

**Systems:**
- Accounting procedures and records
- Systems of corporate governance, risk management and internal control
- An effective Internal Audit function
- Effective recruitment and selection procedures
- Training and awareness raising

**Policies and Procedures**
- **Standing Orders, and those relating to Contracts**
- **Financial Regulations**
- **Code of Conduct for Members and Employees**
- **Local Disciplinary Procedure and Rules**
- **Scheme of Delegation**
- **Employees' Conditions of Service**
- **Procurement Policy and Strategy**
- **ICT Acceptable Usage Policy**
- **Use of Landlines and Mobile Phones**
- **Corporate Information Security Policy (CISP)**
- **Clear Desk and Screen Policy**
- **User Password Policy**
- **Corporate Records Management Policy**
- **Corporate Logical Access Control Policy**
- **Corporate Physical Access Control Policy**

3.3 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.
3.4 Contravention of these rules and regulations may lead to formal action being taken against the parties concerned. This may include terminating employment with the council in respect of employees and referral to the Standards Board in respect of Members. It will be the responsibility of the Monitoring Officer to report matters to the Standards Committee.

4. Preventing fraud and corruption

4.1 The council recognises that fraud and corruption can be costly in terms of financial loss and reputational risk. The prevention of fraud and corruption is therefore a key objective of the council and respective roles and responsibilities are outlined below.

Members of the council

4.2 Members are required to operate within:

- The council’s adopted ‘Members’ Code of Conduct’ (revised September 2012)
- The council’s adopted ‘Protocol on Member / Officer Relations’
- Part III, Local Government Act 2000 (Conduct of local government Members and employees)
- Section 27, Localism Act 2011 (Duty to promote and maintain high standards of conduct)
- The council’s Financial and Contract Procedure Rules

4.3 Under the Localism Act, authority has been delegated to the council’s Monitoring Officer to receive and investigate complaints of failure to comply with the Members’ Code of Conduct. The council’s Standards Committee receives reports on these investigations and takes decisions in respect of a Member who is found on hearing to have failed to comply with the Code of Conduct.

4.4 These matters and other guidance are specifically brought to the attention of Members at their induction and are in each Member’s handbook. They include rules on the declaration and registration with the Chief Executive of potential areas of conflict between Members’ council duties and responsibilities and any other areas of their personal or professional lives. The Monitoring Officer advises Members of any new legislative or procedural requirements.

4.5 The Local Government Act 2000 requires all Members to give a written undertaking to comply with the Code of Conduct if they are to remain on the council.

Officers of the council

4.6 A key preventative measure in the fight against fraud, bribery and corruption is to take effective steps at the recruitment stage. As part of the recruitment process managers should establish, as far as possible, the previous record of the potential staff, in terms of their propriety and integrity. Temporary staff should be treated in the same manner as permanent staff.
4.7 Staff recruitment will be undertaken in accordance with the council policies for Recruitment and Selection. Written references should always be obtained and qualifications verified before formal employment offers are made. In addition, as with other public sector bodies, checks will be undertaken with the Disclosure and Barring Service with regard to employees working with children and vulnerable adults.

4.8 The Code of Conduct for council Employees states that employees must ensure that they use public funds entrusted to them in a responsible and lawful manner. They must also disclose any financial or non-financial interests that they consider could bring about conflicts with the Authority’s interests. The Code of Conduct is issued to all new employees when they join the council.

4.9 Staff are also expected to follow the codes of conduct and standards laid down by their respective professional institutes.

5. Expected levels of behaviour

5.1 The council expects all people and organisations that are in any way associated with it to be honest, fair and act with integrity in their dealings with the council, its clients and customers. Members and employees are expected to lead by example in these matters.

5.2 The Codes of Conduct for both 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.

5.3 Members and employees have an important part to play in dealing with fraud and corruption, and the council encourages them to act if a case of fraud is suspected. Members have a responsibility to report to the Standards Committee if they have a concern relating to another Member.

5.4 Members and employees must ensure that they avoid situations where there is potential for a conflict of interest. Such situations can arise with tendering and externalisation of services etc. Effective role separation will ensure decisions made are seen to be based on impartial advice.

5.5 All information will be dealt with fairly and confidentially. The council operates an independent Whistleblowing Hotline and advertises the telephone number in the community. An undertaking is given not to reveal the callers’ names (where given) who provide the information, unless required by legislation. For further guidance contact the internal audit team.

5.6 The Nolan Committee sets out the seven guiding principles that apply to people who serve the public. The City council develops its working behaviours around these principles.

5.7 Directors are expected to deal firmly and quickly with anyone who is involved in fraud or corruption. The Monitoring Officer may refer matters to the Police if criminal activity is suspected.

5.8 The investigative process should not be misused and, therefore, any abuse, such as raising unfounded malicious allegations, will be dealt with as a separate disciplinary matter/Standards Committee if staff/Members are involved.
6. Detection and investigation

6.1 The council’s Strategy on fraud and corruption is to:

- Deter it in the first instance
- Detect it quickly
- Investigate it efficiently
- Discipline and/or prosecute offenders where appropriate
- Recover assets/income for the council.

6.2 In order to raise awareness of the Strategy and fraud, bribery and corruption in general, the council will, in conjunction with other agencies where necessary, actively promote regular publicity campaigns. It will also issue instructions/advice aimed at encouraging fraud awareness and reminding individuals of their responsibilities.

6.3 Where appropriate, the council will publicise on the Intranet, the results of any investigation to promote awareness, to deter, and to demonstrate the need for preventative measures.

6.4 Strategic Directors must make sure that suitable levels of internal check 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.

6.5 Procedures must be followed when employing new staff to check the previous employment records of anyone considered for appointment. This applies to both temporary and permanent staff.

6.6 The council recognises that a key preventative measure in the fight against fraud and corruption, takes effect at the staff recruitment stage. The taking-up of references including vetting checks is an essential control in establishing as far as possible the honesty and integrity of potential staff, whether for permanent or temporary employment. The recruitment and selection procedures contain detailed guidance, which should be followed in connection with securing references.

6.7 The council is committed to working and co-operating with other organisations to prevent organised fraud and corruption. Wherever possible, the council will be prepared to help and exchange information with other councils and organisations to deal with fraud.

6.8 There are confidential facilities available for people to provide information that may prevent fraud and corruption. These include a dedicated telephone line, which staff and members of the public can use to provide information about specific issues.

6.9 Internal Audit will ensure that details of reporting facilities are widely published to the public, members and employees, and that all information received is dealt with appropriately.

6.10 As part of the council’s overall arrangements to deter the occurrence of financial irregularities and fraud, Internal Audit, based on an annual audit plan will:
• Review designated systems and highlight control weaknesses, which could increase the possibility of fraud/irregularities
• Carry out sample testing on transactions
• Act as a visible deterrent when performing a range of audit duties
• Use data mining techniques to identify possible instances of irregularities
• Investigate cases of suspected irregularity
• Liaise with relevant management to recommend changes in procedure to prevent further losses in the council.

6.11 Under the Codes of Conduct for both Members and employees, any suspected cases of fraud and corruption should be reported to the appropriate manager. Financial Regulations require that employees must report instances of fraud to the Strategic Director of Corporate Business and Finance (as Section 151 officer). All cases should also be reported to Internal Audit which works with the Corporate Fraud Team. Reporting cases in this way is essential for an effective Anti-Fraud, Bribery and Corruption Strategy.

6.12 The council's Whistleblowing Policy is intended to encourage and enable staff and the general public to raise serious concerns. Employees reporting concerns in this way are afforded certain rights through legislation (Public Interest Disclosure Act 1998).

6.13 Internal Audit and/or the Corporate Fraud Team will work with the Investigating Officer to decide on the course of the investigation. This will include referring cases to the Police at the Monitoring Officer’s discretion. The council’s policy is to prosecute offenders and undertake disciplinary procedures where appropriate. It will be ensured that any internal proceedings do not prejudice any criminal case.

6.14 All matters referred for investigation are reported the Audit and Accounts Committee who have a responsibility to consider the effectiveness of the Authority’s Risk Management arrangements, the control environment, and associated anti-fraud and corruption arrangements.

6.15 The council’s Corporate Fraud Team will investigate allegations of fraud for Council Tax Reduction and Single Person Discount, and will carry out proactive anti-fraud work in other areas such as Blue Badges and Direct Payments. Where appropriate the team will liaise with the Police and DWP to promote joint working on fraud investigations in order to improve the outcomes for all parties.

6.16 Cases relating to housing benefits will be referred to the Department of Work and Pensions (DWP).

6.17 The External Auditor also has powers to request or carry out an investigation into fraud and corruption.

7. **Action to be taken against fraudsters**

7.1 All council staff accused of internal malpractice and wrongdoing will be subject to a disciplinary investigation. If it is concluded that the matter should be dealt
with under the disciplinary procedure, the individual will attend a hearing, where, if found guilty, will receive a warning, sanction, or dismissal.

7.2 Any Member of the council who is the subject of allegations of wrongdoing must be referred to the Monitoring Officer, who will determine what action should be taken.

7.3 All contractors, consultants and organisations receiving funding from the council who are accused of wrongdoing will be the subject of an investigation. If proven, an independent decision will be taken to terminate the agreement/grant.

7.4 Local authorities are expected in all cases of fraud to actively consider applying a sanction or prosecution. The council is committed to safeguarding the benefit system and will report all suspected fraud cases to the DWP to establish if a sanction or prosecution is appropriate.

7.5 The council is committed to recovering any monies gained by fraud. The fraudster will be told to repay all money illegally obtained. If no agreement is forthcoming, court action will be instigated to recover the outstanding debt. This may also include recovery of monies from the former employee’s membership of the Local Government Pension Scheme’.

8. Training

8.1 The council understands that the key to introducing a successful Anti-Fraud, Bribery and Corruption Strategy will depend on programmed training and the way all our employees respond. As a result, details of the Policy will be provided to all Members and all staff and be included on induction programmes. The Policy will also be made available on the council’s intranet.

8.2 The council supports the idea of providing training for employees and Members who are involved in, managing, or reviewing internal control systems, to make sure that their responsibilities and duties are regularly reviewed and reinforced.

8.3 The council are also committed to training and developing employees who are involved in investigating fraud and corruption, and suitable training will be provided. The council’s e-learning platform includes a module on fraud, bribery and corruption for all officers and members to complete; the possibility of disciplinary action against officers who ignore such training and guidance is clear.

9. Sharing Information

9.1 The council is committed to working with other agencies in the detection and prevention of fraud.

9.2 Information will be shared internally and with government departments and other agencies, eg insurance companies for the purposes of fraud prevention and detection. This information will be shared in accordance with the principles of the Data Protection Act.
9.3 The council participates in national data sharing exercises, ie the National Fraud Initiative (NFI) to enable the proactive detection of fraud.

10. **Review Procedures**

10.1 Results of all completed investigations are reported to the Audit & Accounts Committee. An overview of the response to the Whistleblowing procedure is included in the Internal Audit Annual Report presented to the Audit & Accounts Committee.

10.2 The Anti-Fraud, Bribery and Corruption Strategy will be reviewed on an annual basis and all associated procedures will be updated as required to take account of changes in legislation and best practice.

11. **Conclusion**

11.1 The council is committed to tackling fraud and corruption whenever it happens. The response will be effective and organised and will rely on the principles included in this document.

11.2 It is the responsibility of Strategic Directors and Assistant Directors to communicate the Anti Fraud, Bribery and Corruption Policy to their staff and to promote a greater awareness of fraud within their Service Groups.

11.3 Salford City council will continue to review its rules and procedures and will make sure that this Strategy document is regularly reviewed to make sure it stays current and appropriate.

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# ANTI-BRIBERY POLICY

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1. INTRODUCTION AND KEY MESSAGES

1.1 This policy has been produced to enable Salford City Council employees to understand their responsibilities under the Bribery Act 2010 and to allow them to implement arrangements to ensure these responsibilities are met.

1.2 In conjunction with related Council policies and key documents, this policy will help to meet and deliver the City Mayor City Plan priorities.

1.3 The Council requires that all staff and Members:
   - act honestly and with integrity at all times
   - safeguard the organisation’s resources for which they are responsible
   - work to the highest standards of conduct by complying with the Council’s Code of Conduct for Staff and the Code of Conduct for Members

2. CITY COUNCIL POLICY STATEMENT

2.1 Bribery is a criminal offence. Salford City Council does not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor does the Council accept bribes or improper inducements.

2.2 To use a third party as a conduit to channel bribes to others is a criminal offence. The Council does not, and will not, engage indirectly in or otherwise encourage bribery.

2.3 Salford City Council is committed to the prevention, deterrence and detection of bribery. The Council has zero-tolerance towards bribery. The Council aims to maintain anti-bribery compliance “business as usual”, rather than as a one-off exercise.

3. SCOPE OF THE POLICY

3.1 This policy applies to all of the organisation’s activities. For partners, joint ventures and suppliers, the Council will seek to promote the adoption of policies consistent with the principles set out in this policy.

3.2 Within the organisation, the responsibility to control the risk of bribery occurring resides at all levels of the organisation. It does not rest solely within assurance functions, but in all business units and corporate functions.

3.3 This policy covers all personnel, including all levels and grades, those permanently employed, temporary agency staff, contractors, non-executives, agents, Members (including independent Members), volunteers and consultants.

4. SALFORD CITY COUNCIL COMMITMENT TO ACTION

4.1 This Council commits to:
   - setting out a clear anti-bribery policy and keeping it up-to-date
   - making all employees aware of their responsibilities to adhere strictly to this policy at all times
   - increasing Member and employee awareness of this policy
   - encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive
information is treated appropriately in accordance with the Council’s Whistleblowing Policy

- rigorously investigating instances of alleged bribery and assisting the police and other appropriate authorities in any resultant prosecution
- taking firm and vigorous action against any individual(s) involved in bribery
- include appropriate clauses in contracts to prevent bribery.

5. DEFINITION OF BRIBERY

5.1 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.

6. THE BRIBERY ACT 2010

6.1 The Bribery Act 2010 can be found in full by clicking on the link below:
(http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1)

6.2 There are four key offences under the Act:

1. *Bribery of Another Person*
   - Section 1 of the Act makes it an offence to offer, promise or give a bribe.

2. *Accepting a Bribe*
   - Section 2 of the Act makes it an offence to request, agree to receive, or accept a bribe.

3. *Bribing a Foreign Official*
   - Section 6 of the Act creates a separate offence of bribing a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business.

4. *Failing to Prevent Bribery*
   - Section 7 of the Act sets out the corporate offence of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation.

6.3 An organisation will have a defence to this corporate offence if it can show that it had in place adequate procedures designed to prevent bribery by or of persons associated with the organisation.

7. IS SALFORD CITY COUNCIL A “COMMERCIAL ORGANISATION”?

7.1 The Bribery Act 2010 states that a “commercial organisation” is a body or partnership incorporated or formed in the United Kingdom, and Ministry of Justice guidance clarifies this as meaning “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.”

7.2 Salford City Council is a “commercial organisation”.

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8. WHAT ARE “ADEQUATE PROCEDURES”?

8.1 Whether the procedures are adequate will ultimately be a matter for the Courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the Council.

8.2 The Council has adopted the following six principles to ensure it has adequate procedures:

1. Proportionate Procedures
   The Council will ensure that its procedures to prevent bribery are proportionate to the bribery risks it faces and to the nature, scale and complexity of its activities. The anti-bribery procedures will also be clear, practical, accessible, effectively implemented and enforced.

2. Top Level Commitment
   The Corporate Management Team is committed to preventing bribery by persons associated with the Council. The Corporate Management Team will promote a culture within the Council in which bribery is never acceptable.

3. Risk Assessment
   The Council will assess the nature and extent of its exposure to potential external and internal risks of bribery. These risk assessments will form part of the Council’s risk management process.

4. Due Diligence
   The Council will apply due diligence procedures in respect of persons who perform or will perform services for or on behalf of the Council. A proportionate and risk based approach will be adopted in order to mitigate identified bribery risks.

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

6. Monitoring and Review
   The Council will monitor and review procedures designed to prevent bribery on a regular basis and make improvements where necessary.

Salford City Council is committed to the implementation of these principles.

9. PENALTIES

9.1 An individual guilty of an offence under sections 1, 2 or 6 of the Bribery Act 2010 is liable:
   - on conviction in a Magistrates Court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both
   - on conviction in a Crown Court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

If convicted under section 7 of the Bribery Act, Salford City Council could be liable to an unlimited fine.
10. BRIBERY IS NOT TOLERATED

10.1 It is unacceptable to:

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

11. FACILITATION PAYMENTS

11.1 Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

11.2 Facilitation payments are not tolerated and are illegal.

12. GIFTS AND HOSPITALITY

12.1 This policy is not meant to change the requirements of our gifts and hospitality policy.

13. PUBLIC CONTRACTS AND FAILURE TO PREVENT BRIBERY

13.1 Under the Public Contracts Regulations 2006 (which gives effect to EU law in the UK), a company is automatically and perpetually debarred from competing for public contracts where it is convicted of a corruption offence.

13.2 There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery. Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. Salford City Council has the discretion to exclude organisations convicted of this offence.

14. STAFF RESPONSIBILITIES

14.1 The prevention, detection and reporting of bribery and other forms of corruption are the responsibility of all those working for the Council or under its control. All staff are required to avoid activity that breaches this policy.

14.2 You must:

- ensure that you read, understand and comply with this policy
- raise concerns as soon as possible if you believe or suspect that a conflict with this policy has occurred, or may occur in the future.

14.3 As well as the possibility of civil and criminal prosecution, staff that breach this policy will face disciplinary action, which could result in dismissal for gross misconduct.
15. RAISING A CONCERN

15.1 Salford City Council is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity.

15.2 As part of the Council’s Honesty Action philosophy, we all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

15.3 There are multiple channels to help you raise concerns. Please refer to the Whistleblowing policy and determine your favoured course of action.

15.4 Preferably the disclosure will be made and resolved internally (e.g. to your head of service/on line reporting/telephone hotline). Where internal disclosure proves inappropriate, concerns can be raised with the regulator (e.g. external auditor. See link to “BIS prescribed persons” at the end of this document).

15.5 Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

15.6 Concerns can be anonymous. In the event that an incident of bribery, corruption, or wrongdoing is reported, we will act as soon as possible to evaluate the situation. The Council has clear defined procedures for investigating fraud, misconduct and non-compliance issues and these will be followed in any investigation of this kind. This is easier and quicker if concerns raised are not anonymous.

15.7 Staff who refuse to accept or offer a bribe or those who raise concerns or report wrongdoing can understandably be worried about the repercussions. The Council encourages openness and will support anyone who raises a genuine concern in good faith under this policy, even if they turn out to be mistaken.

15.8 Salford City Council is committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

15.9 If you have any questions about these procedures, please contact:

Jean Gleave – Head of Internal Audit
1st Floor, Unity House
Salford Civic Centre
Swinton
M27 5AW
Tel – 0161 607 6651

16. OTHER RELEVANT POLICIES

16.1 Code of Conduct for Staff

16.2 Code of Conduct for Members

16.3 Anti-Fraud Bribery and Corruption Statement and Strategy
16.4 Money Laundering Policy

16.5 Whistleblowing Policy

16.6 Gifts and Hospitality Policy

17. USEFUL LINKS

17.1 Bribery Act 2010

17.2 Department for Business Innovation and Skills (Blowing the whistle to a prescribed person)

17.3 Representation of the People Act
1. INTRODUCTION

1.1 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. Employees may also fear that there may be personal consequences if they speak up, for example harassment or victimisation. In these circumstances, it may seem easier to ignore the concern rather than report what may be just a suspicion of malpractice.

1.2 The council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, the council would encourage employees and those with whom we work in partnership, with any serious concerns about any aspect of the council’s work, to come forward and voice those concerns. The earlier a concern is raised, the easier it is to take action and deal with the matter.

1.3 This Whistleblowing Policy is intended to encourage and enable staff to raise serious concerns within the council rather than overlooking a problem or blowing the whistle to the media or other external bodies. This Policy has been discussed with the relevant trade unions and professional organisations and has their support.

2. AIMS AND SCOPE OF THE POLICY

2.1 This Policy aims to:

- encourage individuals to feel confident in acting on concerns and raising them internally
- provide avenues for staff and staff from third party organisations who are providing contracted services on behalf of the council to raise concerns and receive feedback on any action taken
- outline how the council will respond to these concerns
- inform how to take the matter further if they are dissatisfied with the response, and
- reassure whistleblowers that they will be protected from reprisals or victimisation for whistleblowing, where the individual reasonably believes that concerns have been raised in good faith

2.2 There are existing procedures in place to enable staff to lodge a grievance relating to their own employment. This Whistleblowing Policy is intended to cover concerns that fall outside the scope of other procedures. The areas covered by the policy include:

- criminal activity;
- miscarriages of justice;
- danger to health and safety;
- damage to the environment;
- failure to comply with any legal obligation or regulatory requirements;
• the deliberate concealment of any of the above matters is being, or has been, or is likely to be, committed.

2.3 This procedure applies to:
• All employees of the council – both permanent and temporary staff
• All agency staff and contractors working for the council, on council premises or elsewhere
• Those providing contracted services to the council in their own premises e.g. care homes
• Trainees on work experience or vocational schemes
• Staff seconded to a third party
• Staff from other organisations or bodies working under the supervision of council managers

2.4 People not employed by the council but providing contracted services to it, may raise concerns through the council’s Whistleblowing Procedure. In these cases, the matter raised should relate to the service being provided to the council by that organisation and not to any other aspect of the contracted services operations.

Anonymous Allegations

2.5 This Policy encourages staff to put their names to allegations. 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 raised,
• the credibility of the concern, and the likelihood of confirming the allegation from attributable sources.

Untrue Allegations

2.6 If a member of staff makes an allegation, but it is not confirmed by the investigation, no action will be taken against them. If individuals are found to have made malicious or vexatious allegations, disciplinary action may be considered and implemented.

3. RAISING A CONCERN

3.1 As soon as there is a reasonable belief that one of the serious concerns covered by this procedure may be happening, the employee’s immediate supervisor or line manager should be informed. This can be either verbally or in writing, although it is preferable that it is in writing to ensure that all the relevant details of the concern are noted.

3.2 Employees should approach the manager of the area concerned, who has a responsibility to inform the Head of Internal Audit, or Audit Manager. The nature of the complaint will determine the council’s course of action.
3.3 If the employee feels the manager may be involved in the matter, then they should contact a more senior manager. If the concern is sufficiently serious, one of the following can be contacted:

- City Director
- Monitoring Officer
- S151 Officer
- Head of Internal Audit

3.4 Internal Audit can be contacted by

- telephone on 0161 607 6972, or
- via the confidential freephone 24 hour hotline on 0808 100 1235,
- or by writing to: Head of Internal Audit, 3rd Floor, Salford Civic Centre, Swinton, M27 5AW.

3.5 A confidential online reporting form is available on the council’s Internet site at http://www.salford.gov.uk/honestyaction-form.htm

Confidentiality

3.6 When raising a concern, it should be made clear whether the matter is to be treated in confidence. If the matter is to be dealt with in confidence, the individual’s identity will not be disclosed without consent.

3.7 If the situation arises where a person’s identity has to be made known (for example if evidence in court is required to be given), the individual will always be contacted to discuss how they want to proceed.

3.8 The only time when confidentiality might be breached without consent is where the allegation is so serious that the council has to take immediate action to prevent anyone coming to any harm, in which case it may be necessary to reveal the nature and source of the complaint.

3.9 Obviously, if it is possible to proceed without breaking any confidences, the council will endeavour to do so. These are extreme cases and the council would always notify the individual in advance if this needs to be done. The council make suitable protective arrangements for anyone if this becomes necessary.

3.10 The earlier a matter is raised, the easier it is to deal with it.

4. HOW THE COMPLAINT WILL BE DEALT WITH

4.1 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 External Auditor
- form the subject of an independent inquiry by the Ombudsman.
4.2 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. The council will identify whether any urgent action is required to protect
the interests of the Council or the public.

4.3 Concerns or allegations that fall within the scope of other, existing, procedures
(eg child protection or discrimination issues) will normally be referred for
consideration under those procedures. If you have a concern about financial
misconduct or fraud, please see the council’s Anti-Fraud Policy.

4.4 Within 10 working days of a concern being received, the council will write to the
complainant to acknowledge receipt of the concern, if the complainant has
provided a contact name, and an address has been provided.

4.5 The amount of contact between the body considering the issues and the
complainant will depend on the nature of the matters raised, the potential
difficulties involved and the clarity of the information provided. If necessary,
further information will be sought from the individual.

4.6 When any meeting is arranged, the complainant has the right, if they so wish, to
be accompanied by a trade union or professional association representative or
a friend who is not involved in the area of work to which the concern relates.

4.7 The council will take steps to minimise any difficulties that staff may experience
as a result of raising a concern. Protection will be provided to the whistleblower
under the Public Interest Disclosure Act.

4.8 If staff are required to give evidence in criminal or disciplinary proceedings, the
council will advise them about the procedure and offer the appropriate level of
support.

4.9 The council accepts that staff need to be assured that the matter has been
properly addressed. Thus, subject to legal constraints, they will be notified that
the investigation has been completed.

5 SAFEGUARDS

Harassment or Victimisation

5.1 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 harassment or victimisation and
will take appropriate action to protect any individual, as long as they have
raised a concern in good faith.

5.2 This does not mean that if a member of staff is already the subject of
disciplinary or redundancy procedures, that those procedures will be halted as
a result of their whistleblowing.

5.3 Staff must not threaten or retaliate against whistleblowers in any way. Anyone
involved in such conduct will be subject to disciplinary action. The council may
be liable for the actions of its staff in the event that whistleblowers suffer a
detriment.
5.4 In addition, a member of staff who subjects a whistleblower to any form of detrimental activity may also be personally liable, including the payment of compensation that may be awarded to the whistleblower.

6. ALTERNATIVE METHODS OF TAKING FORWARD A COMPLAINT

6.1 This Policy is intended to provide staff with an avenue to raise concerns with the council or the Ombudsman.

6.2 The council hopes this will satisfy staff. If an individual feels it is right to take the matter outside this process there is a list of “prescribed persons” that can be contacted. These are mainly regulatory bodies, for example the Care Quality Commission, Health and Safety Executive, Charity Commission.

6.3 If staff do take the matter outside the council, they need to ensure that they do not disclose confidential information except to those included in the list of prescribed persons. The current list of prescribed persons can be found on the direct.gov.uk website (search under “whistleblowing”).

7. THE RESPONSIBLE OFFICER

7.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this policy, maintains a record of concerns raised and the outcomes, and will report as necessary to the council.

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Policy Statement

It is the policy of Salford City Council to comply with relevant money laundering legislation and Best Practice Guidance.

This policy is supported by the Council’s Anti-Money Laundering Procedures, which together form the Council’s Anti-Money Laundering Strategy. The principles of the policy underpin the Council’s commitment to comply with its obligations.

The Money Laundering Regulations 2007 (as amended by the Money Laundering (Amendment) Regulations 2012) have updated the position for the Council in terms of the legal responsibilities concerning money laundering. These regulations, together with the Proceeds of Crime Act 2002 (POCA), the Terrorism Act 2000 (TA) as amended by the Anti-Terrorism and Security Act 2001 and the Terrorism Act 2006), and the Serious Organised Crime and Police Act 2005 outline the preventative measures intended to eliminate the funding of terrorism and crime.

Although Local Authorities are not legally obliged to apply the Money Laundering Regulations 2007 (as amended by the Money Laundering (Amendment) Regulations 2012), the Council is bound by the provisions of both the Proceeds of Crime Act and the Terrorism Act.

Reason for Policy/Purpose

There have been significant changes to the legislation concerning money laundering, which have broadened the definition of money laundering and increased the range of activities caught by the statutory framework. The implications of the changes in legislation, considered by professional bodies, has resulted in Best Practice Guidance being issued that requires local authorities to establish internal procedures to prevent the use of their services for money laundering.

The purpose of this policy is to enhance Salford City Council’s compliance with money laundering legislation to assist law enforcement in combating illegal money laundering, and to minimise the risk of Salford City Council resources being used for improper purposes. Failure to comply with money laundering legislation could result in civil and criminal penalties to the Council and/or individual employees.

This policy applies to all employees and members of the Council and aims to maintain the high standards of conduct, which currently exist within the Council,
by preventing criminal activity through money laundering. The Policy and the
accompanying procedures set out the processes that must be followed (for
example the reporting of suspicions of money laundering activity) to enable the
Council, its members and employees to fulfil the Council’s intention to voluntarily
comply with the legal requirements of the Regulations.

Who Needs to Know This Policy

Members, staff, consultants.

Policy/Basic Procedure

Money laundering is defined by the Serious Organised Crime Agency (SOCA)
as: “any action taken to conceal, arrange, use or possess the proceeds of any
criminal conduct. Criminals try to launder ‘dirty money’ in an attempt to make it
look ‘clean’ in order to be able to use the proceeds without detection and to put
them beyond the reach of law enforcement and taxation agencies”.

Money Laundering is therefore the process by which criminally obtained money
or other assets (criminal property) are exchanged for ‘clean’ money or other
assets with no obvious link to their criminal origins. Criminal property may take
any form, including money or money’s worth, securities, tangible property and
intangible property. It also covers money, however come by, which is used to
fund terrorism.

To assist the government and law enforcement agencies in detecting, preventing
and eradicating terrorist financing and terrorist and criminal activity, the Council
will take the necessary steps to comply with money laundering legislation.

Those receiving, or arranging to receive cash on behalf of the Council must
ensure they are familiar with the Council’s Anti-Money Laundering Procedures.
No payment to the Council should be accepted in cash if it exceeds £2,000.

All funds received by any directorate should be deposited in accordance with
Financial Regulations. The Client Verification Procedure detailed in the Council’s
Anti-Money Laundering Procedures should be followed where appropriate.

Any concerns regarding transactions that appear to be suspicious or potential
violations of this policy should be reported to the Money Laundering Reporting
Officer the Head of Internal Audit on 0161 607 6651, or, if unavailable, their
deputy the audit manager on 0161 607 6972. General questions regarding money laundering should be directed to the Money Laundering Reporting Officer.

In order to support this strategy, the Council will provide targeted training to staff most likely to encounter money laundering activity, in order for them to be able to identify possible money laundering transactions. This will be undertaken by formal training procedures and Intranet based training and examples.

The Council’s Money Laundering Procedures provide documents which will be required to be completed by the appropriate officer upon discovery of a potential suspicious transaction. It will be the responsibility of the Money Laundering Reporting Officer and/or their Deputy to evaluate all concerns raised by staff to determine whether it is appropriate to make a report to the National Crime Agency (NCA).

Contacts

Money Laundering Reporting Officer
Head of Internal Audit,
3rd Floor,
Salford Civic Centre,
Chorley Road,
Swinton,
Salford
M27 5AW
0161 607 6651

Deputy Money Laundering Reporting Officer
Audit Manager
3rd Floor,
Salford Civic Centre,
Chorley Road,
Swinton,
Salford
M27 5AW
0161 607 6972
Who Approved This Policy?

Corporate Governance Group

History/Revision Dates

Origination Date: 5th March 2008
Last Amended Date: October 2016
Next Review Date: December 2018
Anti-Money Laundering Procedures

2016 - 2018
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<td>Don Simpson</td>
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ANTI-MONEY LAUNDERING PROCEDURES

1.0 INTRODUCTION

1.1 There have been significant changes to the legislation concerning money laundering (The Proceeds of Crime Act 2002, Money Laundering Regulations 2003/2007/2012, the Terrorism Acts of 2000 and 2006, and the Serious Organised Crime and Police Act 2005), which have broadened the definition of money laundering and increased the range of activities caught by the statutory framework.

1.2 As a result, the new obligations now impact on areas of local authority business, and Best Practice Guidance requires local authorities to establish internal procedures to prevent the use of their services for money laundering.

1.3 In order to comply with its obligation, the Council has produced an Anti-Money Laundering Policy, which is supported by this document. These documents together set out the procedures that must be followed to enable the Council to comply with its obligations in relation to money laundering.

2.0 SCOPE

2.1 These procedures aim to maintain and improve upon the high standards of conduct that currently exist within the Council, in ensuring the Council does not get used by third parties for the purposes of money laundering and to enable the Council to comply with its legal obligations. These procedures apply to all employees, agency staff and members of the Council.

2.2 Failure by an employee to comply with the procedures set out in this document may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the City Council's Disciplinary Policy and Procedures.

2.3 Failure by a Member of the Council to comply with the procedures set out in this Policy may lead to referral to the Standards Board.

2.4 Directors and managers must ensure that all employees and members are aware of the policy and these procedures.

3.0 PURPOSE

3.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. These procedures have been written to enable the Council to meet the legal requirements in a way which is proportionate to the low risk to the Council of contravening the legislation.

3.2 Potentially any employee or member could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. These procedures seek to prevent criminal activity through money laundering and set out how any concerns should be raised.

3.4 It is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation.
4.0 DEFINITION

4.1 Money laundering means:

- Concealing, disguising, converting, transferring criminal property or removing it from the UK
- Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer to nominees or any other retention or control of terrorist property.

These are the primary money laundering offences and prohibited acts under the legislation.

5.0 THE CITY COUNCIL’S OBLIGATIONS

5.1 The Chartered institute of Public Finance and Accountancy (CIPFA) guidance advises that Councils should:

- Maintain robust record keeping procedures
- Make those members and employees who are likely to be exposed to or suspicious of money laundering activities to be aware of the requirements and obligations placed on Warrington Borough Council, and on themselves as individuals, by the Proceeds of Crime Act and related legislation
- Provide targeted training to those considered most likely to encounter money laundering activities e.g. how to recognise and deal with potential money laundering offences
- Implement formal systems for members and employees to report money laundering suspicions to the MLRO
- Establish internal procedures appropriate to anticipate and prevent money laundering and make relevant individuals aware of the procedures
- Report any suspicions of money laundering to the National Crime Agency (NCA) (this is a personal legal obligation for the MLRO)
- Put in place procedures to monitor developments in the ‘grey’ areas of the legislation and to keep abreast of further advice and guidance as it is issued by relevant bodies.

5.2 Organisations conducting relevant business must:

- Appoint a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activity (their own or anyone else’s)
• Implement a procedure to enable the reporting of suspicions of money laundering

• Maintain client identification procedures in certain circumstances

• Maintain record keeping procedures

• Provide training to relevant staff on the requirements of the legislation, including the identification of suspicious transactions, identity verification and reporting procedures

5.3 The areas where large sums of monies may be received by the Council are:

• Council Tax,
• Business Rates,
• Sale of Council vehicles,
• Sale of Land & Property,
• Planning and Hire of Venues/Catering.

5.4 These are only examples, the safest way to ensure compliance with the law is to apply the procedures to all areas of work undertaken by the Council.

All staff and Members are therefore required to comply with the reporting procedure set out in section 7 below.

6.0 THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

6.1 The officer nominated to receive disclosures about money laundering activity within the Council is the Head of Internal Audit who can be contacted as follows:

Head of Internal Audit,
3rd Floor,
Salford Civic Centre,
Chorley Road,
Swinton,
Salford
M27 5AW

Telephone: 0161 607 6651
Email: jean.gleave@salford.gov.uk

6.2 In the absence of the MLRO, the Audit Manager is authorised to deputise and can be contacted as follows:

Audit Manager
3rd Floor,
Salford Civic Centre,
Chorley Road,
Swinton,
Salford
M27 5AW
6.3 General advice on money laundering may be obtained from the Money Laundering Reporting Officer.

7.0 UNDERSTANDING MONEY LAUNDERING - INDICATORS / EXAMPLES

7.1 Why people need to launder money

The great majority of all crimes are committed to generate money. Terrorists need money to fund their operations. Although criminals and terrorists have different objectives, they share the wish to hide and disguise their money movements. They do not want their money to lead to their detection and their arrest.

Having gained money by committing a crime, the criminal wants to be able to spend it without questions being asked about where the money came from and without the fear that law enforcement agencies following the money trail will catch up with them.

In order to disguise the fact that the money has come from crime, the criminal will attempt to break the link between the crime and the money it has generated — to cover the trail — and to establish a plausible explanation for his spending power.

The term “laundering” is deceptive: the criminal starts out with money that bears the taint of criminality and aims to remove the stain and so end up with apparently “clean money” that can be used as if it was legitimately earned income.

7.2 Why money laundering is wrong

Money laundering is wrong because the original monies are the proceeds of crime, and, therefore, the proceeds of human misery. Every crime has victims, whether injured, traumatized, denied their freedom or deprived of their health or their property. Even so-called “victimless” crimes like tax evasion or insurance fraud increase the costs that honest people have to bear.

Money laundering is not a technical offence; it is the crime that encourages crime to continue.

7.3 Why criminals/terrorists would use the council to launder money

Criminals/terrorists would potentially use any organisation that they could to launder money. A cheque received from the council to be placed in their bank account is clean money.

7.4 Examples of how money could be laundered via the council:

- A £200,000 property transaction is cancelled days before completion and a refund requested. Here the criminal has funded the transaction with “dirty money” and will then be sent a refund cheque from the council for £200,000. The council cheque will be “clean money”

- A cheque for planning fees for a large commercial development is written as £200,000 instead of £20,000 “in error” and sent to the council. Once banked, staff realise that the cheque should only have been for £20,000 and thus issue a refund of £180,000. The council cheque will be clean money
• Regular overpayments are made to 40 council tax accounts. Staff are unaware that all the properties are owned by the same person. Overpayments total £35,000. Refund cheques are sent out on each account. The council cheque/bank refund will be clean money.

7.5 Examples of money laundering indicators:

• The other party is happy to enter into an apparent bad deal for them
• A person suddenly changes their pattern of activity, i.e. if someone is usually in arrears and then they pay off the arrears and pay in advance
• A person enters into an arrangement beyond their apparent financial means, e.g. if someone is very poorly dressed and has a lot of money to spend
• A developer/third party offers the Council a price for a parcel of land/property that is far in excess of its estimated value
• There is an unexplained and unusual geographic use of a solicitor in relation to a property's location
• Where there is more than one solicitor/conveyancer used in the sale or purchase of a property or land
• The source or destination of funds differ from the original details given by the client
• If the buyer or seller's financial profile does not fit, particularly in relation to property transactions
• Regular cash payments received
• Large overpayments of fees or money on account
• If the Client cancels transactions without good reason and requests a cheque for previously deposited funds
• Large cash deposits.

8.0 CLIENT VERIFICATION PROCEDURES

8.1 The starting point of any anti-money laundering regime is to know who your clients are and the nature and purpose of the services they wish you to provide for them. Verification of identity is required by law and requires you to check, in essence, that the client is who they say they are.

8.2 Verification of the client’s identity must be performed prior to performing a transaction if any one of the following applies:

a) The Council is forming a business relationship with a client; or
b) Undertaking a one-off transaction involving payment by or to the client for £3,000 or more; or

c) Undertaking a series of linked one-off transactions involving total payment by or to the client(s) of £3,000 or more; or

d) It is known or suspected that a one-off transaction (or a series of them) involves money laundering.

This applies to existing clients, as well as new ones.

8.3 Verification of identity checks enable you to prove (to the best of your ability) that
a) An individual is:
   - Who they say they are (i.e. their name)
   - Lives where they say they live (i.e. their address)
   - The verification of name and address is the standard requirement, or
b) You have identified both the entity and the people who have effective control of a legal entity.

8.4 Evidence of identity should be obtained as follows:

8.4.1 Internal Clients
Appropriate evidence of identity for Council Service Group will be an email on the internal MS Outlook email system at the outset of a particular matter or signed written instructions on Council headed paper. Such correspondence should then be placed on the Council’s client file along with a prominent note explaining which correspondence constitutes evidence and where it is located.

8.4.2 External clients
For individuals, the most reliable documents for verifying a client’s name are government issued documents that contain the client’s name and a photograph and/or their residential address; i.e. valid UK passport, driving licence, firearms certificate / shotgun licence, bank statements or utility bills.

8.4.3 If you are able to obtain one of these photographic documents that also includes the client’s address, you are not required to get a second document to prove address. A UK passport and some other photographic forms of identity do not show the person’s address and in this case you will need to obtain a second document to verify the address. A non-UK passport could be difficult to authenticate and thus additional documentation must always be obtained.

8.4.4 For listed companies you need to verify the company name, company number, address of registered office and the business address. All of these details should be verified by a search of the relevant company registry or a database or from a copy of the company’s Certificate of Incorporation.

8.4.5 In addition, you will need to verify the company’s listing, including evidence of the approved status of the stock exchange - which is usually available via the stock exchange website and that the individual you are dealing with is properly authorised by the company. A suitable confirmation would be a letter or meeting minute received from a Director of the company.

8.4.6 For private companies you need to verify the company name, company number, address of registered office and business address. All these details should be verified from a search of the relevant company registry or from a copy of the company’s Certificate of Incorporation.

8.4.7 In addition you need to verify the most recent published accounts, the Memorandum and Articles of Association, that the person you are dealing with is properly authorised by the company and that he is who he says he is, and the names of any individual or corporate beneficial owner(s) who have a shareholding of 25% or more.

8.4.8 Partnerships should be verified to standards similar to those applicable to private companies by using available information/documentation.
8.4.7 A staff member that is required to verify the identity of other types of legal entities or organisations should contact the Money Laundering Reporting Officer, who will detail the necessary requirements.

8.5 Document retention:

8.5.1 In all cases, the evidence should be retained for at least five years from the end of the business relationship or transaction(s).

8.6 **If satisfactory evidence of identity is not obtained at the outset of the matter then the business relationship or one off transaction(s) cannot proceed any further. If there is an unjustified delay in the evidence of identity being obtained from the client or where the client is deliberately not providing the evidence, a disclosure will have to be made.**

9.0 **CUSTOMER DUE DILIGENCE /SUPPLEMENTARY PROCEDURES**

9.1 In proportion to the low risk to the Council of contravening the legislation, additional specific customer due diligence procedures will not be introduced. Instead the Council will establish additional procedures of internal control and communication as may be appropriate for the purpose of forestalling and preventing money laundering:

- Funds received for property purchases will only be accepted from a solicitor’s client account. In addition, the solicitor representing the purchaser will be asked to confirm that he has verified the purchaser’s identity. Refunds will be returned to the solicitor’s client account

- Payment of Council Tax and Business Rates may not be made in cash. This does not include external companies that have a contract with SCC to accept monies to pay bills. This includes Pay Point, Pay Source, Post Offices and Banks. These organisations have/follow their own money laundering policies and procedures.

- Overpayment refunds greater than £500 must be investigated for reasonableness and to determine if this is a regular occurrence. Any suspicion of money laundering activity must be reported to the MLRO as per section 11.

- **Cash payments of over £2,000** will not be accepted in any area of the Council. It is recognised that there may be exceptional circumstances where a business need dictates accepting a sum of cash greater than this amount. In these instances, the staff member **MUST** perform the identity verification procedure and obtain written authorisation from a line manager prior to accepting the cash.

- Written notification of the exceptional event **MUST** be immediately provided to the SCC MLRO (see section 6) detailing the amount of cash accepted, the reason why the cash was accepted, the specific identity verification check performed and the name of the line manager who authorised the transaction.

10.0 **RECORD KEEPING PROCEDURES**

10.1 Each Directorate of the Council conducting relevant business must maintain records of:

- client identification evidence obtained
• details of all relevant business transactions carried out for clients for at least five years as they may be used as evidence in any subsequent investigation by the authorities into money laundering.

10.2 The precise nature of the records are not prescribed by law, however, they must provide an audit trail during any subsequent investigation, e.g. distinguishing the client and the relevant transaction and recording in what form any funds were received or paid. In practice, the business units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice.

11.0 DISCLOSURE PROCEDURE

Reporting to the Money Laundering Reporting Officer

11.1 Where you know or suspect that money laundering activity is taking/has taken place, or become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO. The disclosure should be within “hours” of the information coming to your attention, not weeks or months later. **SHOULD YOU NOT DO SO, THEN YOU MAY BE LIABLE TO PROSECUTION.**

11.2 Your disclosure should be made using the disclosure forms attached in Appendix 1. The form must include as much detail as possible, for example:

• Full details of the people involved (including yourself if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers etc.

• Full details of the nature of your involvement:
  ➢ If you are concerned that your involvement in the transaction would amount to a prohibited act your report must include all the relevant details. You will need consent from the National Crime Agency (NCA), via the MLRO, to take any further part in the transaction
  ➢ You should make it clear in the report if such consent is required and clarify whether there are any deadlines for giving such consent e.g. a completion date or court deadline

• The types of money laundering activity involved

• The dates of such activities including:
  ➢ Whether the transactions have happened, are ongoing or are imminent

• Where they took place

• How they were undertaken

• The (likely) amount of money/assets involved

• Why, exactly, you are suspicious – NCA will require full reasons.

Along with any other available information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable him to prepare his report to NCA, where appropriate. You should also enclose copies of any relevant supporting documentation.

11.3 **At no time and under no circumstances should you voice any suspicions** to the person(s) whom you suspect of money laundering, even if NCA has given consent to
a particular transaction proceeding, otherwise you may commit a criminal offence of “tipping off” (see the Guidance Note for further details). Do not, therefore, make any reference on a client file to a report having been made to the MLRO.

**Consideration of the Disclosure by the Money Laundering Reporting Officer**

11.4 Upon receipt of a disclosure report, the MLRO will allocate a unique reference number and record it on the report log. They will then note the date of receipt on their section of the report and acknowledge receipt of it. *(Appendix 2)*

11.5 The MLRO will consider the report and any other available internal information they think relevant e.g.
- Reviewing other transaction patterns and volumes
- The length of any business relationship involved
- The number of any one-off transactions and linked one-off transactions
- Any identification evidence held, and undertake such other reasonable inquiries he thinks appropriate in order to ensure that all available information is taken into account in deciding whether a report to NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

11.6 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether:
- There is actual or suspected money laundering taking place, or
- There are reasonable grounds to know or suspect that is the case, and
- Whether they need to seek consent from NCA for a particular transaction to proceed.

11.7 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to NCA in the prescribed manner, unless they have a reasonable excuse for non-disclosure to NCA (for example, a lawyer wishing to claim legal professional privilege for not disclosing the information).

11.8 Where the MLRO suspects money laundering but has reasonable cause for non-disclosure, then they must note the report accordingly (the MLRO must liaise with a legal adviser to decide whether there is a reasonable excuse for not reporting the matter to NCA), they can then immediately give their consent for any ongoing or imminent transactions to proceed. Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark the report accordingly and evidence their consent for any ongoing or imminent transaction(s) to proceed by completing Appendix 2 and providing a copy to the relevant employee/Member.

11.9 Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from NCA.

11.10 The MLRO will notify the person who prepared the report with written authority to proceed with the transaction. *(Appendix 3)*
11.11 All disclosure reports referred to the MLRO and reports made by him to NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

11.12 The MLRO commits a criminal offence if they know or suspect, or has reasonable grounds to do so through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose this as soon as practicable to NCA.
CONFIDENTIAL

Report to Money Laundering Reporting Officer

regarding money laundering activity

To: Jean Gleave, SCC Money Laundering Reporting Officer

From

______________________________________________________________
(Insert name of employee)

Service Ext/Tel No:

______________________________________________________________
(insert post title and service)

DETAILS OF SUSPECTED OFFENCE

Name(s) and address(es) of person(s) involved:
(if a company/public body please include details of nature of business)

Nature, value and timing of activity involved:
(please include full details e.g. what, when, where, how. Continue on a separate sheet if necessary)
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<th><strong>Nature of suspicions regarding such activity:</strong></th>
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<th><strong>Has any investigation been undertaken (as far as you are aware)?</strong></th>
<th><strong>Yes / No</strong></th>
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<td><em>(Please tick the relevant box)</em></td>
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**If yes, please include details below:**
Have you discussed your suspicions with anyone else? Yes / No
(please tick the relevant box)

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

Have you consulted any supervisory body guidance re money laundering? Yes / No
e.g. the Law Society. (Please tick the relevant box)

If yes, please specify below:

Do you feel you have a reasonable excuse for not disclosing the matter to Yes / No
NCA e.g. are you a lawyer and wish to claim legal professional privilege?
(Please tick the relevant box)

If yes, please set out full details below:
Are you involved in a transaction that might be a prohibited act under sections 327-329 of the Act and which requires appropriate consent from NCA? Yes / No
(Please tick the relevant box)

If yes, please enclose details in the box below:

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

Signed: Dated:

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described.

To do so may constitute a tipping off offence, which carries a maximum penalty of 5 years imprisonment.
THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MLRO

Date report received:  
Date receipt of report acknowledged:  

CONSIDERATION OF DISCLOSURE

Action plan:

OUTCOME OF CONSIDERATION OF DISCLOSURE

Are there reasonable grounds for suspecting money laundering activity?
If there are reasonable grounds for suspicion, will a report be made to NCA? Yes / No
(Please tick the relevant box)

If yes, please confirm the date of the report to NCA:
and complete the box below: __________________________

Details of liaison with NCA regarding the report:
Notice of Period: to __________________________
Moratorium Period: to __________________________

Is consent required from NCA to any ongoing or imminent transactions which would otherwise be prohibited acts? Yes / No
(Please tick the relevant box)
If yes, please confirm full details in the box below:

Date consent received from NCA: __________________________
Date consent given by you to employee: __________________________

Appendix 2 completed, if necessary
If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to NCA please set out below the reason(s) for non-disclosure:

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

Other relevant information:
Acknowledgment of receipt of report

Dear ______________________

Thank you for your recent money laundering suspicion report. I have logged this in my file and allocated it the unique reference number ______

You must not continue with any further business or execute any transactions, on behalf of this client without my consent.

In the meantime, please remember not to discuss your report, or the fact that you have made a report, with anyone except me. In particular, do not indicate in any way to the client that a report has been made about him or record such information on the client file.
If I need any more information, I will get in touch with you. If you are concerned about the report or about dealing with the client in the future, please contact me to discuss it.

If other people within our organisation need to know about the report, I will let them know.

Yours sincerely

_______________________________________
Money Laundering Reporting Officer

APPENDIX 3  THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS

CONFIDENTIAL

Money Laundering Consent to Proceed Form -

DETAILS OF MLRO

Name

(Insert name of MLRO/Authorised Deputy)

Position

(Insert post title)

Ext/Tel No:

DETAILS OF EMPLOYEE / MEMBER

Name

(Insert name of employee / member)

Position/
Directorate

(Insert post title/directorate)

Ext/Tel No:

DETAILS OF REPORT
OUTCOME

I can confirm that the above transaction/query can proceed

Signed .................................................. Date ..............................
(MLRO/Authorised Deputy)
1) PROSECUTION POLICY

The council is committed to preventing fraud and corruption and has developed an Anti-Fraud and Anti-Corruption Policy in order to minimise its occurrence.

The council will constantly monitor its systems and amend procedures as required.

This Policy does not supersede other internal disciplinary codes implemented by the council and internal offenders (eg council employees or Members) will be liable to general disciplinary procedures as well as prosecution.

GENERAL

The council’s policy on fraud is to:

- deter it in the first instance
- detect it quickly
- investigate it efficiently, and
- prosecute offenders when appropriate.

The Monitoring Officer will decide if reporting the matter to the Police is appropriate. In exceptional circumstances the Head of Internal Audit may refer matters to the Police direct without prior consultation with the Monitoring Officer.

In deciding whether a fraud should be reported to the Police the following factors will be taken into account.

1. The extent of the fraud/corruption in financial terms
2. The sufficiency and appropriateness of evidence
3. Whether the public interest will be served

In general, all cases will be reported to the Police.

CORPORATE FRAUD

The council’s Corporate Fraud Team will investigate allegations of fraud for Council Tax Reduction and Single Person Discount, and will carry out proactive anti-fraud work in other areas such as Blue Badges and Direct Payments.

Where appropriate the team will liaise with the Police and the Department for Work & Pensions’ (DWP) Single Fraud Investigation Service, to promote joint working on fraud investigations in order to improve the outcomes for all parties.

A decision will be taken on a case by case basis on whether to pursue prosecution. In many cases the cost of prosecuting is disproportionate to the eventual outcome, and issuing financial penalties can be a more effective measure to prevent future fraud attempts that also maximises revenue for the Authority.
CONTRACTORS/CONSULTANTS/GRANT-AIDED BODIES

The same standards of conduct are expected of agents of the council as those for its employees and Members. To this end, the council will investigate any allegation of fraud and/or corruption of a contractor whilst under contractual agreements with the Council.

The same will apply to any independent consultant engaged by the council. Should an allegation be proven, the council will take all necessary steps to protect its interests and recover any sums misappropriated. The council will consider termination of the contract and/or exclusion from any preferred supplier list.

The council awards grants to voluntary bodies based on pre-determined criteria and agreements are signed in the expectation of the contract being delivered. Should any fraudulent activity be alleged and found proven, the council will take steps to recover the sums awarded and consider the appropriate course of action with regard to prosecution.

2) SEARCH POLICY

Where there is a belief that somebody is concealing council property, they will be asked to give their permission to a search. This express consent will be recorded on a Permission to Search Form, together with specific details of the person and/or the property to be searched. In addition, any specific requests should be recorded on the form. The line manager should countersign the form. The council will endeavour to fulfil any reasonable request. The employee will be asked if they wish to be accompanied by a colleague.

The search of a person and/or personal portable belongings will be performed in a private location. All searches will be undertaken by a person of the same gender to respect the person's dignity. The persons' overcoat, hat and/or footwear may be requested to be removed, if appropriate. A person's racial, sexual or religious requirements will be respected at all times. All searches will be performed in the least invasive manner possible.

Two people will be present, one to conduct the search and one to observe that proper precautions are taken.

A full written report should be made of the search including the date, time, names of people present, and the result of the search. Reports of searches will be provided to Human Resources for monitoring purposes.

If consent to a search is refused, the Police may be contacted in order that a legitimate search could be conducted. Inferences may be drawn in a disciplinary from the fact that the employee did not consent to a search.

Prior to a search being performed Internal Audit should be contacted for advice.

3) TAPED INTERVIEWS

The principle of the Investigative Interview is to obtain accurate and reliable information in order to discover the truth. To facilitate this objective, interviews undertaken by Audit and the Corporate Fraud team will take the form of either hand written statements or tape recorded using a dual tape machine where appropriate.

Tape recording interviews is industry best practice and provides the following benefits:

- Provides an accurate record of what was said in the interview, both by the interviewee and the member of Internal Audit staff
- Provides a comprehensive record of the interview
- Provides far greater clarity of content of what is said and the inferences from it
• Conveys interviewer's voice, tone and intonation used in the interview
• Interview and interviewer can concentrate on interview instead of there being delays through taking notes
• Serves to protect the integrity of interviewee and interviewer.

A specific type of interview must be performed if there are grounds to suspect that the interviewee has committed a criminal offence. This type of interview is named an Interview under Caution (IUC). All IUCs will be conducted in accordance with the Police & Criminal Evidence Act 1984 & Code of Practice.

All interviewees will be advised of the intention to tape record the interview when the interview is arranged, and asked if they consent to the recording.

An interviewee may request a copy of the interview tape(s) on request. The tape(s) will be provided on receipt of a completed application form and a cheque for the current fee.

Detailed documented taped interview procedures are held within Internal Audit.

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<th>Corporate Governance Group</th>
</tr>
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