

Audit committee

Date: Tuesday, 22 November 2016

Time: 16:30

Venue: Mancroft room, City Hall, St Peters Street, Norwich, NR2 1NH

Committee members:

Councillors:

Price (chair)
Driver
Harris
Jones (B)
Kendrick
Schmierer
Stonard
Wright

For further information please contact:

Committee officer: Jackie Rodger
t: (01603) 212033
e: jackierodger@norwich.gov.uk

Democratic services
City Hall
Norwich
NR2 1NH

www.norwich.gov.uk

Informal briefing for members at 16:00 (Mancroft room)

There will be an informal 30 minute briefing on counter fraud policies for members of the committee before the start of the committee meeting.

Information for members of the public

Members of the public and the media have the right to attend meetings of full council, the cabinet and committees except where confidential information or exempt information is likely to be disclosed, and the meeting is therefore held in private.

For information about attending or speaking at meetings, please contact the committee officer above or refer to the council's website



If you would like this agenda in an alternative format, such as a larger or smaller font, audio or Braille, or in a different language, please contact the committee officer above.

Agenda

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- 1 Apologies**
To receive apologies for absence
- 2 Public questions/petitions**
To receive questions / petitions from the public (notice to be given to committee officer in advance of the meeting in accordance with appendix 1 of the council's constitution)
- 3 Declarations of interest**
(Please note that it is the responsibility of individual members to declare an interest prior to the item if they arrive late for the meeting)
- 4 Minutes** **5 - 8**
To approve the accuracy of the minutes of the meeting held on 20 September 2016.
- 5 Annual audit letter 2015-16** **9 - 36**
Purpose - This report presents the annual audit letter.
- 6 Risk Management report** **37 - 58**
Purpose - To update members on the review by the corporate leadership team of key risks facing the council, and the associated mitigating actions, and the council's Risk Management Policy.
- 7 Internal audit 2016-17 – April to October update** **59 - 70**
Purpose - To advise members of the work of Internal Audit, completed between April to October 2016, and the progress against the internal audit plan.

The role of Internal Audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council's

ability to achieve its objectives.

The 2016-17 Audit Plan was approved by the committee on 15 March 2016 and endorsed by the council's corporate leadership team on 30 March 2016. The audit committee was previously provided with an update up to 31 August 2016.

8 Counter Fraud Policies

71 - 136

Purpose - This report updates members on the review of counter fraud policies.

Date of publication: **Wednesday, 16 November 2016**


Audit committee
16:30 to 17:15
20 September 2016

Present: Councillors Price (chair), Harris, Jones (B), Schmierer, Stonard and Thomas (Vi)

Apologies: Councillors Wright (vice chair), Driver and Kendrick

1. Public questions/petitions

There were no public questions or petitions received.

2. Declarations of interest

Councillor Harris declared an other interest in item 5 (below), Statement of Accounts 2015-16 because she represented the council as a director of Norwich Norse (Building) Ltd.

3. Minutes

RESOLVED to approve the accuracy of the minutes of the meeting held on 28 June 2016.

4. Annual Governance Statement 2015-2016

(Apologies had been received from the head of internal audit (LGSS).)

The principal audit manager (LGSS) presented the report and explained the minor updates to the Annual Governance Statement (AGS) shown as tracked changes in the final report.

In reply to a member's question for clarification, the principal audit manager explained that the annual governance statement was for the financial year 2015-16 and therefore it reflected the council as it was then. For instance in 2015-16, the deputy leader was a member of the Norfolk Health and Wellbeing Board but was not the council's representative in the current financial year.

The chair referred to the committee's discussion at its last meeting and confirmed that the committee was satisfied with the amendments.

The chief finance officer advised the committee that that the chief executive and the leader of the council were responsible for signing the annual governance statement following approval by the audit committee.

RESOLVED to approve the Annual Governance Statement 2015-16.

5. Statement of Accounts 2015-2016 (part 1)

(Councillor Harris had declared an other interest in this item.)

The chief finance officer introduced the report and suggested that the committee deferred consideration of the recommendation until it had reviewed the external auditor's Audit Results Report and draft letter of representation, as set out in the following agenda item.

The committee had considered the draft statement of accounts at its June meeting.

RESOLVED to defer further consideration of the Statement of Accounts 2015-16 until consideration of item 6 (below), Audit Results Report 2015-16.

6. Audit Results Report 2015-16

The external auditor (director, Ernst & Young) presented the Audit Results Report 2015-16 report and confirmed that the audit had been completed and that there was nothing outstanding. He thanked the chief finance officer and her team for their assistance for what had been "a good audit with very few issues".

During discussion the external auditor, together with the chief finance officer and chief accountant (and deputy 151 officer) (LGSS), referred to the report and answered members' questions.

Members noted that there had been a delay in the submission of key supporting working papers at the start of the audit and the external auditor's recommendation that management should review the current closedown timetable and the associated responsibilities for preparing the supporting records to the statement of accounts and the need to factor in the earlier reporting deadlines in respect of the 2017-18 financial statements. In reply to a question, the chief accountant explained that the work had been carried out but due to an oversight it had not "pressed the button" to send it to the external auditors and that it would be diarised and not an issue next year. The chief finance officer said that the finance team was aware of the earlier reporting deadlines and would ensure that they were prepared for that when closing down the accounts.

A member sought clarification on the assessment that Norwich Regeneration Ltd would fall within the council's group boundary and that consolidation would be required in future years. The chief finance officer said that it would be relatively easy to consolidate Norwich Regeneration with the council's financial statements but pointed out that this would add to the external auditor's work.

The chair said that he considered that the results report was a relatively good report with no major concerns. He said that he noted the external auditor's comments on

value for money and risks to the council's ability to achieve savings required over the longer term for the general fund and housing revenue account (HRA) and that other councils were also in this position.

In reply to a question from the chair, the chief finance officer explained that the council was making progress in the acquisition of a financial system, including a fixed asset system. This would resolve the issues of weaknesses in maintaining the current asset register.

The chief accountant explained that the corrected audit difference in Appendix A related to an error in classification of money being held for the housing company from long term to short term.

The committee noted the letter attached as Appendix 2.

RESOLVED to:

- (1) note the external auditors' audit results report 2015-16;
- (2) approve the draft letter of management representation presented at Appendix 2 of the audit results report 2015-16.

7. Statement of Accounts 2015-2016 (part 2)

The chair commented that the committee had considered the statement of accounts initially at its June meeting. He considered that the accounts were very well laid out and with no further comments from members, it was:

RESOLVED, to approve the statement of accounts 2015-16 and delegate to the chief finance officer, in consultation with the chair, the signing of the accounts by 30 September 2016.

8. Internal audit 2016-17 – April to September update

The principal audit manager introduced the new style report and invited feedback from members. He gave a detailed presentation of the report and confirmed that from the internal audit work during the period, there were no concerns to report to committee at this time. Referring to Appendix A – Internal audit plan, he explained that the status for the audit of council tax for 2016-17 was "open" and for the audit of 15-16 "closed".

The chair referred to section 2, Fraud and corruption update and said that he was reassured that no issues had come forward and that the campaign to raise awareness of the issue of fraud and poster campaign was good practice. The principal audit manager answered questions on the proposed counter fraud policies and explained that money laundering was unlikely to be a big concern for the council but it was good practice to have policies identify any exposure to risk. The council's whistleblowing and anti-fraud and corruption strategies were last published in 2009. The chief finance officer said that the review reflected changes to legislation, such as the Bribery Act 2010, and good practice.

During discussion the principal audit manager explained that cross-cutting looked across teams rather than within directorates, and was a more modern approach and reflected how teams worked together across the council.

RESOLVED to note the report.

9. External audit appointment

The principal audit manager and the chief finance officer presented the report and explained the implications of each option. The chief finance officer advised members that an audit panel would carry out the work of tendering for external auditors and then make a recommendation to the council. The council would be required to make the decision on the appointment of the external auditors but would need to explain if it did not accept the recommendation of the audit panel.

During discussion members considered that an opt-in to a sector led body would be the most cost effective and efficient option. The chair said that the advantages of being part of a wider collective outweighed the disadvantages of elected members having less opportunity for direct involvement in the appointment process other than through the Local Government Association and/or stakeholder representative groups

RESOLVED, unanimously, to recommend to cabinet that option 3 – opt-in to a sector led body be progressed.

CHAIR

Report to Audit committee
 22 November 2016
Report of Chief finance officer
Subject Annual audit letter 2015-16

Item

5

Purpose

This report presents the annual audit letter.

Recommendation

The committee is asked to review and note the attached report from the council's external auditor.

Corporate and service priorities

The report helps to meet the corporate priority value for money services.

Financial implications

There are no direct financial implications arising from this report.

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and business liaison

Contact officers

Justine Hartley, chief finance officer

01603 212440

REPORT

Background

1. The annual audit letter communicates to the members of Norwich City Council the key issues arising from the audit work carried out for the year ended 31 March 2016 by our external auditors. The letter is brought to the attention of all members and is also made available to external stakeholders, including members of the public, by publication on the council's website alongside the statement of accounts.

Key Findings, control themes and observations

2. The detailed findings of the audit work were reported to this committee on 20 September 2016 in the 2015-16 Audit Results Report. The key findings, control themes and observations contained in the letter are based on the findings in the audit results report.

Looking Ahead

3. The "Focused on your future" section of the letter draws attention to possible issues arising following the EU referendum result. It also reflects the setting up of Norwich Regeneration Ltd which in future years will require its own accounts to be audited and consolidated into the council's accounts.

Fees Update

4. The audit committee should note the audit fees for the 2015-16 Statement of Accounts, are equivalent to the scale fees, plus an additional fee for work on the council's change to its minimum revenue provision policy. This policy change resulted in significant savings to the council. The committee should also note the fee proposed for the certification of claims and returns.

Norwich City Council

Annual Audit Letter for the year ended 31 March 2016

14 October 2016

Ernst & Young LLP

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In April 2015 Public Sector Audit Appointments Ltd (PSAA) issued “Statement of responsibilities of auditors and audited bodies 2015-16”. It is available from the Chief Executive of each audited body and via the PSAA website (www.psaa.co.uk)

The Statement of responsibilities serves as the formal terms of engagement between appointed auditors and audited bodies. It summarises where the different responsibilities of auditors and audited bodies begin and end, and what is to be expected of the audited body in certain areas.

The ‘Terms of Appointment from 1 April 2015’ issued by PSAA sets out additional requirements that auditors must comply with, over and above those set out in the National Audit Office Code of Audit Practice (the Code) and statute, and covers matters of practice and procedure which are of a recurring nature.

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

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

A hand with white nail polish is holding a blue and silver pen, writing on a document. In the background, there is a white mug on the left, a calculator in the center, and a laptop on the right. The scene is set on a desk with papers and a window in the background.

Executive Summary

Executive Summary

We are required to issue an annual audit letter to Norwich City Council (the Council) following completion of our audit procedures for the year ended 31 March 2016.

Below are the results and conclusions on the significant areas of the audit process.

Area of Work	Conclusion
Opinion on the Council's: ▶ Financial statements	Unqualified – the financial statements give a true and fair view of the financial position of the Council as at 31 March 2016 and of its expenditure and income for the year then ended.
▶ Consistency of other information published with the financial statements	Other information published with the financial statements was consistent with the Annual Accounts.
Concluding on the Council's arrangements for securing economy, efficiency and effectiveness	We concluded that you have put in place proper arrangements to secure value for money in your use of resources.

Area of Work	Conclusion
Reports by exception: ▶ Consistency of Governance Statement	The Governance Statement was consistent with our understanding of the Council.
▶ Public interest report	We had no matters to report in the public interest.
▶ Written recommendations to the Council, which should be copied to the Secretary of State	We had no matters to report.
▶ Other actions taken in relation to our responsibilities under the Local Audit and Accountability Act 2014	We had no matters to report.

Area of Work	Conclusion
Reporting to the National Audit Office (NAO) on our review of the Council's Whole of Government Accounts return (WGA).	The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

As a result of the above we have also:

Area of Work	Conclusion
Issued a report to those charged with governance of the Council communicating significant findings resulting from our audit.	Our Audit Results Report was issued on 12 September 2016.
Issued a certificate that we have completed the audit in accordance with the requirements of the Local Audit and Accountability Act 2014 and the National Audit Office's 2015 Code of Audit Practice.	Our certificate was issued on 20 September 2016.

In January 2017 we will also issue a report to those charged with governance of the Council summarising the certification work we have undertaken. We would like to take this opportunity to thank the Council's staff for their assistance during the course of our work.

Mark Hodgson
Executive Director
For and on behalf of Ernst & Young LLP

Purpose



Purpose

The Purpose of this Letter

The purpose of this annual audit letter is to communicate to Members and external stakeholders, including members of the public, the key issues arising from our work, which we consider should be brought to the attention of the Council.

We have already reported the detailed findings from our audit work in our 2015/16 Audit Results Report to the 20 September 2016 Audit Committee, representing those charged with governance. We do not repeat those detailed findings in this letter. The matters reported here are the most significant for the Council.

Responsibilities

Responsibilities of the Council

The Council is responsible for preparing and publishing its statement of accounts accompanied by an Annual Governance Statement. In the AGS, the Council reports publicly each year on how far it complies with its own code of governance, including how it has monitored and evaluated the effectiveness of its governance arrangements in year, and any changes planned in the coming period.

The Council is also responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of the Appointed Auditor

Our 2015/16 audit work has been undertaken in accordance with the Audit Plan that we issued on 15 March 2016 and is conducted in accordance with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office.

As auditors we are responsible for:

- ▶ Expressing an opinion:
 - ▶ On the 2015/16 financial statements; and
 - ▶ On the consistency of other information published with the financial statements.
- ▶ Forming a conclusion on the arrangements the Council has to secure economy, efficiency and effectiveness in its use of resources.
- ▶ Reporting by exception:
 - ▶ If the annual governance statement is misleading or not consistent with our understanding of the Council;
 - ▶ Any significant matters that are in the public interest;
 - ▶ Any written recommendations to the Council, which should be copied to the Secretary of State; and
 - ▶ If we have discharged our duties and responsibilities as established by the Local Audit and Accountability Act 2014 and Code of Audit Practice.

Alongside our work on the financial statements, we also review and report to the National Audit Office (NAO) on your Whole of Government Accounts return. The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the return.

The background of the slide is a blurred photograph of a desk. On the desk, there is a laptop displaying a financial chart, several glasses of water, and some papers with financial data and charts. The scene is brightly lit, likely from a window in the background.

Financial Statement Audit

Financial Statement Audit

Key Issues

The Council's Statement of Accounts is an important tool for the Council to show how it has used public money and how it can demonstrate its financial management and financial health.

We audited the Council's Statement of Accounts in line with the National Audit Office's 2015 Code of Audit Practice, International Standards on Auditing (UK and Ireland), and other guidance issued by the National Audit Office and issued an unqualified audit report on 20 September 2016.

Our detailed findings were reported to the 20 September 2016 Audit Committee.

The key issues identified as part of our audit were as follows:

Significant Risk	Conclusion
Property, plant and equipment valuations	
We have commented in previous years on weaknesses in the spreadsheets used as a fixed asset register. The Council have continued to use these spreadsheets during 2015/16.	We reviewed and relied on management's valuation experts, including comparison to industry valuation trends and reliance on our own valuation experts where significant unexplained variations were identified.
The register is difficult to use and does not produce quality management information. This has contributed to errors and increased audit testing of valuations in previous years.	We tested the accounting treatment of valuations made in the year, including the assessment and treatment of impairments; and we reviewed and tested the Council's application of IFRS13 to ensure the fair value of relevant assets is based on economic best interest.
Due to the complexity in accounting for property, plant and equipment and the material values involved, these weaknesses increase the risk that asset valuations and contain material misstatements.	We have gained sufficient assurance over the property, plant and equipment valuations and disclosures.
The valuation risk is increased with the prospective application of IFRS13 Fair Value Measurement from 1 April 2015. This is likely to have the largest impact on the Council's investment property portfolio where asset valuations need to be reviewed to ensure they are based on best use.	We have no matters to report.

Significant Risk	Conclusion
<p>Pensions valuations and disclosures</p> <p>The Local Authority Accounting Code of Practice and IAS19 require the Council to make extensive disclosures within its financial statements regarding the Local Government Pension Scheme (LGPS) in which it is an admitted body.</p> <p>The Council's current pension fund deficit is a highly material and sensitive item and the Code requires that this liability be disclosed on the Council's Balance Sheet.</p> <p>The information disclosed is based on the IAS19 report issued to the Council by the actuaries to the Norfolk Pension Fund.</p> <p>As part of their actuarial review, councils are being asked to make additional payments to the pensions scheme to fund deficits.</p>	<p>We liaised with the auditors of the Norfolk Pension Fund, to obtain assurances over the information supplied to the actuary in relation to Norwich City Council.</p> <p>We assessed the conclusions drawn on the work of the actuary by the Consulting Actuary commissioned by Public Sector Auditor Appointments, PwC; and we reviewed and tested the accounting entries and disclosures made in relation to pension valuations and disclosures.</p> <p>We have gained sufficient assurance over the pension valuations and disclosures.</p> <p>We have no matters to report.</p>
<p>Risk of fraud in revenue and expenditure recognition</p> <p>Auditing standards also required us to presume that there is a risk that revenue and expenditure may be misstated due to improper recognition or manipulation.</p> <p>We respond to this risk by reviewing and testing material revenue and expenditure streams and revenue cut-off at the year end.</p> <p>For local authorities the potential for the incorrect classification of revenue spend as capital is a particular area where there is a risk of management override. We therefore review capital expenditure on property, plant and equipment to ensure it meets the relevant accounting requirements to be capitalised.</p>	<p>We reviewed and tested revenue and expenditure recognition policies.</p> <p>We reviewed and discussed with management any accounting estimates on revenue or expenditure recognition for evidence of bias.</p> <p>We tested material revenue (grant funding, sundry debtors, council tax , non domestic rates and housing revenue account rents) and expenditure streams (sundry creditors, housing benefits and payroll costs).</p> <p>We reviewed and tested revenue cut-off at the period end date.</p> <p>Our testing has not revealed any material misstatements with respect to revenue and expenditure recognition.</p> <p>Overall our audit work did not identify any issues or unusual transactions which indicated that there had been any misreporting of the Council's financial position.</p> <p>We tested the additions to the Property, Plant and Equipment balance to ensure that they are properly classified as capital expenditure.</p> <p>Our testing did not identify any expenditure which had been inappropriately capitalised.</p>

Significant Risk	Conclusion
<p>Management override of controls</p> <p>A risk present on all audits is that management is in a unique position to perpetrate fraud because of its ability to manipulate accounting records directly or indirectly, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p>Auditing standards require us to respond to this risk by testing the appropriateness of journals, testing accounting estimates for possible management bias and obtaining an understanding of the business rationale for any significant unusual transactions.</p>	<p>We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.</p> <p>We reviewed accounting estimates for evidence of management bias; and we evaluated the business rationale for any significant unusual transactions.</p> <p>We have not identified any material weaknesses in controls or evidence of material management override.</p> <p>We have not identified any instances of inappropriate judgements being applied.</p> <p>We did not identify any other transactions during our audit which appeared unusual or outside the Council's normal course of business.</p>

Other Key Findings	Conclusion
<p>Assessment of the group boundary</p> <p>The Council is entering into new contracts and partnerships in the delivery of services. The nature of these arrangements need to be assessed to determine whether they create functional bodies and other group entities which now fall within the group boundary and therefore require consolidating into the Council's Financial Statements.</p>	<p>We reviewed the Council's assessment of where overall control lies and consideration of materiality with regard to the operation and delivery of services of the potential group bodies and we ensured that appropriate consolidation procedures are applied to those bodies where required.</p> <p>We concluded that Norwich Regeneration does fall within the Council's group boundary. However, on the grounds of materiality (both quantitative and qualitative) consolidation is not required within the 2015/16 financial statements and therefore group accounts were not required.</p>
<p>Existence of plant and equipment assets</p> <p>The Council had vehicle and equipment assets of £26.7 million at 31 March 2015. These assets tend to be more mobile and generally have a shorter useful life. The weaknesses in the fixed asset system result in increased risk that assets recorded on the balance sheet are no longer used or owned by the Council.</p>	<p>We reviewed the Council's controls concerning asset verification, and we carried out testing of assets for continuing existence.</p> <p>We have gained sufficient assurance over the existence of plant and equipment assets.</p> <p>We have no matters to report.</p>



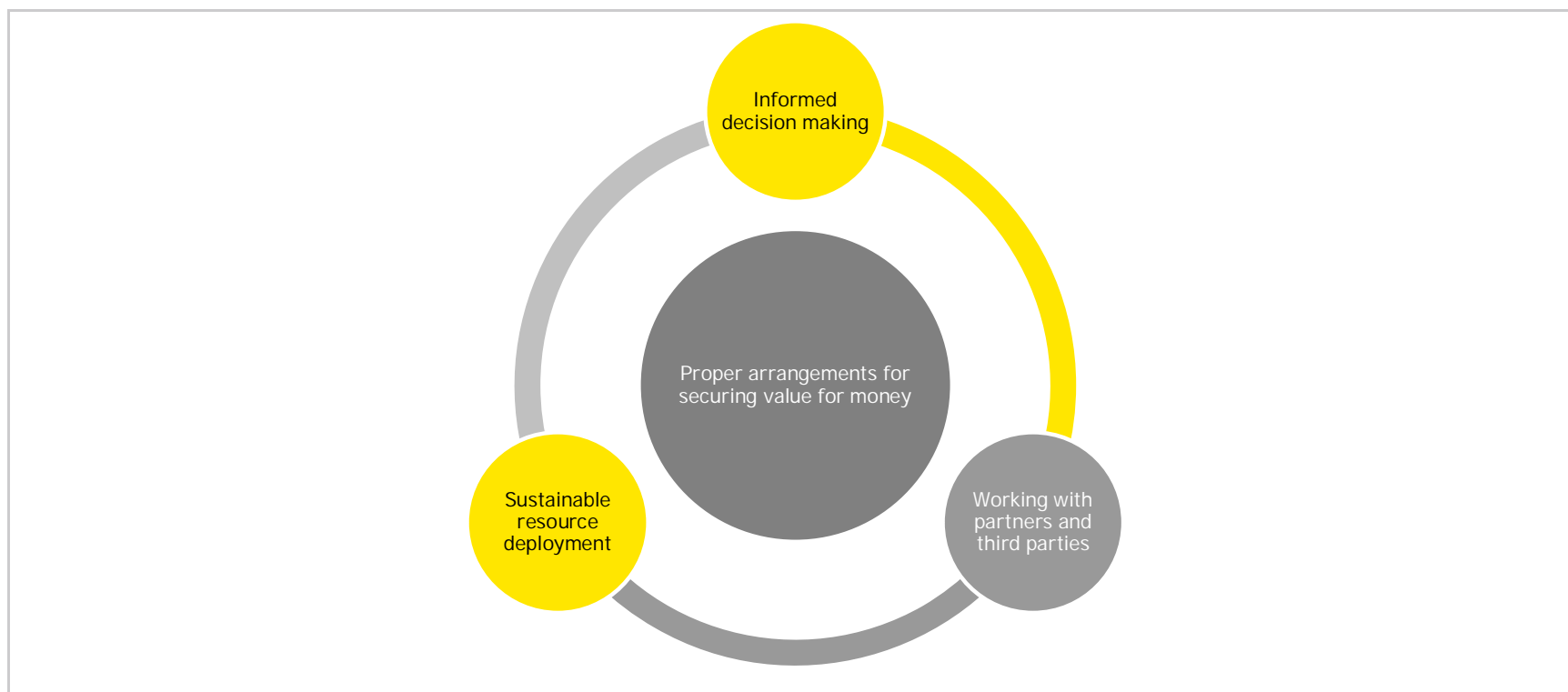
Value for Money

Value for Money

We are required to consider whether the Council has put in place 'proper arrangements' to secure economy, efficiency and effectiveness on its use of resources. This is known as our value for money conclusion.

Proper arrangements are defined by statutory guidance issued by the National Audit Office. They comprise your arrangements to:

- Take informed decisions;
- Deploy resources in a sustainable manner; and
- Work with partners and other third parties.



We issued an unqualified value for money conclusion on 20 September 2016.

Our audit did not identify any significant matters in relation to the Council's arrangements. We did however identify the following areas to bring to your attention.

Key Findings

Deploying resources in a sustainable manner

Risk

The medium term financial strategy included a £4.6 million budget gap for 2017/18 and 2018/19, this was on top of £3.7 million transformation savings/income to be delivered in the 2016/17 budget. Although the Council has assessed the savings/income for 2016/17, there remained a risk that they are not achievable at the planned level. In addition, further savings or increased income need to be identified to close the funding shortfall in 2017/18 and 2018/19.

Findings

- The Council has a track record of achieving its planned level of annual savings and budget over the past 3 years.
- The Council currently has a high level of general fund reserves. These are £12.1 million at 31 March 2016, which is significantly above the minimum levels set by the Council's s151 officer of £4.5 million. These provide the Council with the flexibility to manage its financial position over the short-to-medium term, and reduce the risk that an unexpected overspend, or unexpected one-off item of expenditure, would have a detrimental impact on the Council's financial standing.
- Whilst there is a significant planned use of general fund reserves (£4.5 million) over the next 4 years to support the general fund budget, the remaining planned general fund reserve balance remain above the Council's approved minimum level.
- The Council's medium term financial strategy shows a need to make further net savings of £10.3 million over the next 5 years. The Council continue to work on developing proposals for additional savings to bridge the medium-term budget gap.
- The Council has appropriate processes for setting its budget, and the budget assumptions appear reasonable.

Challenges for the next year

The Council have made significant savings in prior years, but will have limited opportunity to make further savings through service re-design alone; work is currently underway to review the Council's strategy and priorities.

The Council have taken the option to secure greater certainty and confidence in funding levels through the offer of a four year funding settlement for Local Authorities for 2016-17 to 2019-20, by submitting a four year efficiency plan.

Indicative revenue support grant will reduce from £2.567 million in 2016/17 to £0.213 million in 2019/20. There is also uncertainty around other Council funding streams, the New Homes Bonus grant and the move to the retention of 100% of business rates.

The latest published MTFS up to 2021/22 was approved by council on 23rd Feb 2016 and sets a net savings requirement for the council of £2.3m pa for the next 4 years reducing to £1.1m in 2021/22.

Deploying resources in a sustainable manner

Risk

The Council have assessed that the impact of legislation on HRA rent levels would require the Council to borrow above its borrowing cap. The Council also anticipates that further changes in the Housing and Planning Bill 2015/16 would increase right to buys and reduce housing stock. The HRA Business Plan needs to be re-worked to reflect the impact of the proposed changes and options developed to mitigate the impact of a determination and maintain HRA borrowing below the cap.

Findings

- The Council have re-worked the HRA business plan for the 1% rent reduction.
- To offset the loss of rental income, the maintenance programme has been revised.
- Although the Council have considered various options, plans are on hold until the determination clarifies guidance going forward.
- The Council continues to assess the impact from legislation changes, and reflect agreed actions in business plans.

Challenges for the next year

The Council approved the latest HRA business plan on 23rd February 2016. This reflects the 1% annual rent reduction for social rents, and the anticipated determination required to be paid to fund right to buy sales by registered providers, as introduced in the Housing and Planning Act 2016. The business plan has removed £7 million, largely through revised maintenance budgets, but will need to identify further efficiencies, the scale of which is will not be known until the determination is confirmed.



Other Reporting Issues

Other Reporting Issues

Whole of Government Accounts

The Council is below the specified audit threshold of £350 million. Therefore, we did not perform any audit procedures on the consolidation pack.

Annual Governance Statement

We are required to consider the completeness of disclosures in the Council's annual governance statement, identify any inconsistencies with the other information of which we are aware from our work, and consider whether it is misleading.

We completed this work and did not identify any areas of concern.

Report in the Public Interest

We have a duty under the Local Audit and Accountability Act 2014 to consider whether, in the public interest, to report on any matter that comes to our attention in the course of the audit in order for it to be considered by the Council or brought to the attention of the public.

We did not identify any issues which required us to issue a report in the public interest.

Written Recommendations

We have a duty under the Local Audit and Accountability Act 2014 to designate any audit recommendation as one that requires the Council to consider it at a public meeting and to decide what action to take in response.

We did not identify any issues which required us to issue a written recommendation.

Objections Received

We did not receive any objections to the 2015/16 financial statements from members of the public.

Other Powers and Duties

We identified no issues during our audit that required us to use our additional powers under the Local Audit and Accountability Act 2014.

Independence

We communicated our assessment of independence in our Audit Results Report to the Audit Committee on 20 September 2016. In our professional judgement the firm is independent and the objectivity of the audit engagement partner and audit staff has not been compromised within the meaning regulatory and professional requirements.

Control Themes and Observations

As part of our work, we obtained an understanding of internal control sufficient to plan our audit and determine the nature, timing and extent of testing performed. Although our audit was not designed to express an opinion on the effectiveness of internal control, we are required to communicate to you significant deficiencies in internal control identified during our audit.

We have tested the controls of the Council only to the extent necessary for us to complete our audit. We have not identified any issues with testing of payroll controls.

We have adopted a fully substantive approach for other key processes and have therefore not tested the operation of controls.

A close-up, shallow depth-of-field photograph of a person's hands holding binoculars. The person's face is blurred in the background, focusing attention on the binoculars and the text overlay. A bright yellow rectangular box is positioned on the left side of the image, partially overlapping the binoculars.

Focused on your
future

Focused on your future

Area	Issue	Impact
EU referendum	<p>Following the majority vote to end the UK's membership of the European Union (EU) in the EU Referendum held on 23 June 2016 there is a heightened level of volatility in the financial markets and increased macroeconomic uncertainty in the UK. All three major rating agencies (S&P, Fitch and Moody's) took action on the UK Sovereign credit rating and, following the rating action on the UK Government. For entities in the public sector, there is likely to be an impact on investment property valuations if confidence in the wider UK property market falls; and the valuation of defined benefit pension obligations may also be affected. It is too early to estimate the quantum of any impact of these issues, but there is likely to be significant ongoing uncertainty for a number of months while the UK renegotiates its relationships with the EU and other nations.</p>	<p>Many of the issues and challenges that face the UK public sector will continue to exist, not least because continued pressure on public finances will need responding to. Additionally it may well be that the challenges are increased if the expected economic impacts of the referendum and loss of EU grants outweigh the benefits of not having to contribute to the EU and require even more innovative solutions.</p> <p>We are committed to supporting our clients through this period, and help identify the opportunities that will also arise. We will engage with you on the concerns and questions you may have, provide our insight at key points along the path, and provide any papers and analysis of the impact of the referendum on the Government and Public Sector market.</p>
Local housing development company	<p>The Council has established a local housing development company (Norwich Regeneration Company) to build, sell and manage houses for sale and rent.</p> <p>The company is a wholly owned subsidiary of the Council.</p>	<p>The setting up of a council owned company requires the Council to consider legal powers, contracting arrangements, governance structures, risk management, financial modelling and accounting implications.</p> <p>We have acted as a critical friend in the setting up of the company, reviewing committee papers and meeting with Council officers to discuss our experience of similar ventures.</p> <p>We will work with the Chief Financial Officer to work through accounting implications in 2016/17.</p>

Appendix A

Audit Fees

Appendix A Audit Fees

Our fee for 2015/16 is in line with the scale fee set by the PSAA and reported in our 12 September 2016 Audit Plan Results Report.

Description	Proposed Final Fee 2015/16 £'s	Scale Fee 2015/16 £'s
Total Audit Fee – Code work	83,596 See Note 1	79,914
Total Audit Fee – Certification of claims and returns	See Note 2	35,780

Note 1 - We have undertaken a review of the Council's approach to the Minimum Revenue Provision. This additional work has an additional fee of £3,682 and is currently subject to approval by Public Sector Audit Appointments Ltd (PSAA).

Note 2 - Certification of claims and returns. We have not commenced our work in this area. We will report the results of our work and the final fee with you in our Annual Certification Report.

We confirm we have not undertaken any non-audit work outside of the PSAA's requirements.

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ED None

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Report to Audit Committee
 22 November 2016
Report of Chief Internal Auditor, LGSS
Subject Risk Management report

Item

6

Purpose

To update members on the review by the corporate leadership team of key risks facing the council, and the associated mitigating actions, and the council's Risk Management Policy.

Recommendation

To endorse the proposed amendments to the corporate risk register and risk management policy and recommend to cabinet for approval.

Corporate and service priorities

The report helps to meet the corporate priority "Value for money services".

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and Business Liaison

Contact officers

Duncan Wilkinson, Chief Internal Auditor, LGSS	01908 252089
Neil Hunter, Deputy Head of Internal Audit, LGSS	01223 715317
Jonathan Tully, Principal Audit Manager, LGSS	01603 212575

Background documents

None

Report

Background

1. Risk management is a fundamental aspect of the council's business practices. Cabinet has an executive role in the management of risks across the council in its role of ensuring the delivery of the council's priorities.
2. Audit committee provides independent assurance of the adequacy of the council's risk management framework and the associated control environment.
3. The Corporate Risk Register was previously reported to audit committee on 28 June 2016 and cabinet on 14 September 2016.

Review of corporate risks

4. As required by the Risk Management Strategy, on 12 October 2016, the corporate leadership team (CLT) carried out its regular review of the key risks to achieving the council's priorities and has updated the Corporate Risk Register.

Corporate risk register

5. The updated risk register, with tracked changes in red, is attached at **appendix 1**.
6. The template for risk registers includes scoring for **inherent** risks (before any mitigating controls are considered) and **residual** risk (after taking account of key controls, which are listed). Any planned actions to further mitigate risks are also shown.
7. The council has a risk appetite which illustrates the level of risk it is willing to take. In exceptional circumstances it may not be possible, or proportionate, to implement controls that reduce the residual risk score within this appetite. In this instance the risk would be managed, and the aim would be to reduce this below the risk appetite. The maximum risk appetite score is set at 15, as a multiple of residual likelihood and residual impact. The Risk Management Policy states that "in exceptional circumstances cabinet can approve a residual risk in excess of the risk appetite if it is agreed that it is impractical or impossible to reduce the risk level below 16."
8. The residual risk score for risk B1, public sector funding, is 20 and remains above the council's risk appetite. This was approved by cabinet on 8 July 2015, and given the uncertainties around future grant and business rates income it is CLT's view that this should remain as a 'red' risk. Further details of these risks were included in the reports presented to the budget meeting of the council on 23 February 2016.
9. Following discussion at the previous audit committee and further consideration by CLT, the residual risk score of risk A8, housing investment strategy, has been increased from 15 to 20, reflecting the potential impact of legislative change and financial challenges. Consequently it exceeds the council's risk appetite, and was approved by cabinet on 14 September 2016. The risk was considered as part of the overall Housing Revenue Account budget, which was presented and approved by cabinet on 3 February 2016.
10. Changes to the risk register include:

Risk	Description
A3 Partnership and contract management	The Council has a number of key partnerships including LGSS, NPS Norwich, and nplaw. An existing key control includes reviewing the governance arrangements. The Council is undertaking a review, and the action plan has been updated to reflect this. The risk profile has not changed.
A6 Joint core strategy	Delivering a joint core strategy can be complex, due to the number of partners and the potential for conflicting priorities. This is not a new risk, but it is appropriate to recognise this cause, and the text has been amended. The risk profile has not changed.
B1 Public sector funding B2 Income generation	Funding cuts to county budgets, plus risks associated with 100% retention of business rates, have the potential to impact the Council. This is not a new risk, having been discussed previously, and the text has been amended to reflect this. The risk profile has not changed.
C1 Emergency planning	The Council delivers a complex range of services, and an emergency event could have a significant impact. It is good practice to test the robustness of business continuity plans. The action plan has been updated to provide assurance that an exercise will be undertaken in December 2016. The risk profile has not changed.
C3 Information security	The Council is committed to good information governance. New EU legislation is being introduced from May 2018 which increases the standards for information governance. It is unclear, following Brexit, whether UK will adopt this legislation. It is good practice to be prepared for potential legislative change, and the risk register has been updated to reflect this. The risk profile has not changed.
C5 Fraud and corruption	The actions recognise that the Council has drafted three counter fraud policies, which are being consulted upon. This helps to mitigate the risk by ensuring that they reflect good practice. The risk profile has not changed.
All risks	A recent revision to the organisational structure has resulted in minor changes to job titles. It is important that risks are assigned ownership, so that they are managed. The owners of risks have been updated to reflect this.

Corporate residual risk map

11. An updated risk map is included at **appendix 2** which shows the residual risk level for each of the risks. This gives a quick view of where each risk sits in relation to the council's risk appetite, i.e. there should be no risks with a residual score greater than 15, unless specifically approved by cabinet.
12. The residual risk score for B1 (public sector funding) and A8 (housing investment strategy) are above the council's level for risk appetite, and are red. All other residual risk scores are amber.

Risk management policy

13. The Risk Management Strategy requires cabinet to review the Risk Management Policy on an annual basis.
14. CLT's review of the policy confirmed that it continues to provide the council with an effective approach to risk management and does not therefore require any updates.
15. The latest version of the policy is included at **appendix 3**.

Conclusion

16. Risk management review processes are well embedded within the council, and members can be assured that the Corporate Risk Register is up to date following review by CLT of the key risks to achieving the council's objectives.
17. Each risk shows the owner and the key controls, both in place or planned, designed to minimise any impact on the council and its provision of services to stakeholders.
18. The Risk Management Strategy requires managers to keep all risks under review, and the Corporate Risk Register is updated accordingly.

CORPORATE RISK REGISTER

Version Date: November 2016

Details of Risk					Inherent Risk			Key Controls	Residual Risk			Actions					
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact		Score & RAG	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
CUSTOMER PERSPECTIVE																	
A1	Customer demand	1. Customer demand exceeds our capacity to deliver services as they are currently configured 2. Transfer of demand arising from service delivery changes or budget cuts by other public agencies 3. Excessive customer demand in key areas, particularly in relation to the need to cut services, or changes to policies e.g. council tax reduction scheme; universal credit	1. Unable to cope with demand 2. Complaints 3. Reputation damage 4. Increased homelessness risk to housing	D-CC	All	4	4	16 (R)	1. Proactive research on customer profile, forward planning, e.g. anticipating future events that will generate higher demand and use of data held to map and channel shift. 2. Data capture, consultation, survey and service planning. 3. Being robust about the role and responsibilities of Norwich City Council 4. Customer centre redesign 5. New 'self-serve' website including responsive forms, housing repairs diagnostics, customer portal, and full functionality on mobile devices	3	2	6 (A)	1. Customer service improvement plan for F2F service - Phase 1	Head of customer services	Mar-17		G
A2	Delivery of the corporate plan and key supporting policies and strategies within the council's strategic framework	Corporate priorities are not on target to be delivered. The council has a clear set of corporate priorities within its corporate plan. Within the council's wider strategic framework, there are a number of key corporate strategies and policies which must be delivered across the organisation to realise the council's priorities e.g. environmental strategy, housing strategy etc. Policy from the new government will be further changing the framework for local government and put new requirements on the council that must be met in a number of different areas. When this is combined with the very significant savings the council will need to make to meet the government funding reductions, there is a risk that these changes will reduce the capacity of the council to deliver on its key corporate priorities.	1. Key priorities for the city are not delivered 2. Adverse public opinion 3. Projects / work completed to a lower quality 4. Negative impact on outcomes for citizens 5. Negative performance ratings for the council 6. Continual over-stretching of capacity	CEO	All	4	4	16 (R)	1. Regular review of corporate plan, medium term financial strategy and other key policies and strategies. 2. Effective performance and programme management 3. Corporate planning and service planning aligned with budget setting to ensure resources are in place to deliver priorities. 4. Effective preparation for changes in government policy. 5. Effective transformation programme to ensure savings are delivered. The balance between the corporate plan and resources available is anticipated to shift over the coming years bringing significant challenges for the Council. As a result the Council's Cabinet approved on June 8 2016 the initiation of a process to: a) Work with partners in the public, private, voluntary and community sectors to develop a new city vision b) Develop a revised corporate plan, priorities and performance measures which reflects the council's part in supporting that vision c) Determine a new blue print or operating model to guide how the council works in future which reflects available resources	3	4	12 (A)	a) Work with partners in the public, private, voluntary and community sectors to develop a new city vision b) Develop a revised corporate plan, priorities and performance measures which reflects the council's part in supporting that vision c) Determine a new blue print or operating model to guide how the council works in future which reflects available resources	CEO	01/10/2016 Feb-17		G

Details of Risk									Inherent Risk			Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG		
A3	<p>Relationship management with key service delivery partners and the management of contracts.</p> <p>The council has a number of key partnerships with LGSS, NPS Norwich, and NP Law. There is also a highways agency agreement with Norfolk County Council. This approach to service delivery requires a different managerial approach by the city council.</p> <p>The council also has a number of key contracts and partnerships which require strong, consistent procurement and client management.</p>	<p>1. Partnerships not managed effectively and key service outcomes not achieved.</p> <p>2. Contracts not managed effectively, and key service outcomes not achieved.</p>	<p>1. The council doesn't get value for money</p> <p>2. Benefits of partner and contract arrangements not realised</p> <p>3. Constant negotiation around the service delivery agreement</p> <p>4. Specification not adhered to</p> <p>5. Services not provided at an acceptable level</p> <p>6. Customer and staff complaints</p>	D-BS	5	3	4	12 (A)	<p>1. Governance structure is in place to manage the individual partnership agreements (e.g. NPS Norwich Board, LGSS liaison group, NP Law Board, all major contracts have strategic and operational governance arrangements with officer and member representation.</p> <p>2. In response to the council operating model training requirements have been reviewed and staffing structures refreshed to reflect this change.</p> <p>3. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service.</p> <p>4. Internal audit periodically reviews arrangements to ensure that robust governance by client managers is in place for LGSS, nplaw, NPS Norwich, Norwich Norse (Environmental) and Norse Environmental Waste Service. Reported to CLT in April 2015 – result was 'substantial' assurance opinion.</p> <p>5. Regular reviews of joint ventures.</p>	2	4	8 (A)	<p>Review of joint venture working currently underway</p>	D-BS	Mar-17				

Details of Risk									Inherent Risk		Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG	
A4	Safeguarding children, vulnerable adults and equalities duties	1. Safeguarding and equalities duties and responsibilities not embedded throughout the council and its contractors/ commissioned services/ partners. 2. Continued change in council service delivery model with an increase in the number of partnership arrangements is likely to require new arrangements for the delivery of safeguarding and equalities duties. 3. Impact of cuts on care services and benefit funding. 4. Critical incident 5. Change in contractor/ commissioned service/partner 6. Reduced service provision 7. Not being able to attract staff with diverse abilities and backgrounds 8. Reviews of safeguarding at Norfolk County Council found a number of significant issues, which increases the risks for partner organisations	1. Vulnerable adults and children at greater risk of exclusion or harm 2. Individuals from a community of identity dealt with inappropriately and at risk of exclusion 3. Risk of judicial review on accessibility of services 4. Risk of damage to reputation if an employee discrimination claim is made based on equalities legislation 5. NCC's reliance on systems at Norfolk and impact on Norwich City Council if these are inadequate	D-N	All	3	4	12 (A)	1. Safeguarding policy & procedures in place and reviewed annually through safeguarding group. 2. Safeguarding duties included in new contracts to ensure duties are embedded with new contractors. Where appropriate, joint training/awareness sessions are held. 3. Equalities duties overseen by BMG 4. A contract and business relationship management toolkit has been deployed. This aims to create consistency of management of both financial and performance objectives and monitoring and management of all economic, social and environmental issues associated with the service and particularly in relation to safeguarding 5. Equality training for all staff and managers 6. Mental health awareness training for employees 7. Safeguarding training provided to all staff. 8. Safeguarding guidance provided to all councillors 9. External review of the council's approach through the annual self-assessment against Sec.11 of Children Act 2014, then challenge session with chair of Norfolk Safeguarding Children Board (NSCB). 10. NCC plays full part in Norfolk Public Protection Forum 11. NCC chief executive chairs Community Safety Partnership linking to domestic abuse across the county 12. Constantly monitoring outcomes from serious case reviews (children adult and domestic abuse) and ensure any recommendations are actioned.	2	4	8 (A)	1. Work is continuing with contract managers to ensure monitoring and annual reporting of cross cutting themes including safeguarding and equalities is undertaken consistently with contractors. 2. Refresher workshop style training developed and provided for all relevant staff ; 3. New e-learning module developed for all staff to ensure learning is -relevant to job roles and reflects emerging safeguarding issues and priorities for Sec 11 of the Children Act 2014 and the roll out of a revised safeguarding policy and procedures.	Head-of-local-neighbourhood-services D-N Head-of-local-neighbourhood-services D-N	From 'Jul-14	Complete for 'Platinum' contractors; currently-reviewing- 'Gold' contractors to be completed by March 2017. Workshops completed March 2016 and will be provided on a rolling basis.	G	
A6	Delivery of Joint Core Strategy (JCS). The council, through the Greater Norwich Growth Board, is seeking to promote delivery of the JCS. If delivered, JCS will see more than 30,000 homes built in the greater Norwich area, and 35,000+ jobs created over next 15 years	Delivery of the JCS may be jeopardised by: 1. Markets failing to deliver on preferred development sites identified for housing 2. Changing approaches to calculating housing land supply to require all the backlog in housing supply that has arisen since 2008 to be met in the next five-year period rather than over the remainder of the plan period of the JCS (i.e. up to 2026). 3. Failure to deliver the infrastructure required to support development 4. The council increasingly relies on income from NNDR (business rates). This may be at risk if other councils allow commercial developments on the edge of the city but outside the boundary or the number of commercial premises in the City reduce. 5. Partners across the Greater Norwich area not working effectively together because of conflicting priorities.	1. Reputation damage 2. Significant likelihood that the overall development strategy for the Greater Norwich area will not be delivered	Head of planning services	2 & 4	3	4	12 (A)	1. Ensuring that strategies being prepared with GNGB colleagues are as robust as possible and firmly grounded in reliable evidence. 2. Inter-authority working based on consensus decision-making ensures all parties are in agreement with the agreed policy framework. 3. All policy work is supported by comprehensive and up-to-date evidence in accordance with government guidelines. 4. Greater Norwich Growth Board responsible for ensuring funding is available for investment in infrastructure to support growth.	3	3	9 (A)						

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG		Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
A8	Housing Investment Strategy As part of the reform of the HRA the council has taken on a substantial debt to replace the former negative housing subsidy system. This debt is currently planned to be repaid over a period not exceeding 30 years. In addition to debt repayments the council has adopted a new standard for investment in the housing stock and a commitment to fund a new build programme. However, recent developments in welfare and housing legislation require rent reductions and the prospect of paying an annual determination which will impact significantly on the levels of funding available for stock investment and improvement.	1. Reduction in rental income arising from: • compulsory 1% reduction in social housing rent for next four years wef April 2016 • higher level of council house sales due to improved incentives • increasing debt or other factors 2. Impact of determination to fund RTB for Registered Providers 3. Significant increase in the cost of delivering improvement works 4. Failure to deliver by contractors	1. Failure to deliver the Norwich Standard within the expected timescale 2. Lack of resources to be able to maintain the Norwich Standard. 3. Lack of resources to support a new build programme. 4. Requirement to sell off stock to fund determination 5. Reduced tenant satisfaction 6. Need to reprogramme the housing investment plan	D-N	4	5	5	25 (R)	1. Regular review of HRA business plan and housing investment plan to reflect financial position of the HRA. In particular we await indicative figures for the annual determination which is likely to require further reworking of the HRA business plan and changes to planned levels of spend. 2. The main control will be the timescale for delivering the Norwich Standard to all properties and the level of spend on the routine maintenance / replacement programme together with the delivery of any agreed new build programme. 3. Regular review of key projects. 4. Effective contract management 5. Work with Registered Providers to maximise use of retained Right to Buy receipts for the development of new social housing where spend by the Council is not possible.	5	4	20 (R)	Review housing investment plan	D-N CFO	Feb-16 'Feb-17'	Nov-16	G

Details of Risk																	Inherent Risk			Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Key Controls	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG										
FINANCE AND RESOURCES																											
B1	Public sector funding	1. Further economic decline. 2. Change in national government policy as a result of the economic position 3. New policies and regulations place a major financial burden on the council 4. Effects of funding cuts on major partners despite increased referrals, e.g. health and social care or county budgets, may result in increased costs for the council 5. Uncertainties over central government financing, e.g. new homes bonus; changes to housing finance within the Housing and Planning Bill 6. Risks from 100% retention of business rates	1. Major reduction in public sector funding, including consequences of changes in funding arrangements for other bodies. 2. Impact on balancing the budget – significant change and financial savings required. 3. Unable to make saving within the required timescales 4. Requirement to sell off housing stock to fund determination. 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Possible industrial action 9. Changes become “knee jerk” 10. Govt intervention 11. Council loses critical mass in key areas 12. Service failures 13. Potential disproportionate impact on the poorest and most vulnerable members of society	CFO	All	5	5	25 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. HRA business plan. 4. Weekly review by CLT of government announcements to assess implications and response required. 5. Keep service design under review 6. Continual review of financial position by the council and major partners	5	4	20 (R)															
B2	Income generation	1. Further economic decline. 2. Under-utilisation of assets 3. CIL (community infrastructure levy) income is below expectations. 4. Collapse in world markets leading to loss of income 5. Low economic growth or recession reduces income 6. Other triggers: a) Bethel St Police Station – market value payment b) Triennial pensions review. c) VAT partial exemption. d) Variable energy prices. e) Increasing voids due to market and economy factors. f) Loss of major tenant. g) GNGP board or cabinet decision on CIL investment arrangements. h) The council increasingly relies on income from NNDR (business rates). This is a volatile income stream and may be at risk from changes to Government policy around planning and if other councils allow commercial developments on the edge of the city but outside the boundary. The move to 100% Local Authority retention of business rates by 2020 will also transfer the risk entirely to LAs. i) Lack of experience in some services for generating income	1. Inability to raise capital receipts 2. Impact on balancing the budget – significant change and financial savings required. 3. Decline in income streams (e.g. rents from investment properties) – insufficient funds to maintain current service levels 4. Unable to make saving within the required timescales 5. Erosion of reserves 6. Major financial problems 7. Reputation damage 8. Govt intervention 9. Council loses critical mass in key areas 10. Service failures 11. Potential disproportionate impact on the poorest and most vulnerable members of society 12. Damage/costs across void portfolio 13. Essential infrastructure to deliver growth in the GNGP area is delayed.	CFO	All	5	4	20 (R)	1. Comprehensive 5-year transformation programme based on minimum resource allocation, maximisation of income generation and robust benefit realisation. 2. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 3. HRA business plan kept under review. 4. GNGP have an agreed investment plan for the Greater Norwich area and have appointed consultants to advise on the use of CIL to help deliver this programme. 5. Clear strategy for investment 6. Commercial skills training provided to all Heads of Service 7.Element of CIL programme controlled by Norwich prioritised and caution taken to ensure spend not incurred until monies certain to be received. 8. Independent review of income generation opportunities completed Spring 2016 and options built in to the transformation programme.	4	3	12 (A)					G										

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG		Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
B3	Level of reserves The council has a legal duty to ensure it has a prudent level of reserves to conduct its business	1. Government policy. 2. Economic climate 3. Reserves fall below acceptable levels	1. Inadequate levels of reserves publicly reported by external auditors 2. Government intervention 3. Impact on reputation of the council	CFO	All	3	4	12 (A)	1. Medium term financial strategy (MTFS). 2. Development of the 5-year corporate plan and transformation programme in conjunction with the MTFS. 3. HRA Business Plan. 4. Planning and delivery of transformation (savings and income generation) programme. 5. Contract and business relationship management to identify and respond to business delivery risks. 6. Budget development, in-year monitoring and control	2	3	6 (A)					
B4	Capital developments	1. Housing / other developments may take longer to proceed than planned. 2. Housing / other developments may cost more than planned. 3. Interest rates on debt may rise beyond projections. 4. Developments may not generate planned levels of income. 5. Asset sales may not be sufficient to fund major repairs	1. Delay in income streams may put pressure on revenue budgets. 2. Reduced net revenue contribution from developments. 3. May put pressure on revenue budgets / reserves to service debts 4. Pressure on capital budgets	CFO	All	5	4	20 (R)	1. Medium Term Financial Strategy incl. reserves policy, capital and revenue financial reporting to BMG & cabinet, transformation projects regularly monitored, MTFS is regularly reviewed and updated. 2. HRA business plan. 3. Capital Management Group set up and reporting quarterly to CLT 4. Business cases for individual investments and continual review of investments 5. Balanced risk profile 6. Business plan for new housing development company approved by cabinet. 7. Housing company's own risk register 8. Continuing policy to only commit spend once resources are available.	3	4	12(A)					

Details of Risk																	Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG	Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG												
PROCESSES AND SYSTEMS																												
C1	Emergency planning and business continuity (The council delivers a range of complex services to vulnerable elements of the community. Organisations generally are experiencing significant continuity events once every five years on average)	Occurrence of a significant event: <ul style="list-style-type: none">• Loss of City Hall• ICT failure• Contractor collapse• Severe weather events – storms, heatwaves, strong winds• Flooding• Sea level rise• Fuel shortages• Communications failure• Pandemic• Loss of power The council, businesses and members of the public in the city will also be at risk from the local effects of climate change in the medium to long term.	1. Service disruption and inability to deliver services 2. Disruption of the delivery of goods and services to the council 3. Increased requests for council resources and services 4. Health and safety impact on staff and vulnerable residents 5. Damage to council property and impact on tenants 6. Reputation damage 7. Years to recover	D-BS	All	4	4	16 (R)	1. The council is a member of the Norfolk Resilience Forum, which has produced a Norfolk Community Risk Register 2. Business continuity team with access to resources; action plans have been used to deal with actual total City Hall IT failure; alternative site for customer contact team; disaster recovery plan and the use of Blackberries for communications. 3. The council has a major emergency management strategy and emergency planning room established at City Hall. Approach has also been used to test business continuity in the event of the main works contractor changing. 4. Flu pandemic plan. 5. Adaptations to protect the council from the local effects of climate change and address the causes are covered by corporate strategies such as the environmental strategy, together with service plans. 6. A new business continuity management policy and framework was approved by cabinet 25 June 2014. 7. A business impact analysis for each service is signed off by the head of service and executive head of service. 8. Business continuity steering group chaired by the D-BS. 9. Overall business continuity plan reviewed by CLT.	4	3	12 (A)	The emergency planning manager presented a report on business continuity to CLT on 2 March 2016. A business continuity exercise is taking place in December 2016.	D-BS	Dec-16		G											
C2	ICT strategy. The council has transferred its ICT service to LGSS. The ICT Programme Board works alongside LGSS to keep up to date the ICT strategy for the council	ICT strategy fails to support the organisation moving forward and the blueprint for a new council	1. Incoherent approach to ICT systems 2. Systems not customer friendly 3. Systems are not integrated with one another 4. Drain on resources as staff work around the systems 5. Lack of accuracy in key data 6. Data are unreliable 7. Key information not trusted 8. Hinders management and service improvements 9. Failure to deliver council priorities	D-BS	All	3	4	12 (A)	1. NCC has developed an ICT strategic direction document detailing the key areas where ICT is required to support business objectives and change. 2. Management of the LGSS relationship will seek to ensure that NCC requirements are delivered. 3. The council has an ICT Programme Board, attended by LGSS IT.	2	4	8 (A)																

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG		Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
C3	Information security	1. Sensitive and/or personal data is sent to the incorrect recipient or not kept securely, or is lost 2. Data is emailed to insecure email addresses. 3. Laptop or memory stick containing data is lost or stolen. 4. Information is sent to incorrect addresses. 5. External malicious attack (hacking) 6. Hard copy data is lost or stolen	1. Fine up to £0.5 million 2. Potential harm to data subjects through loss, release or corruption of personal data 3. Reputational risk	D-BS	5	5	4	20 (R)	1. Regularly remind all managers, employees and members of their responsibilities for the use of and security of data. 2. Prohibit using mobile devices to store or process sensitive or personal data unless device is encrypted. 3. Encrypt lap tops and data sticks when they are used to store or process sensitive or personal data. 4. Proper disposal of confidential waste. 5. Updated IT User Security policy issued April 2015 to all staff and other people who access the councils systems (e.g. partners, contractors etc.) 6. The council has achieved public sector network (PSN) & payment card industry (PCI) compliance 7. The council has an ICT programme board, attended by LGSS IT. 8. Corporate information assurance group 9. Annual security report from LGSS IT 10. Information risk policy and risk assessment 11. Business continuity and disaster recovery arrangements 12. Incident response plan and lessons learned 13. Horizon scanning for potential legislative change, such as the EU Data protection directive	3	4	12 (A)	Systems Support is attending training session, and will report back to CLT.	D-BS	Mar-18		

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG		Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
C4	Failure of major contractor or legal challenge following an unsuccessful tender bid	1. The council has a number of key contractors who may be vulnerable to market and economy factors. 2. In addition the number of legal challenges (and therefore injunctions preventing a contract award) is increasing due to the financial pressures and reducing workload 3. Key contractor goes into administration or an injunction is issued preventing the award of a new contract	1. Customer and staff complaints 2. Services not delivered 3. Contingency plans have to be invoked 4. Cost and time to retender contract 5. Cost and time to defend legal challenge 6. Additional unforeseen costs impact delivery of balanced outturn and reserve levels	D-BS	5	4	3	12 (A)	1. Monitor major contractors for warning signs and make any necessary contingency plans. Recently put into practice and contingency plans tested. 2. Ensure a robust procurement process is followed in accordance with the appropriate procurement regulations, NCC processes and best practice. 3. NPS JV extended to include works division. This arrangement enables the JV to carry out work that was previously contracted to private sector. This approach is in line with the Council's operating model. This provides enhanced security over the supplier and increased direct control by the council. 4. Contingency budget and allowance for failures within the calculation of prudent minimum balance of reserves 5. More use of shared services reduces size and scope of contracts with private sector providers (e.g. ICT) 6. Increased use of framework contracts increases resilience against contractor failure.	3	3	9 (A)					
C5	Fraud and corruption	1. Poor internal controls lead to fraudulent acts against the council, resulting in losses. 2. Bribery Act 2010 came into force 1 July 2011 – lack of guidance or policies - council fails to prevent bribery 3. Failure in internal control. 4. Discovery of fraudulent acts. 5. Allegations received. 6. Member of staff or councillor breaks the law.	1. Loss of income or assets 2. Adverse public opinion 3. Effect on use of resources 4. Increased costs of external audit 5. Cost of investigation and rectifying weaknesses 6. Prison	CFO	5	3	3	9 (A)	1. Internal audit 2. Anti-fraud and corruption policy, 3. Payment Card Industry security assessment to protect card payments, 4. National Fraud Initiative, 5. Whistleblowing policy 6. Review and update as necessary policies and procedures. 7. Assess risk of bribery, train staff and monitor and review procedures. 8. Robust procurement procedures, e-tendering portal and governance by the procurement team 9. Delegation procedures	2	3	6 (A)	Review needed of anti-fraud, whistleblowing and anti-bribery policies. The review has created new draft policies, which are now being consulted with stakeholders.	CFO	Dec-16	Mar-16	G

Details of Risk						Inherent Risk			Key Controls	Residual Risk			Actions				
Risk No.	Risk Description	Caused by	Effect	Owner	Council Priorities	Likelihood	Impact	Score & RAG		Likelihood	Impact	Score & RAG	Actions	Owner	Target Date	Revised Target Date	Action RAG
LEARNING AND GROWTH																	
D1	Industrial action	1. Changes to pension regulations and pay restraint and changes to terms and conditions could lead to industrial action by employees 2. National negotiating framework - failure to agree. 3. Ballot of union members. 4. Implementation of changes to the LGPS. 5. Implementation of government interventions on pay	1. Loss of key services 2. Public safety 3. Loss of income 4. Reputation	D-BS	All	3	4	12 (A)	2 stages – managing the threat of industrial action and responding to industrial action 1. Identify and agree with UNISON exemptions from strike action 2. Identify and implement business continuity/contingency plans to maintain essential services and ensure statutory duties are met 3. CLT agree and implement strategy for response to strike action i.e. assessing the scale of the action, communications, response depending on nature of the action, wider industrial relations implications, deductions from pay etc. 4. National and regional guidance 5. Statutory immunities – Trade Union Labour Relations (Consolidation) Act 6. Well embedded business continuity and industrial action plans	3	2	6 (A)					

Council Priorities 2015-2020:

1. To make Norwich a safe, clean and low-carbon city
2. To make Norwich a prosperous and vibrant city
3. To make Norwich a fair city
4. To make Norwich a healthy city with good housing
5. To provide value for money services

Key to risk owners (above):

CEO	Chief executive officer
D-N	Director of neighbourhoods
D-BS	Director of business services
D-CC	Director of customers and culture
D-R&D	Director of regeneration and development
CFO	Chief finance officer (s151)

Norwich City Council

Summary of Residual Scores for Corporate Risks

November 2016

Impact	Very High	5					
	High	4		A3, A4, C2	A2, B4, C3		A8, B1
	Medium	3		B3, C5,	A6, C4	B2, C1	
	Low	2			A1, D1		
	Negligible	1					
			1	2	3	4	5
			Very rare	Unlikely	Possible	Likely	Very Likely
			Likelihood				

Red scores – in excess of the council's risk appetite (risk score 16 to 25) – action needed to redress, quarterly monitoring. In exceptional circumstances cabinet can approve a residual risk in excess of the risk appetite if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to CLT and cabinet.

Amber scores – likely to cause the council some difficulties (risk score 5 to 15) – quarterly monitoring

Green scores (risk score 1 to 4) – monitor as necessary

Risk Management Policy

Document control

Version	Author	Date	Summary of changes
V0.1d	S Dowson	05/09/13	First draft
V0.2d	S Dowson	10/10/13	Updated following comments from Anton Bull and John Davies
V0.3d	S Dowson	31/10/13	Updated following comments from BMG
V1.0	S Dowson	11/11/13	Final version for committee
V1.1	S Dowson	06/11/14	Minor updates following comments from BMG
V2.0	S Dowson	07/11/14	Final version approved by cabinet 10 December 2014
V2.1	S Dowson	30/09/15	Tracked updates for approval by CLT and audit committee 17 November 2015
V3.0	S Dowson	19/01/16	Approved by cabinet 13/01/16
V3.1	J Tully	08/11/16	Annual review

Next review date:	October 2017
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1. INTRODUCTION BY CHIEF EXECUTIVE

Norwich City Council seeks to ensure that services, delivered either directly or through others, are of a high quality, provide value for money and meet evidenced need.

We are a complex organisation that works with a wide variety of other organisations in different and varying ways. As a result we need to ensure that the way we act, plan and deliver is carefully thought through both on an individual and a corporate basis.

The council defines what it seeks to achieve in the form of corporate priorities and details how it expects to deliver them through the corporate plan, as well as service and team plans.

There are many factors which might prevent the council achieving its plans, therefore we seek to use a risk management approach in all of our key business processes with the aim of identifying, assessing and managing any key risks we might face. This approach is a fundamental element of the council's code of governance.

This risk management policy is fully supported by members, the chief executive and the corporate leadership team who are accountable for the effective management of risk within the council. On a daily basis all officers of the council have a responsibility to recognise and manage risk in accordance with this policy and the associated risk management strategy. **Risk management is everyone's business.**

The Accounts and Audit Regulations 2015 state:

A relevant authority must ensure that it has 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.*

In Norwich City Council risk management is about improving our ability to deliver our strategic objectives by managing our threats, enhancing our opportunities and creating an environment that adds value to ongoing operational activities.

I am committed to the effective management of risk at all levels of this council. This policy, together with the risk management strategy, is an important part of ensuring that effective risk management takes place.

Laura McGillivray

Chief Executive

2. WHAT IS RISK?

The council's definition of risk is:

“Factors, events or circumstances that may prevent or detract from the achievement of the council’s corporate priorities and service plan objectives.”

3. RISK MANAGEMENT OBJECTIVE

Risk management is the process by which risks are identified, evaluated and controlled. It is a key element of the council's governance framework.

The council will operate an effective system of risk management which will seek to ensure that risks which might prevent the council achieving its plans are identified and managed on a timely basis in a proportionate manner. In practice this means that the council has taken steps to ensure that risks do not prevent the council achieving its corporate priorities or service plan objectives.

4. RISK MANAGEMENT PRINCIPLES

- The risk management process should be consistent across the council, clear and straightforward and result in timely information that helps informed decision making
- Risk management should operate within a culture of transparency and openness where risk identification is encouraged and risks are escalated where necessary to the level of management best placed to manage them effectively
- Risk management arrangements should be dynamic, flexible and responsive to changes in the risk environment
- The response to risk should be mindful of risk level and the relationship between the cost of risk reduction and the benefit accruing, i.e. the concept of proportionality
- Risk management should be embedded in everyday business processes
- Officers of the council should be aware of and operate the council's risk management approach where appropriate
- Members should be aware of the council's risk management approach and of the need for the decision making process to be informed by robust risk assessment, with cabinet members being involved in the identification of risk on an annual basis.

5. APPETITE FOR RISK

As an organisation with limited resources it is inappropriate for the council to seek to mitigate all of the risk it faces. The council therefore aims to manage risk in a manner which is proportionate to the risk faced, based on the experience and expertise of its senior managers.

However, cabinet has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 in line with the scoring matrix attached at **appendix 1** (for corporate priority and service plan objective risks).

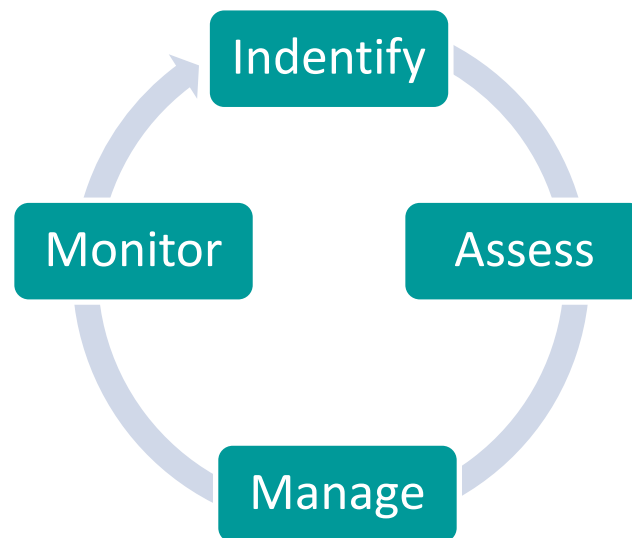
Other areas of risk, such as small projects or health and safety, may have a different risk appetite depending on the circumstances, but only if they do not impact on corporate priorities or service plan objectives.

6. BENEFITS OF RISK MANAGEMENT

- Alerts members and officers to the key risks which might prevent the achievement of the council's plans, in order that timely mitigation can be developed to either prevent the risks occurring or to manage them effectively if they do occur.
- Risk management at the point of decision making should ensure that members and officers are fully aware of any key risk issues associated with proposals being considered.
- Leads to greater risk awareness and an improved and cost effective control environment, which should mean fewer incidents and other control failures and better service outcomes.
- Provides assurance to members and officers on the adequacy of arrangements for the conduct of business. It demonstrates openness and accountability to various regulatory bodies and stakeholders more widely.
- Allows the council to take informed decisions about exploiting opportunities and innovation, ensuring that we get the right balance between rewards and risks.

7. RISK MANAGEMENT APPROACH

The risk management approach adopted by the council is based on identifying, assessing, managing and monitoring risks at all levels across the council:



The detailed stages of the council's risk management approach are recorded in the risk management strategy, which is reviewed by corporate leadership team (CLT) on an annual basis. The strategy provides managers with detailed guidance on the application of the risk management process.

The strategy can be located on citynet [[here](#)].

Additionally individual business processes, such as decision making, project management will provide guidance on the management of risk within those processes.

8. AWARENESS AND DEVELOPMENT

The council recognises that the effectiveness of its risk management approach will be dependent upon the degree of knowledge of the approach and its application by officers and members.

The council is committed to ensuring that all members, officers, and partners where appropriate, have sufficient knowledge of the council's risk management approach to fulfil their responsibilities for managing risk. This will be delivered through formal training programmes, risk workshops, briefings, and internal communication channels.

9. CONCLUSION

The council will face risks to the achievement of its plans. The risk management approach detailed in this policy should ensure that the key risks faced are recognised, and effective measures are taken to manage them in accordance with the defined risk appetite.

SCORING MATRIX

Very high 5	5	10	15	20	25
High 4	4	8	12	16	20
Medium 3	3	6	9	12	15
Low 2	2	4	6	8	10
Negligible 1	1	2	3	4	5
IMPACT LIKELIHOOD	Very rare 1	Unlikely 2	Possible 3	Likely 4	Very likely 5

Red: In excess of the council's risk appetite (risk score 16 to 25) - action needed to redress, quarterly monitoring

Amber: Likely to cause the council some difficulties (risk score 5 to 15) - quarterly monitoring

Green: Monitor as necessary (risk score 1 to 4)

Report to	Audit Committee	Item
	22 November 2016	
Report of	Chief Internal Auditor, LGSS	7
Subject	Internal audit 2016-17 – April to October update	

Purpose

To advise members of the work of Internal Audit, completed between April to October 2016, and the progress against the internal audit plan.

The role of Internal Audit is to provide the audit committee and management with independent assurance, on the effectiveness of the internal control environment. Internal Audit coverage is planned so that the focus is upon those areas and risks which will most impact upon the council's ability to achieve its objectives.

The 2016-17 Audit Plan was approved by the committee on 15 March 2016 and endorsed by the council's corporate leadership team on 30 March 2016. The audit committee was previously provided with an update up to 31 August 2016.

Recommendations

The Committee is requested to consider the contents of this report.

Corporate and service priorities

The report helps to meet the corporate priority for value for money services.

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and Business Liaison

Contact officers:

Duncan Wilkinson, Chief Internal Auditor, LGSS 01908 252089

Neil Hunter, Deputy Head of Internal Audit, LGSS 01223 715317

Jonathan Tully, Principal Audit Manager, LGSS 01603 212575

Background documents

None

LGSS Internal Audit & Risk Management

Norwich City Council

Quarterly update report

Q3

As at 31st October 2016

1. *Progress against the plan*

Finalised Assignments

1.1 The following audit assignments have reached completion as set out below:

No.	Directorate	Assignment	Control Assurance	Compliance Assurance	Organisational impact
1	Cross cutting	Safeguarding	Overall substantial		
2	Cross cutting	Right to Buy	Overall substantial		
3	Cross cutting	Icon	Overall substantial		
4	Cross cutting	Council Tax	Substantial	Substantial	Minor
5	Cross cutting	Business Rates	Substantial	Substantial	Minor
6	Cross cutting	Benefits & Council Tax Reduction	Substantial	Good	Minor
7	Cross cutting	Payroll	Substantial	Substantial	Minor
8	Cross cutting	Contract Procedure Rules	Substantial	Substantial	Minor

1.2 Controls are operating effectively for the key financial systems which have been reviewed to date.

1.3 Both the Council Tax and Business Rates systems have substantial control and compliance assurance. There are arrangements in place for maintaining their databases; discounts and exemptions; monitoring of arrears and collection rates; refunds and write-offs; reconciliation of the databases to the ICON cash receipting; and reconciliation of the databases to the general ledger at year end.

1.4 Benefits and Council Tax Reduction has substantial control assurance and good compliance assurance. There are arrangements in place for the review of new claims prior to entering on to the system; daily reconciliation of council tax reduction payments to the council tax control account; system access; classification of overpayments; quality assurance processes; backdated claims; and BACS payments. Authorisations of write-offs up to £2,000 are delegated to team leaders, and write-offs over £2,000 should be authorised by the Chief Finance Officer. Two instances were identified where write-offs, in excess of £2,000, had not been authorised correctly at the time they were written off. Both of these were subsequently authorised by the Chief Finance Officer. Procedure notes have since been reviewed by team leaders, and posted to the intranet training pages to remind employees.

1.5 The Payroll system has substantial control and compliance assurance. There are controls in place for starters; leavers; amendments; reconciliation of human resources records to the payroll system; reconciliation of payroll costs to the general ledger; confirmation of establishment lists by managers; and production and review of

exception reports. The payroll system was operating well, with appropriate separation of duties in place and good controls throughout the process. Testing also confirmed that the controls are complied with, and employees are knowledgeable and experienced.

- 1.6 Contract Procedure Rules has substantial control and compliance assurance. Policies and guidance are reviewed and updated; linked to Council Strategy; and are accessible and promoted to employees and partners. There has been a recent review of documents, which support the procurement framework, to reflect latest legislation and good practice. This includes a procurement strategy, supporting guidance, plus a contract management framework and contract procedures. Internal Audit supported this review of the draft policies, and the procurement strategy was approved by Cabinet. The finalised documents have been posted on the intranet and promoted to employees and partners.
- 1.7 The levels of both Control and Compliance assurance are explained further in Appendix B – Audit Definitions

Draft/Interim Reports

- 1.8 The following audit assignments are in progress:

No	Directorate	Assignment
1	Cross cutting	Housing Rents / Arrears
2	Cross cutting	Accounts Receivable
3	Cross cutting	Procurement Governance
4	Cross cutting	Purchase to Pay
5	Cross cutting	Leasehold Services
6	Cross cutting	Current Capital Contracts Audit

- 1.9 Further information on work planned and in progress may be found in the Audit Plan, attached as Appendix A.

Performance

- 1.10 The team has made good progress to deliver the plan. To the end of October 2016, 283 productive days have been delivered against a revised audit plan of 470 days.
- 1.11 It is good practice to keep audit plans under review and update them to reflect current issues and risks, and revisions to corporate priorities which may affect the delivery of the audit plan. These are discussed and agreed with the Corporate Leadership Team quarterly. Internal Audit met with the Corporate Leadership Team on 12th October.
- 1.12 The re-profiled plan is illustrated in Appendix A.

2. *Fraud and corruption update*

Counter fraud awareness:

- 2.1 The Council is completing a review of its Anti-Fraud and Corruption framework to ensure that it reflects best practice. Consequently Internal Audit has drafted three counter fraud policies:
 - Anti-Fraud and Corruption Strategy
 - Anti-Money Laundering Policy
 - Whistle-Blowing Policy
- 2.2 The policies have been reviewed by the LGSS Counter Fraud team and are currently in the process of being formally approved. The policies were approved by Corporate Leadership team on 20th July 2016. Additional consultation has also been undertaken with the Joint Consultative and Negotiating Committee, the Corporate Governance Group and nplaw. The policies are also on this agenda for Audit Committee, and will also be approved by Cabinet. Once complete, the policies will be promoted so that employees and partners are aware they have been updated. Promotional material will be produced, and the policies will be uploaded to the employee training program “HR Workforce”.
- 2.3 The Council participates in a national data matching service known as the National Fraud Initiative (NFI), which is run by the Cabinet Office. Data is extracted from Council systems for processing and matching. It flags up inconsistencies in data that may indicate fraud and error, helping councils to complete proactive investigation. Nationally it is estimated that this work has identified £1.17 billion of local authority fraud, errors and overpayments since 1996. Historically this process has not identified significant fraud and error at Norwich, which provides assurance that internal controls continue to operate effectively. The Council has carried out the current exercise to the deadlines set by the Cabinet Office.

3. *Implementation of management actions*

- 3.1 Where reviews identify opportunities for improvement, these are agreed with management as part of an action plan.
- 3.2 The actions are prioritised according to the significance of the control weakness, and the urgency of implementing the improved control. These are explained further in Appendix B – Audit Definitions
- 3.3 High level actions are actively monitored to ensure they implemented promptly.
- 3.4 There are currently no outstanding high level actions, which provides positive assurance of the Councils commitment to maintain the internal control environment.

4. *Summaries of completed audits with moderate or less assurance*

- 4.1 At the conclusion of an audit an assurance opinion of the system is reported. This reflects the effectiveness of control, compliance and organisational impact. These are explained further in Appendix B – Audit Definitions
- 4.2 Reviews, which highlight there is only moderate or less assurance, are reported to the Committee for awareness. No such audits have been issued this quarter.

5. *Other audit activity*

- 5.1 In addition to completing ongoing audit reviews, the Internal Audit team is conducting work in the following areas.

Corporate Risk Register

- 5.2 The team has facilitated an update of the Corporate Risk Register. The previous register, approved by the Audit Committee, was reported to Cabinet. A current version, which has been reviewed by the Corporate Leadership Team, is on the agenda today for Audit Committee, and will subsequently be reported to Cabinet.

Advice and assurance

- 5.3 The team provides both proactive and responsive advice where it helps to improve the control environment. We have assisted the Council with several areas to date.
- 5.4 We reviewed the short term impact of Brexit on treasury management and investments, for assurance that risks were continuing to be managed effectively.
- 5.5 We supported a review of income and banking controls for parking, where a potential control weakness was identified.
- 5.6 We reviewed disabled facility grant capital expenditure. This enabled Council to provide a statement of assurance, to Norfolk County Council, that capital expenditure had been spent according to their grant conditions.
- 5.7 Recent examples also include reviewing proactive anti-fraud controls for housing, and informing employees of the importance of using privacy notices for data sharing. This work has helped to support the National Fraud Initiative work, and also helps the Council to meet the requirements of the Data Protection Act.
- 5.8 Also the team has supported the corporate information assurance group, by evaluating information security resilience. This helps to ensure that the Council can react promptly to incidents, and identify opportunities to improve controls which could reduce the risk of future incidents.

Appendix A – Internal audit plan

Norwich 2016/17

Audit title	Status	Directorate	Qtr opened	Qtr closed	Profiled days
Operational plan grand total					470.0
Making Every Penny Count Total					60.0
Making Every Penny Count - Strategy	Not started	Cross-cutting	Q3		20.0
HRA Business Planning	Not started	Cross-cutting	Q4		20.0
Business Planning Benefits Realisation	Not started	Cross-cutting	Q4		10.0
Travel & Subsistence - Compliance	Not started	Cross-cutting	Q4		10.0
Anti-Fraud & Corruption Total					40.0
Fraud Investigations	Open	Cross-cutting	Q1-4	NA	14.0
National Fraud Initiative	Open	Cross-cutting	Q1-4	NA	20.0
Preventative & Pro-Active Fraud Work	Open	Cross-cutting	Q1-4	NA	6.0
Key Financial Systems Total					170.0
Housing Benefits	Closed	Cross-cutting	Q1	Q2	20.0
Housing Rents/Arrears	Open	Cross-cutting	Q1		20.0
Payroll	Closed	Cross-cutting	Q1	Q2	15.0
Accounts Receivable	Open	Cross-cutting	Q2		15.0
Procurement Governance	Open	Cross-cutting	Q2		15.0
Purchase to Pay	Open	Cross-cutting	Q2		20.0
Debt Recovery	Open	Cross-cutting	Q3		10.0
Treasury Management	Not started	Cross-cutting	Q3		15.0
Financial Systems IT General Controls	Not started	Cross-cutting	Q4		10.0
Council Tax	Not started	Cross-cutting	Q4		15.0
NNDR	Not started	Cross-cutting	Q4		15.0
Commissioning & Contracts Total					40.0
Current Capital Contracts Audit	Open	Cross-cutting	Q1		30.0

Audit title	Status	Directorate	Qtr opened	Qtr closed	Profiled days
Current Revenue Contracts Audit	Not started	Cross-cutting	Q4		10.0
Policies & Procedures Total					15.0
Contract Procedure Rules	Closed	Cross-cutting	Q2		5.0
Financial Regulations	Not started	Cross-cutting	Q3		5.0
Scheme of Delegation - Policy	Not started	Cross-cutting	Q3		5.0
Compliance Total					20.0
Agency Staff Compliance	Not started	Cross-cutting	Q3		5.0
Off-Contract Spend	Not started	Cross-cutting	Q3		10.0
Scheme of Delegation - Compliance	Not started	Cross-cutting	Q4		5.0
ICT & Information Governance Total					20.0
General Computer Controls	Not started	Cross-cutting	Q3		20.0
Governance Total					20.0
Corporate Governance	Open	Cross-cutting	Q1-4	NA	20.0
Strategic Risk Management Total					10.0
Risk Management	Open	Cross-cutting	Q1-4	NA	10.0
Advice & Guidance Total					75.0
A&G - Data Breach	Open	Cross-cutting	Q1-4	NA	1.0
A&G - Regeneration Company	Open	Cross-cutting	Q1-4	NA	1.0
Advice & Guidance	Open	Cross-cutting	Q1-4	NA	20.0
Audit Plan	Open	Cross-cutting	Q1-4	NA	6.0
Committee Reporting	Open	Cross-cutting	Q1-4	NA	9.0
Follow-Ups of Agreed Actions	Open	Cross-cutting	Q1-4	NA	28.0
Management Reporting	Open	Cross-cutting	Q1-4	NA	10.0

Appendix B – Audit Definitions

There are three elements to each internal audit review, and an assurance opinion is provided against each element at the conclusion of the audit. The following definitions are used by Internal Audit in assessing the level of assurance which may be provided against each key element, and in assessing the impact of individual findings:

Control Environment Assurance

Firstly, the control environment is reviewed by identifying the objectives of the system and then assessing the controls in place which mitigate the risk of those objectives not being achieved.

Control Environment Assurance	
Level	Definitions
Substantial	There are minimal control weaknesses that present very low risk to the control environment.
Good	There are minor control weaknesses that present low risk to the control environment.
Moderate	There are some control weaknesses that present a medium risk to the control environment.
Limited	There are significant control weaknesses that present a high risk to the control environment.
No Assurance	There are fundamental control weaknesses that present an unacceptable level of risk to the control environment.

Compliance Assurance

However, controls are not always complied with, which in itself will increase risk, so the second part of an audit is to ascertain the extent to which the controls are being complied with in practice. This element of the review enables internal audit to give an opinion on the extent to which the control environment, designed to mitigate risk, is being complied with.

Compliance Assurance	
Level	Definitions
Substantial	The control environment has substantially operated as intended although some minor errors have been detected.
Good	The control environment has largely operated as intended although some errors have been detected.
Moderate	The control environment has mainly operated as intended although errors have been detected.
Limited	The control environment has not operated as intended. Significant errors have been detected.
No Assurance	The control environment has fundamentally broken down and is open to significant error or abuse.

Organisational Impact

The overall organisational impact of the findings of the audit will be reported as major, moderate or minor. All reports with major organisational impact will be reported to SMT along with the relevant Directorate's agreed action plan.

Organisational Impact	
Level	Definitions
Major	The weaknesses identified during the review have left the Council open to significant risk. If the risk materialises it would have a major impact upon the organisation as a whole
Moderate	The weaknesses identified during the review have left the Council open to medium risk. If the risk materialises it would have a moderate impact upon the organisation as a whole
Minor	The weaknesses identified during the review have left the Council open to low risk. This could have a minor impact on the organisation as a whole.

Findings prioritisation key

When assessing findings, reference is made to the Risk Management matrix which scores the impact and likelihood of identified risks.

For ease of reference, we have used a high/medium/low system to prioritise our findings, as follows:

H	<p>Failure to respond to the finding has a high probability of leading to the occurrence or recurrence of an identified high-risk event that would have a serious impact on the achievement of service or organisational objectives, or may lead to significant financial/ reputational loss.</p> <p>The finding is critical to the system of internal control and action be implemented immediately.</p>	M	<p>Failure to respond to the finding may lead to the occurrence or recurrence of an identified risk event that would have a significant impact on achievement of service or organisational objectives, or may lead to material financial/ reputational loss.</p> <p>The finding has a significant effect on the system of internal control and action should be implemented as a matter of priority.</p>	L	<p>The finding is important to maintain a reasonable system of internal control, provide better value for money or improve efficiency. Failure to take action may diminish the ability to achieve service objectives effectively and efficiently.</p> <p>Management should review, make changes if considered necessary or formally agree to accept the risks.</p>
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Report to Audit Committee
 22 November 2016
Report of Chief Internal Auditor, LGSS
Subject Counter Fraud Policies

Item

8

Purpose

This report updates members on the review of counter fraud policies.

Recommendation

The audit committee should review, and approve, the counter fraud policies.

Corporate and service priorities

The report helps to meet the corporate priority “Value for money services”.

Financial implications

None

Ward/s: All wards

Cabinet member: Councillor Stonard – Resources and Business Liaison

Contact officers

Duncan Wilkinson, Chief Internal Auditor, LGSS 01908 252089

Neil Hunter, Deputy Head of Internal Audit, LGSS 01223 715317

Jonathan Tully, Principal Audit Manager, LGSS 01603 212575

Background documents

None

Report

Background

1. Counter fraud policies are part of the council's internal controls, which contribute to maintaining good governance.
2. Management has an ongoing responsibility to prevent and detect fraud. Internal controls, designed to mitigate fraud risk, are built into systems and processes.
3. Internal controls are reviewed for effectiveness as part of the Internal Audit plan, and fraud and error risk is a determinant in prioritising work. The council also has access to counter fraud resources through LGSS.
4. External audit considers potential for fraud and error when assessing financial statement risk. Review of accounting estimates, accounting journals, revenue and expenditure, provides assurance that the financial statements give a true and fair view.
5. Counter fraud policies are published to communicate how the council has a zero tolerance to fraud and corruption, and provide appropriate guidance to support this.
6. The council published counter fraud policies in 2009, and they are being reviewed to ensure they are up to date and reflect good practice.

Review and consultation

7. Guidance and best practice is issued periodically from counter fraud agencies, such as the National Crime Agency, CIPFA, and the Cabinet Office. The council is keen to maintain effective policies, by implementing good practice and controls as they develop.
8. The policies have been reviewed by the LGSS counter fraud team. This ensures that they reflect good practice.
9. The policies have then been consulted upon in Norwich to ensure that they reflect local need. Consultation to date includes the corporate leadership team, the Corporate Governance Officers Group, the Joint Consultative and Negotiating Committee, and legal advice from NP Law. They continue to enable the council to deliver and maintain best practice in its arrangements for managing risk.
10. The reviewed policies are appended to this report. The next steps include consultation with the audit committee, and finally approval by cabinet.
11. The policies will be uploaded to the HR Workforce system, and employees will be required to confirm that they have read and understood them. Further details on the policies are explained below:

Anti-fraud and corruption policy

12. This is an overarching policy which communicates the commitment of the council to prevent and eradicate fraud and error. It provides a clear framework for the council to investigate suspected fraud thoroughly, to prosecute wherever the evidence supports such action, and seek recovery of defrauded monies through all possible legal means.
13. It reflects good practice and legislation, specifically the Fraud Act 2006 and the Bribery Act 2010. It explains culture, roles, deterrence, detection and investigation, and awareness and training.

Whistleblowing policy

14. The council has established a whistle-blowing policy which provides a procedure, in accordance with the Public Interest Disclosure Act 1998, to anyone that wishes to report allegations or concerns about the council, its councillors, services or service providers.
15. This details the options for reporting concerns internally and externally for all stakeholders, i.e. members of the public, employees, councillors, contractors and agency staff.
16. It is important that employees and contractors are aware of this policy, and promotional material will also be used to raise awareness.

Anti-money laundering policy

17. This is a new policy. It reflects the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007. The policy applies to all employees and contractors of the council. The policy sets out the procedures which all officers must follow where they suspect or know that a transaction involves money laundering.
18. Money laundering is how criminally obtained money is exchanged for money or assets so there is no obvious link to their criminal origins.
19. A risk assessment will be completed later in the year. It is not perceived that there is a significant risk of money laundering, however it is good practice to review our risk profile periodically.
20. Legislation states where organisations have to comply with money laundering regulations. Such examples include accountancy practices and solicitors. While a public authority isn't specifically covered by the regulations, it may be a vulnerable target and, it is expected to follow the regulations as good practice and to report any concerns. Therefore a policy is adopted, so that there is a framework to follow in such an event.

Conclusion

21. Three policies have been drafted as good practice. They have been consulted with various parties to date.
22. The Anti-Fraud and Corruption Policy sets out the council's approach to managing the risk of fraud and error.
23. The Whistleblowing Policy provides a framework for reporting concerns safely.
24. The Anti-Money Laundering Policy provides a framework for responding to and reporting concerns.
25. The review of policies is completed to help embed effective standards for countering fraud and corruption. This supports good governance and demonstrates effective financial stewardship and strong public financial management.
26. As anti-fraud and corruption is part of the governance framework, it is appropriate that the audit committee is responsible for reviewing and approving policies in this area. Audit committee is invited to comment on the policies prior to their final approval with cabinet.



NORWICH
City Council

Anti-fraud and corruption policy

November 2016

Version control

This table documents the formal consultation process required to adopt the policy. This will be deleted from final version.

Number	Date	Activity / Summary of changes
0.3	16/09/16	Update following Corporate Leadership Team consultation
0.4	22/09/16	Presentation review
0.5	23/09/16	Update following Corporate Governance Group consultation
0.6	30/09/16	Update following JCNC consultation
0.7	26/10/16	Update following nplaw consultation
0.8	22/11/16	Update following Audit Committee consultation
0.9	14/12/16	Update following Cabinet consultation
1.0		Final version

Foreword

Norwich City Council is committed to the highest standards of financial probity and takes its duty to protect the public funds it administers very seriously.

This is Norwich City Council's Anti-Fraud Policy. It provides a clear framework for the Council to investigate suspected fraud thoroughly, to prosecute wherever the evidence supports such action and seek recovery of defrauded monies through all possible legal means. This policy also applies to the Bribery Act 2010.

The Council administers significant public funds and is sometimes targeted by persons wishing to defraud the public purse. This policy, and the structures maintained by the Council, demonstrates that we will make every effort to identify attempts to defraud the public purse and will robustly pursue individuals responsible.

The Council, through this policy, has adopted a zero tolerance towards fraud including:

- the referral of matters to the police for investigation wherever appropriate and the full recovery of fraudulently obtained public funds by all legal means.
- the prosecution of persons responsible for defrauding the council including prosecution through civil and criminal courts in the council's own name or through the police
- the termination of contracts with partners and contractors
- the dismissal of employees proven to have defrauded or who have attempted to defraud the council, including where an employee is complicit with another person's attempts to defraud the council.

The Council requires all partners and contractors to assist in this role and cooperate with any fraud investigation undertaken by authorised Council officers.

Councillor Ben Price
Audit committee chair

Laura McGillivray
Chief executive

1 INTRODUCTION

- 1.1 The authority aims to provide community leadership and quality services.
- 1.2 In carrying out its functions and responsibilities, the authority has always adopted a culture of openness and fairness and has expected that elected members and employees at all levels will adopt the highest standards of propriety and accountability. This has been achieved by leading by example and by an understanding of and adherence to rules, procedures and agreed practices. These standards are also expected from organisations that have dealings with the authority (eg suppliers/contractors).
- 1.3 However, in light of the Nolan Report, several well-publicised fraud and corruption cases within local government and the Local Government Act 2000, the authority has formalised these accepted standards and practices and developed an anti-fraud and corruption policy.
- 1.4 The authority demonstrates clearly (through this policy) that it is firmly committed to dealing with fraud and corruption and no distinction will be made for perpetrators inside (members/governors and employees) or outside the authority. In addition, there will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.
- 1.5 This policy document embodies a series of measures designed to frustrate any attempted fraudulent or corrupt act and the steps to be taken if such an act occurs. For ease of understanding, it is separated into the following sections:
- Culture Section 2
 - Prevention Section 3
 - Deterrence Section 4
 - Detection and investigation Section 5
 - Awareness and training Section 6
- 1.6 The authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as its external auditors, inspection bodies, the Local Government Ombudsman, HM Revenue & Customs. These bodies are important in highlighting any areas where improvements can be made.
- 1.7 Fraud and corruption were defined by the Audit Commission as:
- FRAUD – “the intentional distortion of financial statements or other records by persons internal or external to the authority which is carried out to conceal the misappropriation of assets or otherwise for gain”.*
- In addition, fraud can also be defined as:
- “The use of deception with the intention of obtaining an advantage, avoiding an obligation or causing loss to another party.”*
- 1.8 Bribery and corruption
- A bribe is a financial or other advantage that is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity, or with the knowledge or belief that the acceptance of such an advantage would constitute the improper performance of such a function or activity.*

- 1.9 The Bribery Act is now in force and places responsibilities and powers on organisations such as local authorities.
- 1.10 There are 4 key sections of the Act which need to be considered for the purposes of this document, which are:
- Section 1, which deals with bribing another person by money, payment in kind, or goods and services.
 - Section 2, the act of being bribed. This relates to individual officers and could lead to prosecution of senior managers.
 - Section 6, bribery of foreign officials.
 - Section 7, failure of a commercial organisation to prevent bribery.
- 1.11 For this section a “relevant commercial organisation” means an entity that carries on a business and current indications are that this includes local authorities. This section also includes persons associated with the organisation, such as agency workers, suppliers and contractors.
- 1.12 Under the legislation an organisation has a defence if it can show that it has adequate bribery prevention procedures in place, which are informed by the following 6 principles:
- Proportionality – the action an organisation takes should be proportionate to the risks it faces and the size of the business.
 - Top level commitment – a culture needs to be evident in which bribery is never acceptable. This can be shown via leadership statements, training and procurement expectations.
 - Risk assessment – to include proportionate risk management perhaps via training, newsletters, procurement controls and inclusion within organisational policies such as this one.
 - Due diligence – i.e. knowing who the organisation is dealing with.
 - Communication – communicating policies and procedures by training and general awareness including how occurrences should be investigated and by whom.
 - Monitoring and review – to ensure policies, training and awareness are relevant and updated and by nominating a responsible officer.
- 1.13 Defence against bribery charges under the act, therefore, should be considered adequate if the organisation has the following in place:
- Risk awareness and preparation
 - Adequate communication and senior management buy-in
 - A zero-tolerance culture
 - Adequate education and training
 - An audit trail and integration with counter fraud processes
 - The penalties for individuals under this legislation can, on conviction on indictment, be as high as a prison term of 10 years, or a fine or both. Although under section 7 a guilty person is only liable to a fine. The organisational consequences may include disbarment from contract tenders, reputational and financial risk exposure and adverse publicity.
- 1.14 Additionally other risk areas which need to be considered include:

- Facilitation payments – ie payments designed to make things happen but do not secure agreement.
- Gifts and hospitality – genuine low level hospitality is deemed acceptable but it is imperative that corporate registers are kept up to date and all employees must make declarations of interest.

1.15 In addition, this policy covers “the failure to disclose an interest in order to gain financial or other pecuniary gain.”

2 CULTURE

- 2.1 The culture of the authority has always been one of the highest ethical standards, probity, openness and the core values of fairness, trust and value support this. The authority’s culture therefore supports the opposition to fraud and corruption.
- 2.2 The prevention/detection of fraud/corruption and the protection of the public purse are everyone’s responsibility and of paramount importance to the authority.
- 2.3 The authority’s elected members, and all employees play an important role in creating and maintaining this culture. They are positively encouraged to raise concerns regarding fraud and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will, wherever possible, be treated in confidence. To that effect the council has adopted a whistleblowing policy.
- 2.4 The definitions of fraud and corruption are by their nature technical and have their basis in the Fraud Act which became law on 15th January 2007. A more practical definition is where the council’s assets, including money, are dishonestly obtained by someone not entitled to them. Examples include :
- theft of cash or assets,
 - obtaining access to services not entitled to eg obtaining a council house
 - falsifying information or documentation eg timesheets, overtime, expenses, qualifications etc
 - dishonesty between officers and management
 - the deliberate concealment of information required by the council eg convictions or activities inconsistent with the council’s duties and responsibilities.
 - defrauding welfare payments such as housing benefit and council tax reduction and council tax single person discounts etc.
- 2.5 The authority will ensure that any allegations received in any way, including by anonymous letters or phone calls, will be taken seriously and investigated in an appropriate manner, subject to the requirements of the Human Rights Act 1998 and other statutory provisions.
- 2.6 The authority will deal firmly with those who defraud the authority, or who are corrupt, or where there has been financial malpractice. There is, of course, a need to ensure that any investigation process is not misused and, therefore, any abuse (such as raising malicious allegations) may be dealt with as appropriate.
- 2.7 When fraud or corruption have occurred because of a breakdown in the authority’s systems or procedures, corporate leadership team (CLT) will ensure

that appropriate improvements in systems of control are implemented to prevent a reoccurrence.

- 2.8 In certain circumstances and where appropriate a commercial settlement between the council and an employee may be deemed necessary as a way of disposing of a case. This should only be undertaken following agreement by the chief executive and monitoring officer and following an independent review by NP Law.

3 ROLES

Role	Description
Elected members	<p>As elected representatives, all members of the authority have a duty to citizens to protect the authority from all forms of abuse. This is done through this anti-fraud and corruption policy and compliance with the national code of conduct for members, the authority's financial procedures, constitution and the relevant legislation.</p> <p>Elected members sign to the effect that they have read and understood the national code of conduct when they take office. Conduct and ethical matters are specifically brought to the attention of members during induction and include the declaration and registration of interests. Members will be advised of new legislative or procedural requirements.</p> <p>Members are required to apply the principles of good governance regarding their own affairs and when acting for the council including declare pecuniary or non-pecuniary interests, potential for a conflict of interest and record the receipt of all gifts and hospitality. Members must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Norwich City Council.</p>
Audit committee	<p>The audit committee and its members have specific responsibility re: the oversight of the council's governance arrangements in respect of the adequacy of control systems to prevent and detect fraud but also the assurance that processes work effectively for individual cases.</p> <p>The audit committee considers periodic reports from internal audit on suspected and proven frauds and monitors those systems of control applicable to that area, making recommendation to council where such protection requires improvement.</p>

Role	Description
Corporate leadership team (CLT)	<p>CLT is responsible for the communication and implementation of this policy in their work areas. They are also responsible for ensuring that their employees are aware of the financial procedures and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>CLT has responsibility to ensure that effective systems of control are in place corporately and within their service to both prevent and detect fraud and that those systems operate properly.</p> <p>CLT is required to submit an annual self-assessment of those processes for inclusion within the council's annual governance statement.</p> <p>CLT must provide leadership by example in demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Norwich City Council. CLT is expected to strive to create an environment in which their employees feel able to approach them with any concerns they may have about suspected irregularities.</p>

Role	Description
Managers	<p>Managers at all levels are responsible for the communication and implementation of this policy in their work area. They are also responsible for ensuring that their employees are aware of the financial procedures Rules and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Managers of all levels must provide leadership by example is demonstrating the highest standards of probity and conduct so as to create the right anti-fraud culture throughout Norwich City Council.</p> <p>Managers of all levels are expected to strive to create an environment in which their employees feel able to approach them with any concerns they may have about suspected irregularities.</p> <p>Managers must ensure that special arrangements will apply where employees are responsible for cash handling or are in charge of financial systems and systems that generate payments, for example payroll, the benefits system or council tax.</p> <p>Managers must ensure that relevant training is provided for employees. Checks must be carried out at least annually to ensure that proper procedures are being followed in order to inform the service annual self-assessment.</p> <p>The authority recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts.</p> <p>The authority's formal recruitment procedures (which contain appropriate safeguards on matters such as written references, verifying qualifications held and DBS checks undertaken on employees working with children and vulnerable adults) will be adhered to during this process.</p> <p>Management investigations into disciplinary matters must liaise with the Chief Internal Auditor (CIA) regarding any potential fraud implications of the conduct / investigation.</p>

Role	Description
Internal audit	<p>The CIA, in consultation with the Chief Finance Officer shall determine whether a concern / suspicion regarding fraud requires investigation by the internal audit as opposed to management. Internal audit and risk services play a vital preventative role in trying to ensure that systems and procedures are in place to prevent and detect fraud and corruption. Internal audit liaise with management to recommend changes in procedures to prevent further losses to the authority.</p> <p>The internal audit and risk service shall report to CLT and the audit committee regarding the application of the zero tolerance statement within this policy. Furthermore, internal audit shall investigate all cases of suspected irregularity in accordance with the requirements of the Police and Criminal Evidence Act 1984, Human Rights Act 1998, Fraud Act 2006, Bribery Act 2010 and other relevant legislation.</p> <p>In all corporate related cases where employees are involved, they will work with HR and appropriate senior management to ensure that correct procedures are followed and adherence to this policy.</p>

Role	Description
Employees	<p>Each employee is governed in their work by the authority's constitution and financial regulations and other codes of conduct and policies, such as health and safety, IT strategy, IT security. Included in these are guidelines on gifts and hospitality and codes of conduct associated with professional and personal conduct and conflicts of interest. These are issued to all employees when they join the authority or will be provided by their manager, plus available on intranet / mandatory e-learning.</p> <p>In addition to the above, employees are responsible for ensuring that they follow the instructions given to them by management, particularly in relation to the safekeeping of the assets of the authority. These will be included in induction training and procedure manuals.</p> <p>Employees are expected always to be aware of the possibility that fraud, corruption or theft may exist in the workplace and be able to share their concerns with management. Concerns should be raised, in the first instance, directly with the supervisor/business unit manager. If the employee feels that they cannot discuss their concerns directly with their line management they should refer to the council's whistleblowing policy which gives details of independent persons they can discuss their concerns.</p> <p>All employees must ensure that they avoid situations where there is a potential for a conflict of interest. Such situations can arise with externalisation of service. Internal tendering, planning and land issues etc. Effective role separation will ensure decisions made are seen to be based upon impartial advice and avoid questions about improper disclosure of confidential information.</p>
External audit	<p>Independent external audit is an essential safeguard in the stewardship of public money. This role is delivered through the carrying out of specific reviews that are designed to test, amongst other things, the adequacy of the authority's financial systems, and arrangements for preventing and detecting fraud and corruption. It is not the external auditor's function to prevent fraud and irregularity, but the integrity of public funds is at all times a matter of general concern.</p> <p>External auditors are always alert to the possibility of fraud and irregularity, and will act without undue delay if grounds for suspicion come to their notice.</p> <p>The external auditor has a responsibility to review the authority's arrangements to prevent and detect fraud and irregularity, and arrangements designed to limit the opportunity for corrupt practices.</p>

Role	Description
External bodies	Internal audit has arranged and will keep under review procedures and arrangements to develop and encourage the exchange of information on national and local fraud and corruption activity in relation to local authorities with external agencies such as: police, county, unitary and district council groups, external audit service, Department of Works and Pensions and other government departments.
Contractors and partners	<p>Contractors and partners have a responsibility for the communication and implementation of this policy within their organisation. They are also responsible for ensuring that their employees are aware of the council's financial procedures, whistleblowing and other policies, and that the requirements of each are being met in their everyday business activities.</p> <p>Contractors and partners are expected to create an environment in which their employees feel able to approach them, or the council directly, with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the relevant head of service for that area or may approach the CIA directly on any whistleblowing issue.</p>
Stakeholders and customers	Whilst this policy is primarily aimed at implementing the necessary culture and processes within the council its stakeholders and customers may become aware of issues that they feel may indicate fraud. They should refer to the council's whistleblowing policy or they can contact the CIA to discuss their concerns directly.

4 DETERRENCE

Prosecution

- 4.1 The corporate policy will encompass the public, elected members and employees. It is designed to clarify the authority's action in specific cases and to deter others from committing offences against the authority. However, it also recognises that it may not always be in the public interest to refer cases for criminal proceedings. Each case will be considered on its merits.

Disciplinary Action

- 4.2 Theft, fraud and bribery and corruption are serious offences against the authority and employees will face disciplinary action if there is evidence that they have been involved in these activities. Disciplinary action will be taken, if appropriate, in addition to criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner, after consultation with the relevant executive head of service and if appropriate the head of HR and learning.
- 4.3 Disciplinary action will be undertaken in accordance with the council's disciplinary policy and procedure with each case considered on its merits.
- 4.4 Members will face appropriate action under this policy if they are found to have been involved in theft, fraud or corruption against the authority. Action will be taken in addition to, or instead of, criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner. Matters, if not referred to the police, will be referred to the standards committee or appropriate group leader.
- 4.5 Members or employees involved in fraud, theft or corruption that does not involve the council or its finances may still be subject to the above action if it is considered to undermine the council and its reputation.

Publicity

- 4.6 The council recognises the key role publicity of fraud cases pursued plays in deterring other attempts to defraud the council. To that effect a publicity policy is attached at annex A of this policy which sets out these measures in detail.
- 4.7 The authority's communications team will optimise the publicity opportunities associated with anti-fraud and corruption activity within the authority. The communications team will also try to ensure that the results of any action taken, including prosecutions, are reported in the media. They will maintain close working relationships with all areas involved in anti fraud work but particularly Nplaw and internal audit.
- 4.8 In all cases where financial loss to the authority has occurred, the authority will seek to recover the loss and advertise this fact.
- 4.9 All anti-fraud and corruption activities, including the update of this policy, will be publicised in order to make the employees and the public aware of the authority's commitment to taking action on fraud and corruption when it occurs.

- 4.10 Regular reports will be made to the audit and standards committees about countering fraud and corruption activities and their success.

5 DETECTION AND INVESTIGATION

- 5.1 All employees, members and any other stakeholder in council services have a vital role in identifying potential fraud or corruption. It is not the responsibility of those groups to investigate their suspicions as this may undermine a case to be pursued but all parties play a key role in bringing such concerns to the council's attention for a proper and thorough investigation to be undertaken.
- 5.2 Management are in the best position to become aware of any problems that could indicate fraud or theft etc. Management are also best placed to ensure that systems of internal control are in place and operating and thus are ideally placed to identify weaknesses or failures that may be exploited. Internal audit can provide advice and assistance in this area.
- 5.3 Employees are also ideally placed to detect fraud, theft or corruption. Employees are encouraged to discuss concerns with their line manager but the whistleblowing policy also provides mechanisms to raise concerns corporately.
- 5.4 The whistleblowing policy provides a process to enable the council to demonstrate :
- proper investigations for all referrals
 - proper action taken in relation to findings from investigations
 - feedback is provided to anyone making a referral
 - appropriate protection for anyone making or having made a referral.
- 5.5 Internal audit plays an important role in the detection of fraud and corruption. Included in their annual plan are reviews of system financial controls and specific fraud and corruption tests, spot checks and unannounced visits. internal audit operates in accordance with best practice including the adoption of a formal audit manual in line with CIPFA best practice. This includes suitable processes to provide assurance to management on the adequacy of systems of internal control including the completion of follow ups for previous recommendations.
- 5.6 In addition to internal audit, there are numerous systems controls in place to deter fraud and corruption, but it is often the vigilance of employees and members of the public that aids detection.
- 5.7 In some cases frauds are discovered by chance or 'tip-off' and arrangements are in place to enable such information to be properly dealt with, in accordance with the requirements of the Human Rights Act 1998.
- 5.8 All suspected irregularities are required to be reported (verbally or in writing) either by the person with whom the initial concern was raised or by the originator. This is essential to the policy, and:
- ensures the consistent treatment of information regarding fraud and corruption
 - facilitates a proper and thorough investigation by an experienced audit team, in accordance with the requirements of the Human Rights Act 1998.
- 5.9 This process will apply to all the following areas:

- a) fraud/corruption by elected members
 - b) internal fraud/corruption
 - c) other fraud/corruption by authority employees
 - d) fraud by contractors' employees
 - e) external fraud (the public).
- 5.10 Cases may be referred to the council's external auditor and the executive head of business relationship management and democracy for consideration of action via the police or the standards committee.
- 5.11 In accordance with basic legal concepts any person who witnesses or discovers a criminal act has the right to refer concerns directly to the police.
- 5.12 Any decision to refer a matter to the police will be taken by the CIA in consultation with the head of HR and learning and/or chief executive and relevant executive head of service. The authority will normally wish the police to be made aware of, and investigate independently, offenders where financial impropriety is discovered.
- 5.13 Depending on the nature of an allegation under b) to e), the CIA will normally work closely with the executive head of service concerned to ensure that all allegations are thoroughly investigated and reported upon.
- 5.14 The authority's disciplinary procedures will be used to facilitate a thorough investigation of any allegations of improper behaviour by employees. The processes as outlined in paragraph 4.4 will cover members.

6 AWARENESS AND TRAINING

- 6.1 The authority recognises that the continuing success of this policy and its general credibility will depend in part on the effectiveness of programmed training and an awareness of elected members and employees throughout the authority.
- 6.2 To facilitate this in the past, positive and appropriate provision had been made via induction and for employees via their development plans. However, for the future it is intended that a programme of anti-fraud awareness training in the form of workshops possibly incorporating interactive means, will be rolled out across the council. There will still be specialist training for certain elected members and employees.
- 6.3 Key to effective awareness and deterrent is a formal and comprehensive system of feedback to provide outcome information to the person who originally referred concerns. Whilst confidentiality must be respected, including the Data Protection Act and Human Rights Act provisions, every referral should be concluded and the outcome communicated to the person making the original referral.
- 6.4 Anti-fraud services should also maintain management information to show:
- how frauds are identified
 - which type of frauds were affected
 - any patterns or themes detected
 - new fraud issues highlighted
 - prevention measures

- how frauds have been quantified (see annex B).

7 CONCLUSION

- 7.1 The authority has always prided itself on setting and maintaining high standards and a culture of openness, with core values of fairness, trust and value. This policy fully supports the authority's desire to maintain an honest authority, free from fraud and corruption.
- 7.2 The authority has in place a network of systems and procedures to assist it in dealing with fraud and corruption when it occurs. It is determined that these arrangements will keep pace with any future developments in techniques to both prevent and detect fraudulent or corrupt activity that may affect its operation.
- 7.3 The authority will maintain a continuous review of all these systems and procedures through audit and risk services.
- 7.4 This policy will be reviewed annually.

DRAFT

ANNEX A - Publicity

1 Introduction

- 1.1 Norwich City Council has adopted this policy as a key policy to address anti fraud and corruption issues in conjunction with welfare reform messages and enhancing public confidence in the council's administration of taxpayers' money.
- 1.2 The anti-fraud policy and particularly this publicity section aim to :
 - make clear the connection between saving public monies and the fraud work that achieves this.
 - dispel the belief held in some quarters that fraud is a victimless crime
 - demonstrate consistent action is taken for both complex frauds and the perceived lower level frauds
 - ensure that tough action taken against persons who commit fraud is utilised as an effective deterrent to others
 - alter perceptions of this area of work to move for an image of petty bureaucracy or snoopers to one of professional public funds watchdog.
 - ensuring that action taken is consistent with NCC policies and legislative provisions as well as being in the public interest
- 1.3 This policy covers the methods by which the work of the anti-fraud services within NCC will be promoted including the publicity associated with specific cases.

2 Publicity categories

- 2.1 Publicity takes many forms including leaflets, posters, press releases / articles, advertisements, intranet or internet media
- 2.2 It is imperative that all available forms are maximised to promote an Anti Fraud Culture throughout the organisation and to the public. However great care is needed to ensure that publicity in relation to anti fraud work is positive and does not undermine the service or reinforce the negative perceptions of this area of work.
- 2.3 Thus publicity needs to focus on 3 key areas :
 - Proactive work of anti-fraud services
 - Specific cases pursued by anti-fraud services, e.g. specific prosecutions / convictions sought
 - Reactive responses to media enquiries.

3 Proactive publicity

- 3.1 This area of work is essential to promote the work of the services and ensure that others are aware of this work and thus deterred from attempting fraud. The aim of this publicity is to increase the profile of anti-fraud work across Norwich City Council and the wider community in order to promote the referral processes and deter fraud.
- 3.2 An internet / intranet site shall be maintained which sets out details as to how to contact the internal audit Investigators and how to report fraud. The site will also provide links to relevant policies.
- 3.3 Any leaflets and posters used for fraud awareness purposes shall be reviewed annually to reflect any necessary changes.
- 3.4 It is intended that fraud awareness training shall be part of the council's corporate training / induction system.
- 3.5 In addition to the above the work of anti-fraud services shall be promoted periodically both within the Council and to the general community.
- 3.6 For high profile cases prosecuted the publicity shall consider whether the work of anti-fraud services shall be promoted eg volumes of cases referred, investigated, prosecuted, convicted etc.

4 Specific cases

- 4.1 Great care must be taken when publicising any specific case of fraud, theft or corruption. Data Protection Act and Human Rights Act provisions are key legal protections provided to those suspected of committing such offences and must not be breached by the Council's attempts to promote anti fraud work.
- 4.2 However the publicity attached to any specific case is a necessary element of promoting the deterrent effect of anti fraud work as it demonstrates actual instances and consequences to individuals.
- 4.3 Any decision that the council should prosecute an individual, individuals or organisation must be taken following a formal quality assurance procedure.
- 4.4 Any decision to pursue prosecution will be taken on the basis of professional advice, the merits of the case itself and any applicable guidelines relevant.
- 4.5 All prosecutions should include a consideration of publicity issues and ensure that the council's communications team are involved / aware of the issue so that the council can adopt a proactive publicity strategy and avoid the need to react to press enquiries.
- 4.6 A specific decision will be taken and recorded by the head of service to issue a press release for any specific case. In all other cases a press statement / position shall be prepared to address any potential press enquiry.
- 4.7 Press releases shall be prepared that promote the council's anti-fraud policy and maximise the deterrent effect of prosecutions.

5 Reactive responses to media enquiries

- 5.1 Ideally the above measures aim to minimise the need for this where the council proactively provides relevant information to promote anti-fraud through local, and possibly national, media.
- 5.2 Press queries will arise on some occasions and it is essential that they are responded to in such a way as to promote the anti-fraud policy of the council.
- 5.3 Responses to press queries regarding specific individuals must not breach data protection or human rights legislation.

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ANNEX B - Criteria for quantifying fraud

1 Financial cost

- Proven criminal losses
- Civil losses proven on probability
- Estimated losses not evidenced (in the opinion of the chief internal auditor)
- Costs of investigation etc.

2 Service implications

- Implications to wider service delivery
- Implications to customers
- Implications to council partners

3 Organisational implications

- Anti-fraud culture
- Corporate governance issues eg policy / control failures

4 Reputational risks

- Trust of the public
- Trust of stakeholders
- Trust of customers



NORWICH City Council

Whistleblowing Policy

The council wants you to be confident that your concerns will be taken seriously and that you will be protected from victimisation or bullying or harassment if you raise a concern.

If you have a concern about the council's services please read this policy. We can give confidential advice about concerns you may have regarding the council and its services.

We encourage people to raise their concerns under this procedure in the first instance. If you are not sure whether to raise a concern, you can discuss the issue and/or policy with:

Duncan Wilkinson, chief internal auditor (LGSS), on 07946 877510 or email duncan.wilkinson@milton-keynes.gov.uk

Or

Jonathan Tully, principal audit manager on 01603 212575 or email jonathantully@norwich.gov.uk

Or

Dawn Bradshaw, head of HR and learning on 01603 212434 or email dawnbradshaw@norwich.gov.uk

Or

The whistleblowing hotline on [insert number]

Or

Public Concern At Work on 0207 404 6609 or helpline@pcaw.co.uk

PCAW are an independent charity and information provided to PCAW is protected under the Public Interest Disclosures Act. Their helpline is where their lawyers provide confidential advice free of charge.

All concerns will be treated in confidence and every effort will be made not to reveal the identity of the person highlighting the concern.

Version control

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1 Introduction

- 1.1 This policy seeks to provide a process that gives anyone with a concern about the council the confidence to bring that concern to our attention.
- 1.2 Norwich City Council operates within legal requirements and regulations and expects its employees to co-operate in this by adhering to all laws, regulations, policies and procedures. Any employee becoming aware of inappropriate conduct is obliged and encouraged to report this activity. This policy also applies to other individuals performing functions in relation to the council such as contractors, consultants, partners and agency workers and other stakeholders including councillors.
- 1.3 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. Councillors, customers and stakeholders are also in a position to identify concerns that affect council services and need to be addressed.
- 1.4 The law provides protection for workers who raise legitimate concerns about specified matters. These are called 'qualifying disclosures'. A qualifying disclosure is one made in the public interest by a worker who has a reasonable belief that the following is being committed or is likely to be committed:
 - a criminal offence
 - a miscarriage of justice
 - an act creating risk to health and safety
 - an act causing damage to the environment
 - a breach of any other legal obligation
 - concealment of any of the above
- 1.5 It is not necessary for the worker to have proof that such an act has been, or is likely to be committed – a reasonable belief is sufficient. The worker has no responsibility for investigating the matter
- 1.6 Individuals with a concern may fear that they will be victimised or harassed if they raise the concern. In these circumstances it may feel easier to ignore the concern rather than report what may be a suspicion of malpractice. A worker who makes a protected disclosure has the right not to be dismissed, subjected to any other detriment, or victimised, because they have made a disclosure.
- 1.7 The council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment the council encourages employees, customers, contractors, employees of subsidiaries, stakeholders or any other person with serious concerns about any aspect of the council's work to come forward and voice those concerns.
- 1.8 It is recognised that certain cases will have to proceed on a confidential

basis but in accordance with the Freedom of Information Act this policy seeks to provide a transparent method for dealing with concerns. whistleblowers can have confidence through this policy that they have the fullest protections afforded by the Public Interest Disclosures Act.

- 1.9 Specifically this policy makes it clear that employees and others can make reports without fear of reprisals and sets out what protections are in place under this policy. It is intended to encourage and enable concerns to be raised within the council so that they can be addressed, rather than overlooking problems or raising them outside the council.
- 1.10 All officers, councillors and partners have a responsibility to protect the council's interests through the proper adherence to this policy.
- 1.11 The Council is committed to maintaining high ethical standards and taking your concerns seriously.

Councillor Ben Price
Audit committee chair

Laura McGillivray
Chief executive

Kevin O'Grady
Unison Branch Secretary

2 Aims and scope of this policy

2.1 This policy aims to:

- encourage and enable any person to feel confident in raising serious concerns and to question and act upon concerns
- provide avenues for any person to raise concerns and receive feedback on any action taken
- ensure everyone making a referral receives a response to their concerns
- describe how to take the matter further if dissatisfied with the council's response
- reassure anyone making a referral that they will be protected from reprisals or victimisation.

2.2 For the avoidance of doubt if you have concerns that any person may be being mistreated / abused you can discuss your concerns in confidence with your manager or those listed on the front cover of this policy.

2.3 There are existing procedures in place to enable employees to lodge a grievance relating to their own employment, customers to complain about the service they receive, and report if councillors have breached the Member Code of Conduct. This policy should not be used for such concerns, however, advice can be obtained from the contacts on the front cover of this policy if you have any doubts.

2.4 The whistleblowing policy is intended to cover concerns that fall outside the scope of the above procedures. A concern may be about:

- sexual, physical or emotional abuse of clients or other individuals
- conduct which is an offence or a breach of law
- disclosures related to miscarriages of justice
- health and safety risks, including risks to the public as well as employees
- damage to the environment
- unauthorised use of public funds
- action that is contrary to the council's financial procedures or contract regulations
- possible fraud, corruption or financial irregularity
- action that is against the council's financial regulations and policies
- practice that falls below established standards or practice
- other improper or unethical conduct.

2.5 The concern may be something that makes a person feel uncomfortable in terms of known standards, their experience or the standards to which they believe the council subscribes. If in doubt please contact either a

named contact on the front cover of this policy or Public Concern at Work to have a confidential discussion.

- 2.6 This policy applies to all employees, councillors, contractors, consultants, and agency workers and other stakeholders who are acting on behalf of, or in partnership with, the council.
- 2.7 Any disclosure of information that, in the reasonable belief of the worker, is made in the public interest, shall be deemed a qualifying disclosure.
- 2.8 This policy incorporates the provisions that are required from the Public Interest Disclosure Act 1998.

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3 How to raise a concern

- 3.1 When an individual wishes to raise a concern, he or she will need to identify the issues carefully. They must be clear about the standards against which they are judging practice. Whilst not exhaustive they should consider the following:
- Is it illegal?
 - Does it contravene professional codes of practice?
 - Is it against government guidelines?
 - Is it against the Council's guidelines?
 - Is it about one individual's behaviour or is it about general working practices?
 - Does it contradict what the employee has been taught?
 - Has the individual witnessed the incident?
 - Did anyone else witness the incident at the same time?
- 3.2 Concerns from employees should normally be raised with their immediate manager. Similarly, non-employees (e.g. agency workers or contractors) should raise a concern with their contact within the council, usually the person to whom they directly report.
- 3.3 In some cases, the nature or sensitivity of the concern means that this may not always be appropriate. If a person feels they cannot raise their concern with their immediate manager they are able to go directly to the chief internal auditor (see paragraph 3.12). They may also do so if, having raised a concern with the immediate manager/contact, they feel there has not been an appropriate response.
- 3.4 Others wishing to raise a concern should consider using the council's [complaints procedures](#) by emailing listening@norwich.gov.uk. Alternative details for raising concerns can be found on the council's website (https://www.norwich.gov.uk/info/20210/other_ways_to_contact_us) or by ringing 0344 980 3333.
- 3.5 Given the possible contractual issues annex A of this policy gives specific guidance to contractors and partners of the council in raising such concerns.
- 3.6 Concerns may be raised verbally or in writing. Anyone who wishes to make a written report should give the background and history of the concern, giving relevant dates if possible, and the reason why they are particularly concerned about the situation.
- 3.7 If the individual wishes, they may ask for a private meeting with the person to whom they wish to make the complaint and can be accompanied if they wish. An employee may invite someone, such as their trade union or a work colleague, to be present during any meetings or interviews in connection with the concerns they have raised.

- 3.8 When making a complaint verbally, the individual should write down any relevant information and date it. They should keep copies of all correspondence and relevant information.
- 3.9 It should be noted that often the earlier a concern is expressed the easier it is to take appropriate action.
- 3.10 The individual should ask the person to whom they are making the complaint what the next steps will be and if anything more is expected from them.
- 3.11 Although a person is not expected to prove the truth of an allegation that is made, it will be necessary to demonstrate that there are sufficient grounds for concern. It is not necessary for any person to undertake investigations into their concern prior to contacting the council as this may undermine any ultimate action needing to be taken.
- 3.12 Advice and guidance on how specific matters of concern may be pursued can be obtained from the council's internal audit service. The officer nominated to lead on whistleblowing is the chief internal auditor of LGSS who can be contacted by phone on 07946 877510 or email Duncan.wilkinson@milton-keynes.gov.uk.
- 3.13 Alternatively employees may wish to get confidential advice from their trade union or professional association
- 3.14 Employees may wish to consider discussing their concerns with a colleague first and may find it easier to raise the matter if there are two (or more) of them who have had the same experience or concerns.
- 3.15 Where a person feels that they cannot approach anyone in the council, they may wish to report their concerns through the external independent reporting scheme called Public Concern At Work. PCAW are an independent charity providing a legal advice service designated by the Bar Council and information provided to PCAW is protected under the Public Interest Disclosures Act. Their lawyers provide confidential advice free of charge and their contact details are:
- Telephone number: 0207 404 6609.
 - Email: helpline@pcaw.co.uk
 - Website: www.pcaw.co.uk

4 Supporting the individual to raise a concern

Harassment or victimisation

- 4.1 The council recognises that the decision to raise a concern can be difficult, not least because of the fear of reprisals.
- 4.2 The council will not tolerate harassment or victimisation and will take action to protect individuals who raise concerns. This does not mean that if the individual raising the concern is the subject of informal or formal procedures, that those procedures will be halted as a result of raising a concern under this policy.
- 4.3 Officers should not release information which identifies whistleblowers without their permission, unless there is a requirement to do so (e.g. a court order).
- 4.4 Any person applying pressure upon such officers to identify whistleblowers shall be subject to the same provisions as outlined in 4.6 below.
- 4.5 Where a whistleblower alleges they are / have been victimised / harassed as a result of raising a concern that matter shall be referred to an appropriate officer to deal with and investigate. Appropriate officers will include the s151 officer (chief finance officer), monitoring officer, head of HR and learning. Where the investigations may identify the whistleblower, either indirectly or directly, the way forward shall be discussed with the whistleblower and any resultant action confidentially reported to the chair of the audit committee where appropriate.
- 4.6 Each case will be considered on its merits. If anyone is found to have victimised or harassed someone, who has made a referral under this policy, it would normally be considered:
 - a matter of gross misconduct if carried out by an employee of the council
 - a matter for the council to consider termination of a contract, if it is carried out by or at the request of a contractor. If there are concerns that a contractor is victimising, or has victimised, a whistleblower an independent review may be requested.
 - a matter that would be referred to the standards committee, if it relates to member conduct
 - a matter that could affect service provision, if it relates to a customer.

Confidentiality

- 4.7 All concerns will be treated in confidence and every effort will be made not to reveal the identity of the person highlighting the concern if that is the wish of the individual.
- 4.8 Individuals are encouraged to put their name to any allegation. The council will do its best to protect the individual's identity when they do not want their name disclosed. It must be appreciated that the

investigation process may reveal the source of the information and a statement by the individual raising the concern may be required as part of the evidence.

Anonymity

4.9 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the council. In exercising this discretion, the factors to be taken into account would include:

- seriousness of the issue
- credibility of the concern
- likelihood of being able to obtain the necessary information.

Untrue allegations

4.10 Any individual who makes an allegation which is not subsequently confirmed by the investigation, will have no action taken against them and will continue to have protection under this policy from victimisation or harassment.

4.11 If, however, an individual makes malicious or vexatious allegations, action may be taken against them. Maliciously making a false allegation is a disciplinary offence.

5 How the council will respond

- 5.1 The action taken by the council will depend on the nature of the concern. Where appropriate, the matters raised may:
- be investigated by management, internal audit, or other appropriate person
 - be referred to the external auditor
 - be referred to the police
 - form the subject of an independent inquiry.
- 5.2 In order to protect individuals and the council, an initial investigation will be carried out to decide whether a full investigation is appropriate and, if so, what form it should take. Concerns or allegations, which fall within the scope of specific procedures, for example, safeguarding or discrimination issues, will normally be referred for consideration under those procedures.
- 5.3 It should be noted that some concerns may be resolved by agreed action without the need for investigation. Equally some issues may be investigated without the need for initial enquiries. If urgent action were required, this would be taken before any investigation is conducted.
- 5.4 The council will write to the person raising the concern within seven working days (i.e. the individual or representative with whom the report was lodged) to:
- acknowledge that the concern has been received
 - indicate how it proposes to deal with the matter
 - give an indication of when a final response or update will be provided
 - inform the person whether any initial enquiries have been made
 - supply the person with information on employee support mechanisms, and
 - inform the person whether further investigations will take place and, if not, why not.
- 5.5 Every effort will be made to resolve the matters raised as soon as possible, in the interests of the council, the person raising the concern and the person(s) being investigated.
- 5.6 The amount of contact between the officers considering the issues and the person raising the concern will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information may be sought from the person raising the concern.
- 5.7 Where any meeting is arranged, employees have the right, if they so wish, to be accompanied by someone, such as a trade union representative or a work colleague, who is not involved in the area of work to which the concern relates.

- 5.8 The council will take appropriate steps to minimise any difficulties, which a person may experience as a result of raising a concern and provide advice and support should they be required to give evidence, e.g. at a disciplinary hearing.
- 5.9 The council accepts that the person raising a concern needs to be assured that the matter has been properly addressed. Thus, subject to legal constraints, the person raising the concern will be kept informed as the investigation progresses unless they have requested otherwise. At the very least they should receive an update on the investigation by the date implied by the estimated response time given in section 5.4

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6 How the matter can be taken further

- 6.1 This policy is intended to provide an avenue to raise concerns within the council. The council hopes that those using this process will be satisfied with the way their concerns are treated and any investigations that may be carried out. However, if they are not satisfied and feel it right to take the matter outside the council, the matter can be raised with:
- Public Concern At Work on 0207 404 6609 or helpline@pcaw.co.uk
 - a solicitor
 - relevant professional bodies or regulatory organisations, such as:
 - HM Revenues and Customs
 - Financial Conduct Authority
 - Competition and Markets Authority
 - Health and Safety Executive
 - Environment Agency
 - Independent Police Complaints Commission
 - Serious Fraud Office
- 6.2 In taking advice from sources outside the council a person must ensure that, so far as possible, it is raised without confidential information being divulged. Also a person would, other than in exceptional circumstances, be expected to have exhausted the internal routes available first.
- 6.3 Any individual has the right and responsibility to refer a concern to the police if they suspect a criminal act.

7 Roles and responsibilities

Framework

- 7.1 The responsibility for the operation of this policy rests with the corporate leadership team to ensure all employees are fully aware of its provisions. The chief internal auditor must be advised of all referrals, but in a form which does not endanger confidentiality, so that an annual report to the council's audit committee can be compiled.
- 7.2 Audit committee is responsible for assuring the council that the risks across the council are being identified and managed. It is therefore responsible for ensuring that this policy is robust in identifying concerns and that the identified risks are addressed. It is also responsible for ensuring that the principles within this policy are upheld.

Investigations

- 7.3 Investigations should be undertaken by appropriate officers with relevant expertise, and may be someone independent of the person receiving the referral. Internal audit (IA) and human resources (HR) will jointly ensure that investigations are swift and effective and undertaken by someone with relevant skills and experience. IA and HR will act as the corporate services who maintain records of all referrals and subsequent investigations received by the council. Additionally:
- 7.4 IA will lead on all financial referrals, including those where there are significant financial implications to an allegation, whilst not explicit within the referrals. The audit team will ensure that concerns raised through the informal process are logged and trends identified.
- 7.5 HR will lead on allegations regarding serious misconduct of council employees. The HR team will advise and support employees involved in the investigation process to ensure that such processes are fair and supportive to all those involved.
- 7.6 The monitoring officer will lead on allegations regarding misconduct of councillors.

Line managers

- 7.7 Line managers must create an open and fair culture within their area of responsibility and ensure that employee concerns are listened to and action taken where necessary.
- 7.8 They are responsible for ensuring that there is a safe environment for employees to raise their concerns and that there is no retribution as a result of someone raising their concerns.

Employees

- 7.9 In all contracts of employment there is an implied understanding of mutual trust and confidence between the employer and employee. All employees, therefore, have a responsibility to raise concerns about work and they may do so in the manner described in this policy.

8 How the policy will be monitored and reviewed

Monitoring

- 8.1 The council has a responsibility for registering the nature of all concerns raised and to record the outcome. The council's internal audit service will produce an annual report, which will identify any patterns of concern and assess the effectiveness of the policy.
- 8.2 This policy will be publicised via the council's website and specifically:
- every new employee will be provided a copy of the policy when joining the council
 - every contract will require the contractor to communicate the policy to their employees and adopt its provisions when working for the council
 - every employee of a joint venture or company owned by the council will be provided a copy of the policy when joining the JV or company, together with training on the whistleblowing procedures of their organisation and the circumstances where each policy will apply.
 - all newly elected members should be provided a copy of the policy.
- 8.3 Promotional material will be produced and placed in appropriate areas to raise awareness of the policy and invite feedback.
- 8.4 Surveys will be undertaken to gauge the awareness of the policy, and individual whistleblowers will be asked more detailed questions about their perceptions of the policy in practice.

Review

- 8.5 This procedure will be kept under review and any amendments will be subject to consultation with employee representatives.

9 Annex A

Procedure for contractors / partners, including employees of subsidiaries

- 9.1 As a first step contractors should normally raise concerns with their manager, who will then inform the lead council officer who is dealing with that particular contract. If contractors do not have a manager, they should raise their concerns direct with the lead council officer. This depends on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if contractors believe that their manager or lead council officer is involved, they should approach the chief internal auditor at the council directly. Otherwise, the lead council officer receiving notification of concerns under this policy will inform the chief internal auditor that a confidential report has been received and provide a copy.
- 9.2 If the concern relates to financial irregularities or failures of financial controls the lead council officer receiving the report will also immediately notify the chief internal auditor.
- 9.3 Concerns may be raised verbally or in writing. Individuals who wish to make a written report are invited to use the following format:
- the background and history of the concern, giving relevant dates if possible
 - the reason why the individual is particularly concerned about the situation.
- 9.4 It should be noted that often the earlier a concern is expressed the easier it is to take appropriate action.
- 9.5 Advice and guidance on how specific matters of concern may be pursued can be obtained internally from the internal audit service. Alternatively contractors may wish to get confidential advice from their trade union or professional association.
- 9.6 Contractors may wish to consider discussing their concerns with a colleague first and may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.
- 9.7 Contractors may invite someone, such as their trade union or or a work colleague, to be present during any meetings or interviews in connection with the concerns they have raised.

10 Annex B

General Survey

- (1) Have you thought about using the whistleblowing policy in the last 12 months?
- (2) If yes, but you didn't make a referral, what prevented you?
- (3) On a scale of 1-10 (with 10 being perfect) how would you rate the policy in meeting the needs of someone who has concerns about the councils services?
- (4) If you answered less than 10, what can we do to change so that we would score 10?

Specific Survey for those who have raised a concern

- (1) On a scale of 1-10 (with 10 being perfect) how good do you feel the council's whistleblowing arrangements are?
- (2) If you answered less than 10, what can we do to improve so that we would have scored a 10?
- (3) Were you able to obtain sufficient advice before making your referral?
- (4) Did you use normal management structures or the corporate officers?
- (5) Were your concerns properly addressed?
- (6) Were the implications of a referral (e.g. confidentiality and timescales) explained to you?
- (7) Were you provided with regular feedback (if you wanted it)?
- (8) If you asked for confidentiality was that effectively provided?
- (9) Do you feel you suffered harassment, victimisation or any other negative consequence from raising your concern?



NORWICH
City Council

Anti-money laundering policy

November 2016

Version control

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1 Introduction

- 1.1 The need for this policy derives from the Proceeds of Crime Act 2002 and the Money Laundering Regulations 2007. The council's legal obligations impact on certain areas of the business, and require the council to establish internal procedures to prevent the mis-use of services to launder money.
- 1.2 This policy details the controls to prevent and protect against money laundering and terrorist financing

2 Scope of the policy

- 2.1 This policy applies to all employees and contractors / agents of the council. The policy sets out the procedures which all officers must follow where they suspect or know that a transaction involves money laundering.

3 What is Money Laundering?

- 3.1 Money laundering is how criminally obtained money or other assets are exchanged for money or assets with no obvious link to their criminal origins. It also covers money, however obtained, which is used to fund terrorism.
- 3.2 Money laundering can take many forms such as:
 - concealing, disguising, converting, transferring or removing criminal property from the UK
 - entering into or becoming involved in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property
 - acquiring, using or possessing criminal property
 - attempting or helping any of the above offences
 - involvement in an arrangement which facilitates the control of money or property destined for, or the proceeds of, terrorism.

4 How do you detect money laundering

- 4.1 There is no one method of laundering money. For this reason, it is important that the council, via its employees and contractors and agents, should be vigilant and alert to possible signs of money laundering through the council's services.
- 4.2 At all times, you should:
 - be wary of cash transactions. 'Cash' for this purpose means notes, coins or travellers' cheques in any currency
 - take care when commencing business with a new client - establish identity as per below where applicable
 - be alert to the possibility of money laundering by a client or a prospective client
 - keep records, as per below where applicable.

5 Council's Obligations

- 5.1 The Money Laundering Regulations apply to specific persons including certain institutions, auditors, accountants, tax advisers and legal professionals.
- 5.2 Strictly speaking, internal public sector services may not be covered by the legislation. However, council services are susceptible to money laundering activities and the council must be able to demonstrate its compliance with the law in this area.
- 5.3 The Proceeds of Crime Act also creates offences relating to money laundering activities as well as terrorist financing. Again council services may be targeted for this purpose and the council must be able to demonstrate its compliance with this law.
- 5.4 The council has therefore:
- appointed a Money Laundering Reporting Officer (MLRO) to receive disclosures from employees of money laundering activities (their own concerns or that of someone else)
 - implemented a reporting procedure where a person
 - knows or suspects; or
 - has a reasonable ground for knowing or suspecting money laundering.
 - Set out client identification procedures to be followed in certain circumstances
 - Set down record keeping procedures for the purposes of money laundering
- 5.5 All employees, contractors and agents of the council are therefore required to be familiar with the council's policy and to comply with the procedures set out in the following sections and particularly with the reporting procedure.

6 The Money Laundering Reporting Officer (MLRO)

- 6.1 The officer nominated to receive disclosures about money laundering activities is the chief internal auditor. This post is currently held by Duncan Wilkinson who can be contacted as follows:

Duncan Wilkinson
Chief internal auditor, LGSS

Civic offices
1 Saxon Gate East
Central Milton Keynes
MK9 3EJ

Telephone: 07946-877510

Email: Duncan.wilkinson@milton-keynes.gov.uk

- 6.2 In the absence of the MLRO, the principal audit manager, Norwich, Jonathan Tully, is nominated to deputise as the MLRO until any further notice. He can be contacted at:

Norwich City Council
City Hall
Norwich
NR2 1NH

Telephone number 01603-212575

Email: Jonathantully@norwich.gov.uk

7 Reporting Procedure

This section explains what you **MUST** do where you become suspicious or know that there is a money laundering or terrorist financing activity going on and how your report will be dealt with by the MLRO.

7.1 Reporting to the MLRO

Warning: If you fail to report or disclose as below you may be liable for prosecution for one or more offences.

- Where you know or suspect or have reasonable grounds to know or suspect that a money laundering activity is taking place or has taken place, you must notify the MLRO **IMMEDIATELY** using the money laundering reporting form attached at appendix 1.
- Similarly, where you believe your involvement in a matter may amount to a prohibited act under sections 327 – 329 of the Proceeds of Crime Act 2002 (see relevant provisions at appendix 2), you must disclose this to the MLRO using the form attached at appendix 1.
- You must still report your concerns even if you believe that someone else has already reported their suspicions of the same money laundering activity.

7.2 After reporting to the MLRO you **MUST**:

- not voice your suspicion to the suspected person or any third party
- not disclose to anyone the fact the you have made the report
- not make any further enquiries into the matter yourself
- not make any reference on the file of the report
- do nothing further on the matter unless you receive specific, written consent from the MLRO to proceed.

Warning: If you fail to observe any of the above, you may be liable for prosecution for ‘tipping off’ or other offences.

7.3 Once the MLRO receives the report, he/she will;

- note the date of receipt and confirm that he/she has received the report.
- advise you of the timescale within which he/she expects to respond to you.
- conduct a provisional investigation into the matter.
- undertake such other reasonable enquiries as appropriate, seeking specialist legal and financial advice (if appropriate)
- make a timely determination as below:
- Where it is determined there is no reasonable grounds to suspect money laundering, he/she will record the reasons for the finding and give consent for the transaction to proceed.
- Where it is determined money laundering is suspected he/she will:
- make a report to National Crime Agency (NCA), as soon as is practicable, and seek NCA's consent whether to proceed with the transaction.
- advise the reporting officer of any consent or refusal of consent from NCA.
- may give consent for the transaction to proceed where seven working days have passed since the disclosure to NCA and no refusal notice has been given; or where although the refusal notice has been given, the moratorium period of 31 days has expired since the date of when the refusal notice was given.
- take formal advice from nplaw if there appears to be reasonable excuse for non-disclosure (eg legal professional privilege) to decide whether or not the matter should be disclosed to NCA.
- where the decision is made not to disclose to the NCA, he/she must record the same and give consent for the transaction to proceed.

7.4 The MLRO commits an offence:

- if without reasonable excuse, she/he fails to disclose to NCA as soon as is practicable suspected money laundering reporting to him/her (except as set out at 7.3.1 (5) (b) (iv) above)
- where after reporting to NCA:
- he/she gives consent to an officer to proceed with the transaction without receiving such consent from NCA
- where he/she gives such consent before hearing from NCA and the period of seven working days has not expired since she/he made the disclosure to NCA
- the moratorium period of 31 days has not expired since the refusal notice

8 Client identification procedure (customer due diligence)

This section explains what you **MUST** do where you are involved in services identified as potential targets for money laundering or terrorist financing transactions. Verifying the identity of clients is a key process that reduces the risk of money laundering and terrorist financing.

8.1 Client/customer due diligence consists of;

- identifying the customer and verifying the client's identity on the basis of documents, data or information obtained from a reliable source
- identifying a beneficial owner who is not a customer, where there is one, and taking adequate measures on a risk sensitive basis, to verify his/her identity
- obtaining information on the purpose and intended nature of the business relationship

8.2 You must conduct a 'customer due diligence' in the following circumstances ;

- when establishing a new business relationship
- when carrying out an occasional transaction (a transaction which amounts to €15,000 or more, which is carried out in a single operation or several linked operations, and which is carried out other than as part of a business relationship)
- when you suspect money laundering or terrorist financing regardless of the amount involved
- when you doubt the veracity or adequacy of documents, data or information previously obtained for identification purposes.

8.3 You must complete the verification of the identity of the client (or beneficial owner) before you establish the business relationship or accept / process the transaction.

8.4 You may however, complete such identity verification after establishing the business relationship only if it is necessary not to interrupt the normal conduct of business and there is little risk of money laundering or terrorist financing occurring, but provided that the verification is completed as soon as practicable after contact is first established.

8.5 You should obtain evidence of identity as follows:

For internal clients

- Written instructions on headed paper signed and dated by the appropriate person; or an email from the council's internal email system.
- The evidence should be kept on file identifying that it is evidence of the client's identity

For external clients

- Written instructions on the organisation's official headed paper, duly signed and dated by the appropriate person/s (It must be clear what position the signing person/s hold/s within the organisation); or an email from the organisation's e-communication system that clearly identifies the sending company and person.

- The evidence should be kept on file identifying that it is evidence of the client's identity
- Whenever dealing with a company, you must also verify the existence of the company. You must always request to be provided with the company's registration number which you can use to search for the company's existence at the companies house, and the registered address of the company.
- You must further ensure that the person instructing you has the authority from the company to do so.
- When dealing with an individual, identity evidence will be key, verifiable documents such as driving licence, passport or other reliable document.

It is very important that you do not take a tick box approach towards the client identification procedure. You must be satisfied with the authenticity of identification documents and where in doubt, please speak to your manager to see what other forms of identification you may request. The MLRO is able to provide tools that verify the validity of identification documents.

8.6 Where satisfactory evidence of identity is not obtained from the outset or as soon as practicable (in the case of 8.5 above), then:

- you cannot establish a business relationship or carry out an occasional transaction with the client.
- you cannot proceed any further with the transaction (if applicable)
- you must consider whether you need to report the matter to the MLRO.

8.7 Where you are satisfied with the evidence of the identity and an ongoing business relationship is established with a client, you should still scrutinise transactions undertaken to ensure that they are consistent with your knowledge of the client or business and risk profile. You should also ensure that the identification documents are up to date.

9 Record keeping procedure

9.1 It is essential that records are properly kept to aid in any subsequent investigation which may be carried out and to demonstrate the council has met its responsibilities. Each service must keep the following records for a period of five years beginning from the date when the occasional transaction is completed or business relationship ends:

- evidence of the client's identity
- all supporting records, originals or copies, relating to the transaction

9.2 The MLRO must keep all records of any reports or disclosures received by him/her, action taken and the outcome.

APPENDIX 1

Report to Money Laundering Reporting Officer

Re: money laundering activity

To: [insert name], Money Laundering Reporting Officer

From:
[insert name of employee]

Date:

Service:
[insert post title and section]

Ext/Tel No:

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]

Nature of suspicions regarding such activity:

[Please continue on a separate sheet if necessary]

Has any investigation been undertaken (to your knowledge)?

Yes No

If yes, please include details below:

Have you discussed your suspicions with anyone else?

Yes No

If yes, please specify below and where applicable, explain why such discussion was necessary:

Have you consulted any supervisory body's guidance (e.g. the Law Society) on money laundering?

Yes No

If yes, please specify below:

Do you have any grounds for believing that the matter should not be disclosed to NCA? (e.g. are you a lawyer and wish to claim legal professional privilege?)

Yes No

If yes, please set out full details below:

Are you involved in a transaction which may involve a prohibited act under sections 327 – 329 of the Proceeds of Crime Act 2002 and which may require NCA's consent?

Yes No

If yes, please set out the details below:

Please set out below any other relevant information:

Signed:.....

Dated:.....

Do not discuss the content of this report with the person/s you suspect to be involved in the money laundering activities described or with third parties. To do so may constitute the offence of tipping off 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 report acknowledged

CONSIDERATION OF DISCLOSURE:

Action Plan:

Outcome of consideration of disclosure

Are there reasonable grounds for suspecting money laundering activity?

Yes No

If yes, please give reasons/details below:

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

Yes No

If yes, please confirm date of report to NCA:

and complete the box below:

Details of liaison with NCA regarding the report:

Notice 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 below:

Date consent received from NCA:

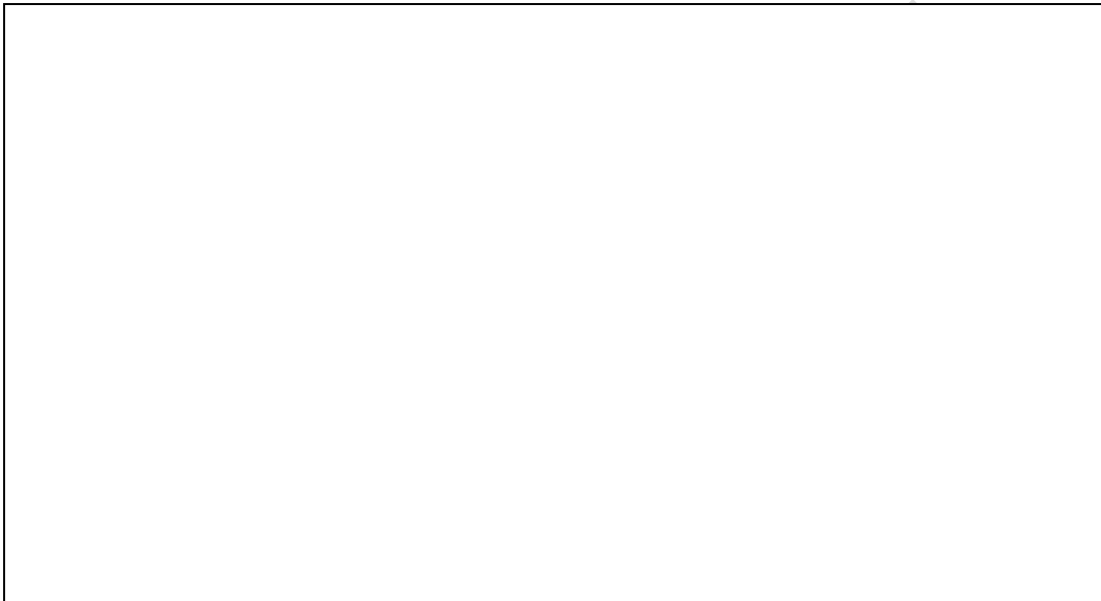
Date consent given by you to the employee:

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/transaction to proceed:

.....

Other relevant information:



Signed: Dated:

This report should be retained for at least five years from the date when the occasional transaction or the business relationship to which it relates comes to an end.

APPENDIX 2

1 Relevant extracts from the proceeds of crime act 2002

S.327 Concealing etc

E+W+S+N.I. (England, Wales, Scotland, Northern Ireland) This section has no associated Explanatory Notes

(1) A person commits an offence if he—

- (a) conceals criminal property;
- (b) disguises criminal property;
- (c) converts criminal property;
- (d) transfers criminal property;
- (e) removes criminal property from England and Wales or from Scotland or from Northern Ireland.

(2) But a person does not commit such an offence if—

- (a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;
- (b) he intended to make such a disclosure but had a reasonable excuse for not doing so;
- (c) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

(3) Concealing or disguising criminal property includes concealing or disguising its nature, source, location, disposition, movement or ownership or any rights with respect to it.

S.328 Arrangements

E+W+S+N.I. This section has no associated Explanatory Notes

(1) A person commits an offence if he enters into or becomes concerned in an arrangement which he knows or suspects facilitates (by whatever means) the acquisition, retention, use or control of criminal property by or on behalf of another person.

(2) But a person does not commit such an offence if—

- (a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;
- (b) he intended to make such a disclosure but had a reasonable excuse for not doing so;

(c) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

S.329 Acquisition, use and possession

E+W+S+N.I. This section has no associated Explanatory Notes

(1) A person commits an offence if he—

- (a) acquires criminal property;
- (b) uses criminal property;
- (c) has possession of criminal property.

(2) But a person does not commit such an offence if—

- (a) he makes an authorised disclosure under section 338 and (if the disclosure is made before he does the act mentioned in subsection (1)) he has the appropriate consent;
- (b) he intended to make such a disclosure but had a reasonable excuse for not doing so;
- (c) he acquired or used or had possession of the property for adequate consideration;
- (d) the act he does is done in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct.

(3) For the purposes of this section -

- (a) a person acquires property for inadequate consideration if the value of the consideration is significantly less than the value of the property;
- (b) a person uses or has possession of property for inadequate consideration if the value of the consideration is significantly less than the value of the use or possession;
- (c) the provision by a person of goods or services which he knows or suspects may help another to carry out criminal conduct is not consideration.

S.332 Failure to disclose: other nominated officers

E+W+S+N.I. This section has no associated Explanatory Notes

(1) A person nominated to receive disclosures under section 337 or 338 commits an offence if the conditions in subsections (2) to (4) are satisfied.

(2) The first condition is that he knows or suspects that another person is engaged in money laundering.

(3) The second condition is that the information or other matter on which his knowledge or suspicion is based came to him in consequence of a disclosure made under section 337 or 338.

- (4) The third condition is that he does not make the required disclosure as soon as is practicable after the information or other matter comes to him.
- (5) The required disclosure is a disclosure of the information or other matter—
- (a) to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service;
 - (b) in the form and manner (if any) prescribed for the purposes of this subsection by order under section 339.
- (6) But a person does not commit an offence under this section if he has a reasonable excuse for not disclosing the information or other matter.

S.333 Tipping off

E+W+S+N.I. This section has no associated Explanatory Notes

- (1) A person commits an offence if—
- (a) he knows or suspects that a disclosure falling within section 337 or 338 has been made, and
 - (b) he makes a disclosure which is likely to prejudice any investigation which might be conducted following the disclosure referred to in paragraph (a).
- (2) But a person does not commit an offence under subsection (1) if—
- (a) he did not know or suspect that the disclosure was likely to be prejudicial as mentioned in subsection (1);
 - (b) the disclosure is made in carrying out a function he has relating to the enforcement of any provision of this Act or of any other enactment relating to criminal conduct or benefit from criminal conduct;
 - (c) he is a professional legal adviser and the disclosure falls within subsection
- (3) A disclosure falls within this subsection if it is a disclosure—
- (a) to (or to a representative of) a client of the professional legal adviser in connection with the giving by the adviser of legal advice to the client, or
 - (b) to any person in connection with legal proceedings or contemplated legal proceedings.
- (4) But a disclosure does not fall within subsection (3) if it is made with the intention of furthering a criminal purpose.

S.334 Penalties

E+W+S+N.I. This section has no associated Explanatory Notes

- (1) A person guilty of an offence under section 327, 328 or 329 is liable—
 - (a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or
 - (b) on conviction on indictment, to imprisonment for a term not exceeding 14 years or to a fine or to both.
- (2) A person guilty of an offence under section 330, 331, 332 or 333 is liable—
 - (a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or
 - (b) on conviction on indictment, to imprisonment for a term not exceeding five years or to a fine or to both.

S.335 Appropriate consent

E+W+S+N.I. This section has no associated Explanatory Notes

- (1) The appropriate consent is—
 - (a) the consent of a nominated officer to do a prohibited act if an authorised disclosure is made to the nominated officer;
 - (b) the consent of a constable to do a prohibited act if an authorised disclosure is made to a constable;
 - (c) the consent of a customs officer to do a prohibited act if an authorised disclosure is made to a customs officer.
- (2) A person must be treated as having the appropriate consent if—
 - (a) he makes an authorised disclosure to a constable or a customs officer, and
 - (b) the condition in subsection (3) or the condition in subsection (4) is satisfied.
- (3) The condition is that before the end of the notice period he does not receive notice from a constable or customs officer that consent to the doing of the act is refused.
- (4) The condition is that—
 - (a) before the end of the notice period he receives notice from a constable or customs officer that consent to the doing of the act is refused, and
 - (b) the moratorium period has expired.
- (5) The notice period is the period of seven working days starting with the first working day after the person makes the disclosure.
- (6) The moratorium period is the period of 31 days starting with the day on which the person receives notice that consent to the doing of the act is refused.
- (7) A working day is a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act

1971 (c. 80) in the part of the United Kingdom in which the person is when he makes the disclosure.

(8) References to a prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).

(9) A nominated officer is a person nominated to receive disclosures under section 338.

(10) Subsections (1) to (4) apply for the purposes of this Part.

S.336 Nominated officer: consent

E+W+S+N.I. This section has no associated Explanatory Notes

(1) A nominated officer must not give the appropriate consent to the doing of a prohibited act unless the condition in subsection (2), the condition in subsection (3) or the condition in subsection (4) is satisfied.

(2) The condition is that—

- (a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service, and
- (b) such a person gives consent to the doing of the act.

(3) The condition is that—

- (a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service, and
- (b) before the end of the notice period he does not receive notice from such a person that consent to the doing of the act is refused.

(4) The condition is that—

- (a) he makes a disclosure that property is criminal property to a person authorised for the purposes of this Part by the Director General of the National Criminal Intelligence Service,
- (b) before the end of the notice period he receives notice from such a person that consent to the doing of the act is refused, and
- (c) the moratorium period has expired.

(5) A person who is a nominated officer commits an offence if—

- (a) he gives consent to a prohibited act in circumstances where none of the conditions in subsections (2), (3) and (4) is satisfied, and
- (b) he knows or suspects that the act is a prohibited act.

(6) A person guilty of such an offence is liable—

- (a) on summary conviction, to imprisonment for a term not exceeding six months or to a fine not exceeding the statutory maximum or to both, or
- (b) on conviction on indictment, to imprisonment for a term not exceeding five years or to a fine or to both.

(7) The notice period is the period of seven working days starting with the first working day after the nominated officer makes the disclosure.

(8) The moratorium period is the period of 31 days starting with the day on which the nominated officer is given notice that consent to the doing of the act is refused.

(9) A working day is a day other than a Saturday, a Sunday, Christmas Day, Good Friday or a day which is a bank holiday under the Banking and Financial Dealings Act 1971 (c. 80) in the part of the United Kingdom in which the nominated officer is when he gives the appropriate consent.

(10) References to a prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).

(11) A nominated officer is a person nominated to receive disclosures under section 338.

S.337 Protected disclosures

E+W+S+N.I. This section has no associated Explanatory Notes

(1) A disclosure which satisfies the following three conditions is not to be taken to breach any restriction on the disclosure of information (however imposed).

(2) The first condition is that the information or other matter disclosed came to the person making the disclosure (the discloser) in the course of his trade, profession, business or employment.

(3) The second condition is that the information or other matter—

(a) causes the discloser to know or suspect, or

(b) gives him reasonable grounds for knowing or suspecting, that another person is engaged in money laundering.

(4) The third condition is that the disclosure is made to a constable, a customs officer or a nominated officer as soon as is practicable after the information or other matter comes to the discloser.

(5) A disclosure to a nominated officer is a disclosure which—

(a) is made to a person nominated by the discloser's employer to receive disclosures under this section, and

(b) is made in the course of the discloser's employment and in accordance with the procedure established by the employer for the purpose.

S.338 Authorised disclosures

E+W+S+N.I. This section has no associated Explanatory Notes

(1) For the purposes of this Part a disclosure is authorised if—

(a) it is a disclosure to a constable, a customs officer or a nominated officer by the alleged offender that property is criminal property,

- (b) it is made in the form and manner (if any) prescribed for the purposes of this subsection by order under section 339, and
 - (c) the first or second condition set out below is satisfied.
- (2) The first condition is that the disclosure is made before the alleged offender does the prohibited act.
- (3) The second condition is that—
 - (a) the disclosure is made after the alleged offender does the prohibited act,
 - (b) there is a good reason for his failure to make the disclosure before he did the act, and
 - (c) the disclosure is made on his own initiative and as soon as it is practicable for him to make it.
- (4) An authorised disclosure is not to be taken to breach any restriction on the disclosure of information (however imposed).
- (5) A disclosure to a nominated officer is a disclosure which—
 - (a) is made to a person nominated by the alleged offender's employer to receive authorised disclosures, and
 - (b) is made in the course of the alleged offender's employment and in accordance with the procedure established by the employer for the purpose.
- (6) References to the prohibited act are to an act mentioned in section 327(1), 328(1) or 329(1) (as the case may be).

