

MEMBERS INTERESTS 2012

A Member with a disclosable pecuniary interest in any matter considered at a meeting must disclose the interest to the meeting at which they are present, except where it has been entered on the Register.

A Member with a non pecuniary or pecuniary interest in any business of the Council must disclose the existence and nature of that interest at commencement of consideration or when the interest becomes apparent.

Where sensitive information relating to an interest is not registered in the register, you must indicate that you have an interest, but need not disclose the sensitive information.

Please tick relevant boxes

Notes

	General (not at overview & scrutiny)		Notes
1.	I have a disclosable pecuniary interest.	<input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 below</i>
2.	I have a non-pecuniary interest.	<input type="checkbox"/>	<i>You may speak and vote</i>
3.	I have a pecuniary interest because it affects my financial position or the financial position of a person or body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest or it relates to the determining of any approval consent, licence, permission or registration in relation to me or any person or body described in 10.1(1)(i) and (ii) and the interest is one which a member of the public with knowledge of the relevant facts, would reasonably regard as so significant that it is likely to prejudice my judgement of the public interest	<input type="checkbox"/> <input type="checkbox"/>	<i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i> <i>You cannot speak or vote and must withdraw unless you have also ticked 5 or 6 below</i>
4.	I have a disclosable pecuniary interest (Dispensation 16/7/12) or a pecuniary interest but it relates to the functions of my Council in respect of: (i) Housing where I am a tenant of the Council, and those functions do not relate particularly to my tenancy or lease. (ii) school meals, or school transport and travelling expenses where I am a parent or guardian of a child in full time education, or are a parent governor of a school, and it does not relate particularly to the school which the child attends. (iii) Statutory sick pay where I am in receipt or entitled to receipt of such pay. (iv) An allowance, payment or indemnity given to Members (v) Any ceremonial honour given to Members (vi) Setting Council tax or a precept under the LGFA 1992	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>	<i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i> <i>You may speak and vote</i>
5.	A Standards Committee dispensation applies.	<input type="checkbox"/>	<i>See the terms of the dispensation</i>
6.	I have a pecuniary interest in the business but I can attend to make representations, answer questions or give evidence as the public are also allowed to attend the meeting for the same purpose	<input type="checkbox"/>	<i>You may speak but must leave the room once you have finished and cannot vote</i>

'disclosable pecuniary interest' (DPI) means an interest of a description specified below which is your interest, your spouse's or civil partner's or the interest of somebody who you are living with as a husband or wife, or as if you were civil partners and you are aware that that other person has the interest.

Interest

Employment, office, trade, profession or vocation

Sponsorship

Prescribed description

Any employment, office, trade, profession or vocation carried on for profit or gain.

Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.

	This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.
Contracts	Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority— (a) under which goods or services are to be provided or works are to be executed; and (b) which has not been fully discharged.
Land	Any beneficial interest in land which is within the area of the relevant authority.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer.
Corporate tenancies	Any tenancy where (to M's knowledge)— (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest.
Securities	Any beneficial interest in securities of a body where— (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either— (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest; “director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income; “M” means a member of a relevant authority;

“member” includes a co-opted member; “relevant authority” means the authority of which M is a member;

“relevant period” means the period of 12 months ending with the day on which M gives notice to the Monitoring Officer of a DPI; “relevant person” means M or M’s spouse or civil partner, a person with whom M is living as husband or wife or a person with whom M is living as if they were civil partners;

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

‘non pecuniary interest’ means interests falling within the following descriptions:

- 10.1(1)(i) Any body of which you are a member or in a position of general control or management and to which you are appointed or nominated by your authority;
- (ii) Any body (a) exercising functions of a public nature; (b) directed to charitable purposes; or (c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union), of which you are a member or in a position of general control or management;
- (iii) Any easement, servitude, interest or right in or over land which does not carry with it a right for you (alone or jointly with another) to occupy the land or to receive income.
- 10.2(2) A decision in relation to that business might reasonably be regarded as affecting your well-being or financial position or the well-being or financial position of a connected person to a greater extent than the majority of other council tax payers, ratepayers or inhabitants of the ward, as the case may be, affected by the decision.

‘a connected person’ means

- (a) a member of your family or any person with whom you have a close association, or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors;
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of a type described in sub-paragraph 10.1(1)(i) or (ii).

‘body exercising functions of a public nature’ means

Regional and local development agencies, other government agencies, other Councils, public health bodies, council-owned companies exercising public functions, arms length management organisations carrying out housing functions on behalf of your authority, school governing bodies.

A Member with a personal interest who has made an executive decision in relation to that matter must ensure any written statement of that decision records the existence and nature of that interest.

NB Section 21(13) of the LGA 2000 overrides any Code provisions to oblige an executive member to attend an overview and scrutiny meeting to answer questions.

AUDIT AND GOVERNANCE COMMITTEE

HELD: 26 JUNE 2012

Start: 7.00pm

Finish: 7.50pm

PRESENT:

Councillor E Pope (Chairman)
M Forshaw (Vice-Chairman)

Councillors	C Dereli	D O'Toole
	Y Gagen	R Pendleton
	D Griffiths	N Pryce-Roberts
	G Jones	D Westley

Officers Borough Treasurer (Mr M Taylor)
Borough Solicitor (Mr T Broderick)
Audit Manager (Mr M Coysh)
Assistant Member Services Manager (Mrs J Denning)

Also in attendance: Ms C Deegan, Audit Commission

1. APOLOGIES

There were no apologies for absence.

2. MEMBERSHIP OF THE COMMITTEE

In accordance with Council Procedure Rule 4, Members noted the termination of Councillors Cheetham and Grant and the appointment of Councillors O'Toole and Griffiths for this meeting only, thereby giving effect to the wishes of the Political Groups.

3. DECLARATIONS OF INTEREST

Councillor Westley declared a personal interest in agenda item 5 'Annual Governance Statement' in relation to One Connect Limited, as a Member of Lancashire County Council.

4. MINUTES

RESOLVED: That the minutes of the meeting of the Committee held on 4 April 2012 be received as a correct record and signed by the Chairman.

5. ANNUAL GOVERNANCE STATEMENT

Consideration was given to the report of the Borough Treasurer, as contained on pages 7 to 16 of the Book of Reports, which set out the Authority's Annual Governance Statement for 2011/12.

Comments and questions were raised in respect of the following:

- Executive arrangements
- Tender Opening procedures
- Housing Improvement

- One Connect Limited performance
- Major Service Review and the Business Plan

RESOLVED: That the Annual Governance Statement 2011/2012 be approved and commended to the Leader and Managing Directors for signature.

6. STATEMENT OF ACCOUNTS

Consideration was given to the report of the Borough Treasurer, as contained on pages 17 to 122 of the Book of Reports, which provided details on the unaudited Statement of Accounts for the year ended 31 March 2012.

The Borough Treasurer circulated updated pages 24, 52, 53, 59 to 63, 68, 81 and 82 of the Appendix 'Draft Unaudited Statement of Accounts' which provided the missing figures previously omitted from the papers sent out with the agenda.

Comments and questions were raised in respect of the following:

- Icelandic Banks
- Housing Finance
- Exit Package costs
- Trust Funds, in particular the legality of using funds for other purposes.

RESOLVED: A. That the unaudited Statement of Accounts be noted.

B. That a further report to approve the audited statement of accounts be produced for the next meeting of the Committee.

(Note: Councillor Westley left the meeting after this item was considered.)

7. INTERNAL AUDIT ACTIVITIES - QUARTERLY UPDATE

Consideration was given to the report of the Borough Treasurer, as contained on pages 123 to 126 of the Book of Reports, which detailed progress against the 2012/13 Audit Plan.

Comments and questions were raised in respect of the following:

- Resources – in particular the vacancy in Audit
- Formal investigations – that none had been undertaken

RESOLVED: That the progress in the year be noted.

8. INTERNAL AUDIT ACTIVITIES - ANNUAL REPORT

Consideration was given to the report of the Borough Treasurer, as contained on pages 127 to 138 of the Book of Reports, which presented the Internal Audit Annual Report 2011/12 and the Audit Manager's opinion on the control environment.

Comments and questions were raised in respect of the following:

- The Joint Venture Company (JVC)
- Staffing issue in Audit

RESOLVED: That the Annual Internal audit Report be noted.

9. REGULATION OF INVESTIGATORY POWERS ACT QUARTERLY MONITORING OF USE OF POWERS

Consideration was given to the report of the Borough Solicitor, as contained on pages 139 to 142 of the Book of Reports, which reminded Members of the requirement to report to the Committee, on a quarterly basis, in relation to the use made by the Council of its powers under the Act. The Borough Solicitor advised that this provision had not been used in the last quarter.

RESOLVED: That the position on the use of covert surveillance in the last quarter be noted.

10. AUDIT & GOVERNANCE COMMITTEE WORK PROGRAMME

Consideration was given to the Committee's programme of work, as contained on page 143 of the Book of Reports.

RESOLVED: A. That the work programme be noted.

- B. That the training session on the Statement of Accounts to be held on Tuesday, 25 September 2012 be rescheduled to start at 6.15pm.

THE CHAIRMAN



AGENDA ITEM: 5

AUDIT AND GOVERNANCE COMMITTEE:

25 September 2012

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: AUDIT COMMISSION ANNUAL GOVERNANCE REPORT AND APPROVAL OF THE STATEMENT OF ACCOUNTS

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To receive the Annual Governance Report from the External Auditors and to approve the Statement of Accounts.

2.0 RECOMMENDATIONS

2.1 That the Audit Commission's Annual Governance Report set out in Appendix 1 be noted.

2.2 That the Accounts be approved in accordance with the relevant Accounts and Audit Regulations.

2.3 That the Letter of Representation set out in Appendix 2 be approved.

3.0 BACKGROUND

3.1 The unaudited Statement of Accounts for 2011-12 was considered by the Audit and Governance Committee at its meeting in June. Members may wish to bring their copy of this Statement to the meeting, or alternatively download it from the following web link:

<http://online.westlancs.gov.uk/coins/viewDoc.asp?c=e%97%9Dc%91mz%8F>

3.2 During the Summer months a team of auditors from the Audit Commission has spent several weeks auditing the accounts and this Statement. The External Auditors are now required to present their findings from this audit in an Annual Governance Report to Members.

3.3 It is part of the terms of reference of this Committee that it will approve the Council's Statement of Accounts each year. The Accounts and Audit Regulations require that this approval has to take place by 30th September.

4.0 AUDIT FINDINGS AND STATEMENT APPROVAL

4.1 At the time of writing this report the Audit Commission had almost completed their audit on the accounts, and their findings to date are set out in the Annual Governance Report in Appendix 1. This shows that it is expected that the Council will once again receive an unqualified opinion on its accounts, which certifies that the accounts provide a true and fair view of the financial position and performance of the Council. This Report also provides an unqualified opinion on the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Representatives of the Audit Commission will attend the Committee meeting to present their findings and answer any questions that Members may have on the Annual Governance Report.

4.2 As a result of the audit, it is intended that a small number of additional disclosures will be included in the accounts. These changes will not alter any of the figures in the statement but will provide more detail to assist the reader in understanding the accounts. Details on these minor wording changes will be provided to Members when they have been finalised. It is proposed that the Statement be approved incorporating these minor amendments.

5.0 LETTER OF REPRESENTATION

5.1 It is standard practice that the Council should provide its External Auditors with a Letter of Representation to confirm a range of issues in relation to the accounts, including the fact that the accounts have been properly prepared and that all relevant information has been provided.

5.2 A copy of this letter is contained in Appendix 2 and Members are asked to consider and approve this document.

6.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

7.0 RISK ASSESSMENT

- 7.1 The audit of the Statement is part of the overall control framework that is designed to ensure that the Council properly accounts for the use of its assets and resources.
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Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 - Audit Commission Annual Governance Report
Appendix 2 – Letter of Representation

Annual governance report

West Lancashire Borough Council

Audit 2011/12

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Key messages

This report summarises the findings from the 2011/12 audit which is substantially complete. It includes the messages arising from my audit of your financial statements and the results of the work I have undertaken to assess your arrangements to secure value for money in your use of resources.

Financial statements

As at 11 September 2012 I expect to issue an unqualified audit opinion.

The accounts presented for audit were prepared to a good standard and were supported by good quality working papers. I have identified only minor adjustments to the accounts. There are no unadjusted differences.

Value for money (VFM)

I expect to conclude that you have made proper arrangements to secure economy, efficiency and effectiveness in your use of resources in two areas:

- Securing financial resilience; and
- Securing economy, efficiency and effectiveness.

Before I give my opinion and conclusion

My report includes only matters of governance interest that have come to my attention in performing my audit. I have not designed my audit to identify all matters that might be relevant to you.

Independence

I can confirm that I have complied with the Auditing Practices Board's ethical standards for auditors, including ES 1 (revised) - Integrity, Objectivity and Independence.

I am not aware of any relationships that may affect the independence and objectivity of the Audit Commission, the audit team or me, that I am required by auditing and ethical standards to report to you.

The Audit Commission's Audit Practice has not undertaken any non-audit work for the Authority during 2010/12.

I ask the Audit Committee to:

- take note of the adjustments to the financial statements included in this report;
- approve the letter of representation (appendix 2), on behalf of the Authority before I issue my opinion and conclusion; and
- agree your response to the recommendation (page 9).

Financial statements

The Authority's financial statements and annual governance statement are important means by which the Authority accounts for its stewardship of public funds. As elected Members you have final responsibility for these statements. It is important that you consider my findings before you adopt the financial statements and the annual governance statement.

Opinion on the financial statements

Subject to satisfactory clearance of outstanding matters, I plan to issue an audit report including an unqualified opinion on the financial statements. Appendix 1 contains a copy of my draft audit report.

Uncorrected errors

I have not identified any unadjusted differences:

Corrected errors

I have identified some minor classification and disclosure errors during the course of my audit. However, none of these were significant and there are none that I need to draw to your attention.

Significant risks and my findings

I reported to you in my 1 February 2012 Audit Plan the significant risks that I identified relevant to my audit of your financial statements. In Table 2 I report to you my findings against each of these risks.

Table 1:

Risks and findings

Risk	Finding
<p>Housing Rents system</p> <p>In April 2011 the Council implemented a new housing rents system (QL). The transfer of data onto a new system is a high risk area because incorrect or incomplete data migration may lead to material error.</p>	<p>I have reviewed the controls operating in the new housing rents system. I have reviewed and relied upon the detailed testing undertaken by your internal auditors. I have not identified any errors or control weaknesses as a result of my work which would impact on the accounts..</p>
<p>Property, plant and equipment (PPE)</p> <p>The Council has PPE assets valued at £190.800m. The Authority is required to value PPE assets in specific ways:</p> <ul style="list-style-type: none"> ■ Social housing at social housing existing use value; and ■ Other PPE at fair value (with some exceptions) <p>There is a risk that the valuation reported in the financial statements will be materially misstated because of the large values involved and the degree of estimation and subjectivity in the valuation process.</p>	<p>I have reviewed the valuation of assets during 2011/12 and undertaken detailed testing in accordance with our audit approach. I have not identified any significant issues that I need to draw to your attention.</p>
<p>Valuation of housing stock within the HRA</p> <p>During our 2010/11 audit we identified errors in the consistency of valuation of housing stock within the housing revenue account which resulted in a material adjustment to the financial statements.</p>	<p>I undertook a specific review and detailed testing of the work the Council has undertaken to correct errors in housing stock valuation arising in 2010/11. The accounts include a prior period adjustment to correct the valuation errors identified previously.</p>
<p>Valuation of pensions liabilities</p> <p>The Council accounts for a pensions liability reflecting the extent to which the present value of pension liabilities exceeds the fair value of assets. At 31 March 2011 this was valued at £37.23m and therefore has a significant impact on the net worth of the Authority as reflected in the balance sheet. This liability is assessed by the pension scheme actuaries and this estimate involves a high degree of subjectivity. Minor changes in the assumptions used can have a material impact on the financial statements.</p>	<p>I have reviewed the pension adjustments included in the Council's financial statements. This has included assurances from the pension scheme auditors and a review of information sent to the pension scheme. There are no issues that I need to draw to your attention.</p>
<p>One Connect Limited</p> <p>West Lancashire Borough Council has a service level agreement with</p>	<p>During my interim and final audit visit I have continued to have appropriate access to officers and information in order to</p>

Risk

Lancashire County Council to provide services including council tax, revenue and benefits, IT. From October 2011 Lancashire County Council has outsourced these services to a joint venture, One Connect Ltd. I will consider these arrangements during my interim audit visit to ensure that governance arrangements and access to records and officers remain appropriate.

Self-financing of the housing revenue account

From 28 March 2012 the Council will no longer be subject to housing subsidy arrangements. A payment of £89million will be made to the Department of Communities and Local Government (DCLG) in lieu of future subsidy and the HRA will then be self-financing. The Council will keep all future rental income within the HRA to spend locally on its housing properties. The Council will arrange borrowings to fund the payment to the DCLG and this will be shown on the balance sheet at 31 March 2012. I will review these transactions and correspondence from DCLG and the loan provider to ensure that the accounting treatment is correct.

Finding

progress my audit work efficiently. However, during this period, all One Connect Ltd services remained within the Council offices. With effect from September 2012 staff have moved to their new premises and I will continue to review this matter as work on housing benefits and other grant claims are completed.

I undertook specific audit work on these transactions as part of my audit work and there are no matters I need to draw to your attention.

Significant weaknesses in internal control

It is the responsibility of the Authority to develop and implement systems of internal financial control and to put in place proper arrangements to monitor their adequacy and effectiveness in practice. My responsibility as your auditor is to consider whether the Authority has put adequate arrangements in place to satisfy itself that the systems of internal financial control are both adequate and effective in practice.

I have tested the controls of the Authority only to the extent necessary for me to complete my audit. I am not expressing an opinion on the overall effectiveness of internal control. I have reviewed the Annual Governance Statement and can confirm that:

- it complies with the requirements of CIPFA/SOLACE Delivering Good Governance in Local Government Framework; and
- it is consistent with other information that I am aware of from my audit of the financial statements.

During the course of my audit I have not identified any weaknesses in internal control that I need to draw to your attention.

Other matters

I am required to communicate to you significant findings from the audit and other matters that are significant to your oversight of the Authority's financial reporting process including the following.

- Qualitative aspects of your accounting practices
- Matters specifically required by other auditing standards to be communicated to those charged with governance. For example, issues about fraud, compliance with laws and regulations, external confirmations and related party transactions.
- Other audit matters of governance interest

There are two matters I wish to bring to your attention:

Related party transactions

All members complete a declaration of interests each year. During 2011/12 the Council also introduced a similar declaration requirement for heads of service. However, there is scope to improve the process for these management declarations to ensure that all relevant business and other interests are identified. The Code requires all key management personnel to complete a declaration and it defines "key management" as "*persons having the authority and responsibility for planning, directing and controlling the activities of the authority including the oversight of these activities*". The Council should now review its management structure to ensure "key management" are identified as this could vary between departments. The relevant managers should then complete a declaration of interests.

The Council should also provide managers with guidance regarding declarations of interests. In particular, to remind them to declare interests relating to close family members as well as themselves.

Recommendation

R1 The Council should review its management structure to identify all "key management personnel" as defined by the Code of Practice. These managers should complete a declaration of interests annually. Managers should be given clear guidance to ensure that their declaration is complete and includes interests of close family members.

Municipal mutual insurance costs

The Council currently recognises a contingent liability for costs relating to the municipal mutual insurance company. The company ceased operating in September 1992 but local authorities are liable for potential insurance costs, under an agreed scheme of arrangements, once the assets of the company have been fully utilised. As at 28 March 2012, a court ruling against the company has made it more likely that the liability for councils will

crystallise. Latest correspondence between the company and the Council indicate the liability could be around £870,000. The Council maintains an insurance reserve which would be utilised to fund any costs that become payable

The Council has not made a provision for this liability as they do not feel the timing or likelihood of making the payment is yet clear. I recognise that this is an area of management judgement and I have asked for a specific representation on this matter in the letter of representation (appendix 2).

Correspondence from members of the public

During the period I have received four items of correspondence from members of the public about the Council. I have considered the matters raised and responded appropriately. There are no matters that I need to draw to your attention arising from this correspondence.

To date, I have not made any additional charge to the Council for the extra work required to investigate and respond to the concerns raised. However, these queries can take considerable time and resource to address and it may be necessary to levy a fee for future queries.

Whole of Government Accounts

Alongside my work on the financial statements, I also review and report to the National Audit Office on your Whole of Government Accounts return. As at 11 September 2012 I have not completed the procedures specified by the National Audit Office. I expect to complete my report by 25 September 2012.

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Value for money

I am required to conclude whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is the value for money conclusion.

I assess your arrangements against the two criteria specified by the Commission. In my 1 February 2012 Audit Plan I reported to you the significant risks that were relevant to my conclusion. I have set out below my conclusion on the two criteria.

I intend to issue an unqualified conclusion stating that the Authority has proper arrangements to secure economy, efficiency and effectiveness in the use of its resources. I include my draft conclusion in Appendix 1.

Table 2: **Value for money conclusion criteria and my findings**

Criteria	Findings
<p>1. Financial resilience</p> <p>The organisation has proper arrangements in place to secure financial resilience.</p> <p>Focus for 2011/12:</p> <p>The organisation has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.</p>	<p>Nationally, local government continues to operate in a challenging financial environment. West Lancs Borough Council has identified savings requirements of £1.25m in 2013/14 and £1.3m in 2014/15.</p> <p>However, the leadership team continues to take appropriate action to maintain a stable and sustainable financial position. The medium term financial plan identifies the challenges and articulates a cohesive response. The Council's recent track record, achieving favourable variances against budget in 2010/11 and 2011/12 indicates that the savings plans and strategies have been proportionate and reasonable.</p> <p>The Council has a strong financial standing, with a good level of general fund reserves including £5million of corporate reserves at 31 March 2012 which can be used to manage budget shortfalls. However, the medium term financial plan and underlying service reviews indicate that the Council is not complacent and continues to seek sustainable long term solutions.</p> <p>The self-financing of the HRA has required the Council to take on £88million of debt in 2011/12, having previously been debt free. The loan arrangements in place are favourable and the council should benefit from this in the next few years, releasing additional funds to improve the Borough's housing stock.</p>
<p>2. Securing economy efficiency and effectiveness</p>	<p>The Council continue to maintain arrangements to achieve value for money. The MTFP articulates clear strategic priorities, underpinned by appropriate public consultation. Spending reductions have focussed</p>

Criteria

The organisation has proper arrangements for challenging how it secures economy, efficiency and effectiveness.

Focus for 2011/12:

The organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Findings

on efficiency savings and opportunities for shared services in order to minimise the impact on front line services. The One Connect Ltd contract has commenced during 2011/12 and is expected to deliver savings over the life of the contract. Other shared services opportunities are being actively pursued as well as shared procurement arrangements, such as the Matrix agency contract which has reduced agency fees for temporary staff recruitment during 2012.

The Council is also seeking further savings through effective resource management, including effective use of its property portfolio, its fees and charges strategy and deployment of human resources.

The major service review for 2013/14 is currently out for public consultation. The Council is seeking to make significant savings in the next two years and is clear that this will start to impact on the level and nature of some frontline services. However, the commitment to appropriate consultation and a clear understanding of strategic priorities should assist the Council in focussing diminishing resources on core areas of importance.

Fees

I reported my planned audit fee in the 1 February 2012 Audit Plan.

I will complete the audit within the planned fee of £95,713.

Appendix 1 – Draft independent auditor’s report

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WEST LANCASHIRE BOROUGH COUNCIL

Opinion on the Authority financial statements

I have audited the financial statements of West Lancashire Borough Council for the year ended 31 March 2012 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account Income and Expenditure Statement, the Movement on the Housing Revenue Account Statement and Collection Fund and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

This report is made solely to the members of West Lancashire Borough Council in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010.

Respective responsibilities of the Borough Treasurer and auditor

As explained more fully in the Statement of the Borough Treasurer’s responsibilities, the Borough Treasurer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom, and for being satisfied that they give a true and fair view. My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require me to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority’s circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Borough Treasurer and the overall presentation of the financial statements. In addition, I read all the

financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on financial statements

In my opinion the financial statements:

- give a true and fair view of the financial position of West Lancashire Borough Council as at 31 March 2012 and of its expenditure and income for the year then ended; and
- have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2011/12.

Opinion on other matters

In my opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I report to you if

- in my opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007;
- I issue a report in the public interest under section 8 of the Audit Commission Act 1998;
- I designate under section 11 of the Audit Commission Act 1998 any recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- I exercise any other special powers of the auditor under the Audit Commission Act 1998.

I have nothing to report in these respects

Conclusion on Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

I am required under Section 5 of the Audit Commission Act 1998 to satisfy myself that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires me to report to you my conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission.

I report if significant matters have come to my attention which prevent me from concluding that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. I am not required to consider, nor have I considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

I have undertaken my audit in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2011, as to whether the Authority has proper arrangements for:

- securing financial resilience; and
- challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for me to consider under the Code of Audit Practice in satisfying myself whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

I planned my work in accordance with the Code of Audit Practice. Based on my risk assessment, I undertook such work as I considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of my work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2011, I am satisfied that, in all significant respects, West Lancashire Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2012.

Certificate

I certify that I have completed the audit of the accounts of West Lancashire Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

Karen Murray

Engagement Lead, Audit Commission, 2nd Floor Aspinall House, Aspinall Close, Middlebrook, Bolton BL6 6QQ

Appendix 2 – Draft letter of management representation

West Lancashire Borough Council - Audit for the 2011/12 financial year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of West Lancashire Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for 2011/12. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom so that they give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

Irregularities

I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;
- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and

- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

I have disclosed to you all known instances of non-compliance, or suspected non-compliance with laws, regulations and codes of practice, whose effects should be considered when preparing financial statements.

Transactions and events have been carried out in accordance with law, regulation or other authority. The Council has complied with all aspects of contractual arrangements that could have a material effect on the financial statements.

All known actual or possible litigation and claims, whose effects should be considered when preparing the financial statements, have been disclosed to the auditor and accounted for and disclosed in accordance with the applicable financial reporting framework.

Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I confirm for material estimates:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- their completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to accounting estimates this is disclosed within the financial statements.

Related party transactions

I confirm that I have disclosed the identity of West Lancashire Borough Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Municipal Mutual Insurance liability

I confirm that I have reviewed the accounting treatment used for potential Municipal Mutual Insurance costs and that it is my opinion that it continues to be appropriate to treat this issue as a contingent liability given the ongoing uncertainty regarding the value, timing and likelihood of making any payments.

I confirm that this letter was discussed and agreed by the Audit and Governance Committee on 25 September 2012.

Signed on behalf of West Lancashire Borough Council.

Name	Marc Taylor
Position	Borough Treasurer
Date	25 September 2012

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Appendix 3 – Glossary

Annual Audit Letter

Letter issued by the auditor to the Authority after the completion of the audit that summarises the audit work carried out in the period and significant issues arising from auditors' work.

Annual Governance Report

The auditor's report on matters arising from the audit of the financial statements presented to those charged with governance before the auditor issues their opinion and conclusion.

Annual Governance Statement

The annual report on the Authority's systems of internal control that supports the achievement of the Authority's policies aims and objectives.

Audit of the accounts

The audit of the accounts of an audited body comprises all work carried out by an auditor under the Code to meet their statutory responsibilities under the Audit Commission Act 1998.

Audited body

A body to which the Audit Commission is responsible for appointing the external auditor.

Auditing Practices Board (APB)

The body responsible in the UK for issuing auditing standards, ethical standards and associated guidance to auditors. Its objectives are to establish high standards of auditing that meet the developing needs of users of financial information and to ensure public confidence in the auditing process.

Auditing standards

Pronouncements of the APB that contain basic principles and essential procedures with which auditors must comply, except where otherwise stated in the auditing standard concerned.

Auditor(s)

Auditors appointed by the Audit Commission.

Code (the)

The Code of Audit Practice for local government bodies issued by the Audit Commission and approved by Parliament.

Commission (the)

The Audit Commission for Local Authorities and the National Health Service in England.

Ethical Standards

Pronouncements of the APB that contain basic principles relating to independence, integrity and objectivity that apply to the conduct of audits and with which auditors must comply, except where otherwise stated in the standard concerned.

Financial statements

The annual statement of accounts that the Authority is required to prepare, which report the financial performance and financial position of the Authority in accordance with the Accounts and Audit (England) Regulations 2011 and the Code of Practice on Local Authority Accounting in the United Kingdom.

Group accounts

Consolidated financial statements of an Authority and its subsidiaries, associates and jointly controlled entities.

Internal control

The whole system of controls, financial and otherwise, that the Authority establishes to provide reasonable assurance of effective and efficient operations, internal financial control and compliance with laws and regulations.

Materiality

The APB defines this concept as 'an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole. A matter is material if its omission would reasonably influence the decisions of an addressee of the auditor's report; likewise a misstatement is material if it would have a similar influence. Materiality may also be considered in the context of any individual primary statement

within the financial statements or of individual items included in them. Materiality is not capable of general mathematical definition, as it has both qualitative and quantitative aspects’.

The term ‘materiality’ applies only to the financial statements. Auditors appointed by the Commission have responsibilities and duties under statute, as well as their responsibility to give an opinion on the financial statements, which do not necessarily affect their opinion on the financial statements.

Significance

The concept of ‘significance’ applies to these wider responsibilities and auditors adopt a level of significance that may differ from the materiality level applied to their audit of the financial statements. Significance has both qualitative and quantitative aspects.

Those charged with governance

Those entrusted with the supervision, control and direction of the Authority. This term includes the members of the Authority and its Audit Committee.

Whole of Government Accounts

A project leading to a set of consolidated accounts for the entire UK public sector on commercial accounting principles. The Authority must submit a consolidation pack to the department for Communities and Local Government which is based on, but separate from, its financial statements.

If you require a copy of this document in an alternative format or in a language other than English, please call:
0844 798 7070

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The Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission explains the respective responsibilities of auditors and of the audited body. Reports prepared by appointed auditors are addressed to non-executive directors, members or officers. They are prepared for the sole use of the audited body. Auditors accept no responsibility to:

- any director/member or officer in their individual capacity; or
- any third party.



Appendix 2

Management representation letter

To:

Karen Murray
District Auditor
Audit Commission
2nd Floor
Aspinall House
Aspinall Close
Middlebrook
Bolton
BL6 6QQ.

West Lancashire Borough Council - Audit for the 2011/12 financial year ended 31 March 2012

I confirm to the best of my knowledge and belief, having made appropriate enquiries of other officers of West Lancashire Borough Council, the following representations given to you in connection with your audit of the Council's financial statements for 2011/12. All representations cover the Council's accounts included within the financial statements.

Compliance with the statutory authorities

I have fulfilled my responsibility under the relevant statutory authorities for preparing the financial statements in accordance with the Code of Practice for Local Authority Accounting in the United Kingdom so that they give a true and fair view of the financial position and financial performance of the Council, for the completeness of the information provided to you, and for making accurate representations to you.

Supporting records

All relevant information and access to persons within the entity has been made available to you for the purpose of your audit, and all the transactions undertaken by the Council have been properly reflected and recorded in the financial statements.

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I acknowledge my responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud or error.

I also confirm that I have disclosed:

- my knowledge of fraud, or suspected fraud, involving either management, employees who have significant roles in internal control or others where fraud could have a material effect on the financial statements;

- my knowledge of any allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others; and
- the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Law, regulations, contractual arrangements and codes of practice

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Accounting estimates including fair values

I confirm the reasonableness of the significant assumptions used in making the accounting estimates, including those measured at fair value.

I confirm for material estimates:

- the appropriateness of the measurement method, including related assumptions and models, and the consistency in application of the process;
- the assumptions appropriately reflect management's intent and ability to carry out specific courses of action on behalf of the entity, where relevant to the accounting estimates and disclosures;
- their completeness and appropriateness under the financial reporting framework; and
- if subsequent events require adjustment to accounting estimates this is disclosed within the financial statements.

Related party transactions

I confirm that I have disclosed the identity of West Lancashire Borough Council's related parties and all the related party relationships and transactions of which I am aware. I have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirement of the framework.

Subsequent events

All events subsequent to the date of the financial statements, which would require additional adjustment or disclosure in the financial statements, have been adjusted or disclosed.

Municipal Mutual Insurance Costs

I confirm that I have reviewed the accounting treatment used for potential Municipal Mutual Insurance costs and that it is my opinion that it continues to be appropriate to treat this issue as a contingent liability given the ongoing uncertainty regarding the value, timing and likelihood of making any payments.

I confirm that this letter was discussed and agreed by the Audit and Governance Committee on 25 September 2012.

Signed on behalf of West Lancashire Borough Council.

Signed

Name Marc Taylor

Position Borough Treasurer

Date 25 September 2012



AGENDA ITEM: 6

AUDIT AND GOVERNANCE COMMITTEE:

25 September 2012

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Mr M.Coysh (Extn. 2603)
(E-mail: mike.coysh@westlancs.gov.uk)**

SUBJECT: INTERNAL AUDIT ACTIVITY APRIL TO SEPTEMBER 2012

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To report on progress against the 2012/13 Audit Plan to date.

2.0 RECOMMENDATION

2.1 That Members note the progress in the year to date and direct any questions to the Internal Audit Manager who will be present at the meeting.

3.0 BACKGROUND

3.1 The April meeting of this Committee approved the Internal Audit Plan for 2012/13 and resolved that a written report be brought back quarterly to enable members to monitor progress against it.

3.2 This is the second such report and covers the first half year's activity against the plan and the information included in it will feed into, and inform my overall opinion in the Internal Audit Annual Report issued at the year end.

4.0 INTERNAL AUDIT ACTIVITY TO DATE

4.1 A report summarising progress for the year to date is attached and the Internal Audit Manager will be present to answer questions in relation to it.

4.2 There are no significant issues arising from Internal Audit's work which need to be brought to the attention of members of the Audit and Governance Committee at this time.

5.0 RESOURCE ISSUES

5.1 The section is currently running with the equivalent of 0.6 of a full time vacancy and approval has been given to filling this temporarily in order to achieve adequate audit coverage in the year. The recruitment process has commenced and it is anticipated that resources across the financial year will equate to the level anticipated when the plan was prepared.

6.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

7.0 FINANCIAL AND RESOURCE IMPLICATIONS

7.1 All the activity referred to in this report is covered by existing budget provisions.

8.0 RISK ASSESSMENT

8.1 This report summarises progress against the Internal Audit's work programme for the year. Internal Audit activity is a key element of assurance to this Committee that risks are being properly managed so as to increase the likelihood that the Council will achieve its overall objectives.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

1. Internal Audit Update Report

Audit and Governance Committee September 2012.

Internal Audit Update Report 2012/13 to date

Background

The Audit Manager reports progress against the plan to each meeting of Audit and Governance Committee. The report covers the period to the end the second quarter based on information available when the report is drawn up. During this period 125 days have been lost to a vacancy.

Work to date

Annual Governance Statement

The Annual Governance Statement was approved at the last meeting of this Committee. In carrying out a continuous audit of the Council's business the Internal Audit Section review the effectiveness of key elements of the Council's governance arrangements. The results of these reviews inform the Annual Governance Statement. This is not a one-off task completed annually but rather a continuous process.

National Fraud Initiative 2012/13

Preparatory Work has been undertaken to ensure that data to be extracted will conform to the required specifications and that all the necessary legal requirements have been met in relation to fair processing notices etc. Data sets included in this particular exercise relate to Payroll, Creditor Payments, Housing Rents, Insurance Claims and Licences, including Taxi and Personal Licences required for serving alcohol. In some circumstances WLBC data is provided by third parties on our behalf, e.g. in the case of pension fund data. Data may also be matched against data previously submitted but which is not refreshed at each data upload, for example the Electoral Register or Council Tax information. Data will be extracted from our systems and submitted for matching in October and work on investigation of the results will commence once the matches have been released in January. This process continues until all the matches for which we are the lead agency have been progressed to a satisfactory conclusion in accordance with Audit Commission guidance and enquiries from other organisations in relation to their matches are exhausted.

Contract audit

Internal audit undertake a continuous programme of work in relation to the Council's contracts. This extends beyond scrutiny of procurement process to include contract risk management processes and the operation of management's controls on costs, quality and performance in relation to goods and services secured through contracts.

Matrix Agency agreement

The Council entered into an agreement from March of this year to use the "Matrix" system to obtain agency staff rather than individual services securing agency services independently. Internal audit are examining the operation of this agreement to ensure

that work is commissioned in accordance with Council policy, that the new (electronic) invoice clearance procedures comply with Financial Regulations, the coding structure implemented with the system accounts for the resources used appropriately and that use of the system is universally implemented and that the system is fulfilling its original objectives.

Data Management

This year's audit plan includes a scheduled audit on data management activities. Two incidents that have taken place this year have highlighted our focus on this work and data management arrangements are being reviewed and policies and procedures updated / rationalised to enhance our existing control framework. It is now intended that the audit will be completed during the next quarter once these updates have been put in place.

Customer Services

Customer Services are a vital channel of communication for customers wishing to access Council services dealing with many interactions with customers including for example repairs reporting, answering requests for information, booking appointments, collecting payments and providing standard forms so that back office staff can concentrate on more specialist work. The range of functions offered through customer services has increased over time and is subject to audit examination in the same way as service departments.

QL Procurement

The QL housing management system is used to control and administer the main response maintenance contracts and payments for services under these contracts are raised through this system. In order to avoid inefficiencies through a proliferation of different payment routes provision was made for all housing's property related purchases to be made through QL with the added advantage of improved recording of maintenance jobs against specific properties. Non property related purchases will continue to be made through the council's e-procurement system in accordance with normal procedures. This work is examining the controls on payments through the new system and incorporates checks that this route is only being used to process the classes of items for which it is approved.

Corporate Health & Safety

The Major Service Review process has resulted in changes to responsibility for the central Health and Safety resource and this review is examining the role of the central Health and Safety unit and the implementation of corporate Health and Safety Policy in individual service areas.

Licensing

The licensing service has implemented an electronic document management system since it was last audited. This work is examining the effects of this change on procedures in the service, examining income collection procedures across the service and enforcement procedures in relation to Taxi and Alcohol licensing. In addition other changes to the appointments system and MOT requirements are also being examined.

The governance arrangements around the operation of the Revenues and ITC contract with LCC / OCL have continued to develop and internal audit scrutiny of the development of appropriate procedures and controls has continued.

Investigations

There are no formal investigations in progress at this time.

Progress against the Plan

Title	Position
Annual Governance Statement	Ongoing activity
Shared and Contracted Services	Ongoing activity
MSR and OR implementation	Limited work undertaken to date
Data Management	Audit in progress
ICT	Review of contract implementation
Matrix	Draft Report issued
Human Resources	Limited work undertaken to date
Performance Management	Limited work undertaken to date
Corporate Health and Safety	Audit in progress
Business continuity	Limited work undertaken to date
Contract Audit	Ongoing activity
QL Procurement	Draft Report issued
Procurement through Official Order	Work not commenced
Benefits	Limited work undertaken to date
Council Tax	Work not commenced
NNDR	Work not commenced
Debtors	Audit in progress
Creditors	Work not commenced
Right to Buy / Housing Act Advances	Work not commenced
Accounting Controls	Work not commenced
Payroll	Review of contract implementation
Rents	Limited work undertaken to date
Treasury Management	Work not commenced
Fees and Charges	Work not commenced
Housing Stock Maintenance	Audit in progress
Q.L (Housing Management system)	Limited work undertaken to date
Cash to Leave and Transfer Incentive Schemes	Limited work undertaken to date
Licensing	Audit in progress
Depot	Work not commenced
Transport	Review of contract implementation
Community Safety CCTV	Work not commenced
Leisure	Review of contract implementation
Customer Services	Audit in progress
Strategic Asset Management Plan	Limited work undertaken to date
Building Control	Work not commenced
Estates and Valuation	Work not commenced
National Fraud Initiative	Ongoing activity

Money Laundering Controls	Ongoing activity
Anti Fraud and Corruption Policy and Action Plan	Ongoing activity

Summary	
Report issued	2
Audits in progress	6
Ongoing activities	6
Reviews of contract implementation	4
Limited work undertaken to date	9
Work not yet commenced	12
Total	39

Emerging issues

The audits referred to above will all be the subject of action plans agreed with management as required and there are no significant matters arising from the work requiring a report to this Committee at this time.

A key issue for internal audit in the coming quarter will be the new payroll arrangements following the expiry of the licence with our current software provider at the end of October. Evaluation of the new arrangements will take place at the earliest opportunity.

The move of the Revenues and ICT operations run by Lancashire County Council / One Connect Ltd to the new facility at Lancashire House will enable the start of system migrations from existing WLBC platforms to LCC / OCL systems. This will inevitably remodel controls on the systems involved and internal audit will need to review these as part of the audit of the areas now delivered under the contract.

Summary

The internal audit service is operating with a vacancy. The effects of this have been reduced by temporarily increasing the hours of an existing member of staff. Progress against the plan to date has inevitably been affected but steps are being taken to secure the resources required for satisfactory completion of the remainder of the plan.

As a contingency measure, the remaining items from the plan have been reviewed and as far as practical the most significant areas, particularly financial systems, prioritised so that if coverage over the year were to be reduced appreciably by the vacancy, the significance of areas outstanding will be minimised.

The indications at this time are that if the plan were not entirely completed by the end of the financial year adequate work will still have taken place to enable a valid judgement to be made on the operation of the control environment.



AGENDA ITEM: 7

**AUDIT AND GOVERNANCE
COMMITTEE: 25 SEPTEMBER 2012**

Report of: Borough Solicitor

Relevant Managing Director: Managing Director (People and Places)

Contact for further information: Mr T P Broderick (Ext 5001)

(E-mail: terry.broderick@westlancs.gov.uk)

J C Williams (Extn. 5512)

(E-mail: judith.williams@westlancs.gov.uk)

**SUBJECT: REGULATION OF INVESTIGATORY POWERS ACT – QUARTERLY
MONITORING OF USE OF POWERS**

Borough Wide Interest

1.0 PURPOSE OF THE REPORT

- 1.1 To monitor on a quarterly basis the use of the Regulation of Investigatory Powers Act 2000 (RIPA) to ensure it is being used consistently with the Council's Policy.

2.0 RECOMMENDATIONS

- 2.1 That the Council's RIPA activity be noted.
- 2.2 That it be noted that the procedure for applying for authorisations to carry out directed surveillance and for the use of Covert Human Intelligence Sources will change from 1 November 2012.

3.0 BACKGROUND

- 3.1 The Council employ a number of investigative techniques including surveillance, which assist its regulatory functions. Relevant areas of activity can potentially include investigation by Internal Audit, Benefits Fraud Team, Environmental Health, Housing, Licensing, CCTV Services and the MAPs Team. Some activities must be undertaken in accordance with the Regulation of Investigatory Powers Act 2000 ("RIPA"). RIPA, its subordinate legislation and Codes of Practice prescribe the type of activities permitted and the procedures required to

monitor RIPA activity within the Council. As reported previously, this is now supplemented by monitoring through this Committee.

- 3.2 In accordance with the current Scheme of Delegation the Joint Managing Directors and Heads of Service consider whether or not to grant authorisations for surveillance activity. In practice under the Policy this is restricted to the Joint Managing Directors, the Assistant Director (Community Services) and the Assistant Director (Housing and Regeneration). In the case of the authorisation of communications data (i.e. relating to material, such as subscriber and billing records obtained from telecommunications service providers, but not the content of the communication) the authorisation must be from the Joint Managing Directors and via the externally approved specially trained officer (SPOC).
- 3.3 The Council's approved RIPA Guide is made available on the Council's Intranet and is a working document to assist investigating and co-ordinating officers within the Council. Paragraph 5 of the Guide stresses that grantors must believe the authorised activity is (1) necessary for preventing and detecting crime and/or of preventing disorder (2) is proportionate to what is sought to be achieved in carrying out the surveillance activity (e.g. the 24/7 watching of premises where private individuals may go about their lawful business, for the possibility of gaining collateral evidence for a very minor technical infraction of a byelaw would not in all likelihood be proportionate). If it fails either test, authorisations should not be granted.
- 3.4 The Code requires that Councillors should consider internal reports on the use of RIPA on at least a quarterly basis to ensure that it is being used consistently with the Council's Policy and that the Policy remains fit for purpose. It continues that Councillors should not, however, be involved in making decisions on specific authorisations. It is stressed that the involvement of elected members is not to extend to operational decision making or stipulate in detail how the Council discharges the procedure. The Government's position is that there should be no possibility of political interference in law enforcement operations.

4.0 UPCOMING LEGISLATIVE CHANGES

- 4.1 By the Regulation of Investigatory Powers (Directed Surveillance and Covert Human Intelligence Sources) (Amendment) Order 2012, (the 2012 Order) changes will come into force on 1 November 2012, in respect of the grounds upon which local authorities can authorise directed surveillance and the way in which authorisations are obtained. From that date authorising officers may not approve directed surveillance unless it is for the purpose of preventing or detecting a criminal offence and it must meet certain conditions. The conditions are that the criminal offence which is sought to be prevented or detected is punishable, whether on summary conviction or on indictment, by a maximum term of at least six months' imprisonment, or would constitute an offence involving the sale of tobacco and alcohol to underage children.
- 4.2 The Protection of Freedoms Act 2012 will bring into force provisions requiring local authorities to have all their RIPA surveillance authorisations (that is, use of directed surveillance and covert human intelligence sources and the acquisition of communications data) approved by a magistrate before they take effect.

These changes will come into force on 1 November 2012. In terms of the approval mechanism, it is envisaged that a representative of the local authority will attend the Magistrates' Court, when it is not in session, for a magistrate to assess the authorisation. The feasibility of using electronic means for the magistrate's approval on the authorisation of communications data alone is being assessed. It is not intended that the mechanism be overly bureaucratic but rather to provide an independent check and balance such that the powers can be utilised in a way that adds to the steps, authorisations and consideration that a local authority already undertakes in introducing one of these proposals. There will be no oversight by the commissioners in respect of the work of the Magistrates' Court. They are fulfilling a different role and a different function.

- 4.3 It is not intended to require a solicitor or other legally qualified person to appear in court to seek the magistrates' approval for an authorisation. It is possible for local authorities to authorise their own officers to appear in court. If there are issues of delay, where an expedited application may be required, the Government will work with the Ministry of Justice and the Courts service on how they may be accommodated practically.

5.0 MONITORING OF RIPA ACTIVITY

- 5.1 In the last quarter no covert surveillance has been authorised.
- 5.2 The Senior Responsible Officer proactively seeks to ensure that the use of covert surveillance in this authority is well regulated. Applications for authorisation to use covert surveillance must be rejected when the Authorising Officer is not satisfied that the surveillance is necessary or proportionate and legal advice should be sought by Authorising Officers in appropriate cases.
- 5.3 Amongst other matters, a RIPA guidance note is circulated within the Council at regular intervals.

6.0 THE RIPA POLICY

- 6.1 The RIPA Guide is annually approved by Cabinet; it is important to ensure the use of RIPA is consistent with the Council's policy.

7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 7.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

8.0 FINANCE AND RESOURCE IMPLICATIONS

- 8.1 There are no additional significant financial and resource implications arising from this report.

9.0 RISK ASSESSMENT

9.1 The Council could be in breach of the relevant legislation if it does not follow the procedures set out in the RIPA Orders and Codes. This could result in the inadmissibility of evidence and the possibility of breaches of the Human Rights Act 1990.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this report.

Equality Impact Assessment

This will be considered in relation to any particular authorisation.

Appendix

None



AGENDA ITEM: 8

**AUDIT AND GOVERNANCE:
25 SEPTEMBER 2012**

Report of: Transformation Manager

Relevant Managing Director: Managing Director (Transformation)

**Contact for further information: Alison Grimes (Extn. 5409)
(E-mail: alison.grimes@westlancs.gov.uk)**

SUBJECT: DATA QUALITY PROTOCOL

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To update members regarding issues at a national level affecting data quality management within the council and to approve a local Data Quality Protocol.

2.0 RECOMMENDATIONS

2.1 That the Data Quality Protocol attached be endorsed as a replacement for the Data Quality Strategy.

2.2 That regular reports relating to the superseded Data Quality Strategy be removed from the Audit and Governance Committee work programme.

3.0 BACKGROUND

3.1 Members will recall that in April 2011 a report was brought to Audit & Governance detailing progress on the Action Plan arising from the Data Quality Strategy and highlighting several key changes pending in terms of data reporting, inspection and assessment, namely:

- the establishment of a single data list cataloguing all the information local authorities must make available to central government.

- the disbanding of any centrally-imposed performance management regime from April 2011 and with it the requirement to publish performance against the National Indicator Set.
 - the disbanding of the Audit Commission in particular in relation to its role in assessing the council's data quality arrangements through its Use of Resources assessments.
- 3.2 The April 2011 report detailed reasons for delaying the scheduled update of the strategy, given the ongoing changes both at a local and national level.
- 3.3 Pending further developments, the Council's existing data quality management arrangements continued:
- the Data Quality Strategy remained in force
 - the Council's External Auditors continued to examine data quality arrangements in relation to the Council's Financial Statements as part of their audit work.
 - Internal Audit continued to carry out a risk based programme relating to the procedures for the production of PIs and other work designed to attest the accuracy of other data available internally for the management of the authority.

4.0 CURRENT SITUATION

- 4.1 The picture at a national level is now clearer and local arrangements more certain. The Single Data List was published in April 2011 and details all data that local government needs to report to central government, but there is currently no requirement to publish this data and no targets are assigned to the data. Individual areas report this data directly to government.
- 4.2 WLBC adopts its own performance indicators and assigns its own targets on an annual basis. The key performance indicators are reported quarterly to members and the full suite annually.
- 4.2 Given the cessation of Use of Resources assessment and national indicator sets, and taking into account existing staff resources, the previous Strategy and Action Plan is no longer an appropriate mechanism to apply to the Council's aim of providing data that is fit for purpose. It is therefore proposed to maintain a Data Quality Protocol as a statement of required standards for data management practices within the council, to be updated as appropriate rather than on a scheduled basis.
- 4.3 Guidance for appropriate data management is contained within the new protocol and is based on the guidelines contained within the previous strategy document. The most recent external audit of the council and internal audit Annual Report did not raise any serious issues in relation to data quality. Evidence therefore points to the adequacy of existing arrangements to secure data quality being continued through the protocol.
- 4.4 The new Data Quality Protocol applies to all areas and systems of the council and will help support staff in providing worthwhile data that is sufficiently accurate, valid, reliable, timely, relevant and complete. This will assist in

delivering the government's aim of increasing transparency and openness about how council's conduct their business.

- 4.5 As the government pursues its transparency agenda, developments will continue to impact on the way data is used and its management throughout the council. It will be necessary for the council to keep abreast of transparency requirements as they are implemented at a national level and apply them locally.

5.0 CONCLUSION

- 5.1 It is essential to have effective data quality management arrangements in place to ensure the information on which services rely and management decisions are made is sound.

6.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY

- 6.1 There are no significant sustainability impacts associated with this report and, in particular, no significant impact on crime and disorder. The report has no significant links with the Sustainable Community Strategy.

7.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 7.1 All activity associated with this report will be achieved from existing resources.

8.0 RISK ASSESSMENT

- 8.1 This report highlights the requirement to produce and where applicable, publish, data that is fit for purpose and acknowledges the likely increase in access of data by the public in the future. The risk to the organisation is in use of unreliable data and non-compliance with national guidelines. Adherence to the Data Quality Protocol and implementation of national guidance regarding public access to data should ensure that the risk to the organisation is minimised.

Background Documents

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1: Data Quality Protocol

1.0 Introduction

Good quality data and information is critical as a basis for transparency, making sound decisions and in supporting the monitoring and improvement of service delivery. The Council aims to produce data that is fit for purpose – accurate, valid, reliable, timely, relevant and complete data that is “right first time” for use by internal and external stakeholders.

1.1 Scope

For the purposes of this protocol, “data quality” is understood to mean the quality of the data or information on which the value of any analysis and interpretation depends.

All Council functions, systems and processes that produce data are covered by this protocol. Each service area is responsible for ensuring that staff with duties related to any information and data capture, use and management carry out their function in accordance with this protocol.

The protocol does not cover issues regarding management of personal data, data security, release of information under Freedom of Information or Data Protection, or information / records management. For guidance on these areas, please refer to the relevant policies listed at the end of this document.

The protocol applies to paper based, computerised or other media (film, tape etc.). All data and information used by the Council is subject to the statutory requirements of, for example, the Data Protection Act, the Freedom of Information Act, and those emerging from the developing public sector transparency and “Open Data” agenda, as well as any applicable service based legislation.

Specific data sets may be subject to different regulations (for example, CIPFA rules for financial data). However, as a minimum all data should meet the overarching data quality criteria outlined in *Data Quality Criteria* below. This includes any information regularly reported, either internally or externally, upon which decisions are made. For example:

- Data items submitted to central government/arms length bodies (eg. single data list)
- Data sets made public as specified in the *Code of recommended practice for local authorities on data transparency*
- All performance information stored within the electronic performance and risk management system.

2.0 Data Quality Criteria

The council aims to produce data that is fit for purpose – accurate, valid, reliable, timely, relevant and complete data that is “right first time” for use by internal and external stakeholders. Data and information must therefore meet the following criteria:

The Audit Commission defines six key characteristics of quality data, which the council recognises as identifying good quality data and will apply when devising and reviewing data collection processes:

Accuracy	<p>Data should be sufficiently accurate for its intended purposes, representing clearly and in sufficient detail the interaction provided at the point of activity. Data should be captured once only, although it may have multiple uses. Accuracy is most likely to be secured if data is captured as close to the point of activity as possible. Reported information that is based on accurate data provides a fair picture of performance and should enable informed decision making at all levels.</p> <p>The need for accuracy must be balanced with the importance of the uses for the data, and the costs and effort of collection. For example, it may be appropriate to accept some degree of inaccuracy where timeliness is important. Where compromises have to be made on accuracy, the resulting limitations of the data should be clear to its users.</p>
Validity	<p>Data should be recorded and used in compliance with relevant requirements, including the correct application of any rules or definitions. This will ensure consistency between periods and with similar organisations.</p> <p>Where proxy data is used to compensate for an absence of actual data, organisations must consider how well this data is able to satisfy the intended purpose.</p>
Reliability	<p>Data should reflect stable and consistent data collection processes across collection points and over time, whether using manual or computer-based systems, or a combination. Managers and stakeholders should be confident that progress toward performance targets reflects real changes rather than variations in data collection approaches or methods.</p>
Timeliness	<p>Data should be captured as quickly as possible after the event or activity and must be available for the intended use within a reasonable time period. Data must be available quickly and frequently enough to support information needs and to influence the appropriate level of service or management decisions.</p>
Relevance	<p>Data captured should be relevant to the purposes for which it is used. This entails periodic review of requirements to reflect changing needs.</p> <p>It may be necessary to capture data at the point of activity which is relevant only for other purposes, rather than for the current intervention. Quality assurance and feedback processes are needed to ensure the quality of such data.</p>
Completeness	<p>Data requirements should be clearly specified based on the information needs of the organisation and data collection processes matched to these requirements. Monitoring missing, incomplete, or invalid records can provide an indication of data quality and can also point to problems in the recording of certain data items.</p>

All staff must endeavour to ensure that any data or information they are responsible for meets the above criteria. Responsibility for maintaining data quality lies within the individual services.

2.1 Guidance

The following guidance underpins good quality data and provides the basis for how data quality is attained at the Council.

1. Awareness: relevant staff recognise the need for good data quality and how they can contribute.
2. Definitions: Where appropriate, relevant staff are made aware of the requirements of the data that is produced through job descriptions/appraisal process.
3. Input: there are controls over input - it must be clear within services who is responsible for entering and/or submitting data (or if more than one person, exactly how this works). Staff using the systems must have clear guidelines and procedures for using systems and be adequately trained. As a general rule data should be input onto one system only to decrease the chance of errors and entered on an ongoing basis, not saved up to be entered in a block at the end of a period.
4. Verification: there are verification procedures in place as close to the point of input/submission as possible, for example: a review of recent data against expectations; a reconciliation of systems-produced data with manual input records; data cleansing (eg to remove duplicate records or to fill in missing information); sample checks to eliminate reoccurrence of a specific error (eg checking one field of data that is pivotal to a Performance Indicator/data return against documentation); for a sample of cases, a test run of report output to check the integrity of the query being used to extract data; spot checks (eg on external contractor information).
5. Systems: are fit for purpose and staff have the expertise to get the best out of them. It is every services' responsibility to maintain a robust control environment for information systems.
6. Output: data is extracted regularly and efficiently and communicated quickly. Performance information should be subject to scrutiny and challenge before being passed 'up the line' for management action.
7. Presentation: data and information is presented in such a way as to give an easily understood and accurate picture to external bodies, inspectorates and/or the public. Managers are responsible for the accuracy of the data produced within their sections, they should always be confident that the data being reported from their area of activity is accurate. Checking that systems and processes are producing valid information must not be left until there is an external audit and/or query raised.

2.2 Roles & Responsibilities

Certain roles have more accountability for Data Quality within the organisation than others.

The **Cabinet Member** with the portfolio for **Resources & Transformation** (which encompasses risk) has senior member responsibility for data quality.

The **Transformation Manager** has overall strategic responsibility for data quality.

Managers (including Section Heads) must ensure that staff are aware of their requirement to maintain complete, accurate and timely records, and how important their role in maintaining data accuracy is. This should be achieved through the job description, induction, ongoing management and annual appraisal.

Heads of Service have the operational responsibility for ensuring that the systems under their control produce reliable data, endorsing PI information in the quarterly/annual reports and promoting data quality within the council.

Internal Audit review controls on data and report to management on data quality issues.

Audit & Governance Committee considers the Council's compliance with its own and other published standards and controls in so far as these contribute to the adequacy of its framework of internal control.

Those **officers** involved in inputting, extracting, analyzing, reporting on, submitting or otherwise managing data from any of the council's information systems (or external data) have a responsibility to ensure that processes and protocols are being followed.

There are obligations upon **all staff** to maintain accurate records, these are:

- Legal (Data Protection Act where involving personal information)
- Contractual (job descriptions).

3.0 Partnership Working and Third Party Data

A standard clause relating to data quality assurance should be included in new contracts and to be raised at the start of any new partnership work, including the frequency and punctuality of data provision. For example, data sharing protocols already exist within the Community Safety Partnership.

Copies of partner data quality policies should be requested to ensure that the principles of partner organisations (with whom data is shared) are compatible with our own.

Where data sharing arrangements already exist, and contracts are not able to be amended to include data quality clauses, protocols should be discussed and agreed with existing partners as appropriate.

Our own data quality procedures should be shared with partners as appropriate.

4.0 Monitoring of Data Quality

Data quality can be assured by directly testing the data itself. Carrying this out for all data produced is impractical and costly. The benefit of improving the level of data quality should not be outweighed by the resources necessary to achieve the improvement. The council therefore focuses on arrangements for collection and reporting data, rather than the data itself, as outlined above.

Service areas with a higher risk from data quality should carry out a risk assessment on the systems used and consider adding to their risk register if appropriate. Areas likely to have a higher risk for data quality are those areas that:

- have a high volume of data transactions
- have a financial impact associated with the data
- are technically complex, eg. in terms of performance information definition / guidance
- have had problems identified in previous years
- rely on inexperienced staff involved in data processing / production
- have introduced a new system
- have known gaps in the control environment.

In addition, the following safeguards are in operation:

- As well as providing assurance to management on the integrity of the Council's internal data systems, internal audit check selected externally reported information using a risk based approach.
- External audit provide an opinion on the Council's financial statements including whether they give a true and fair view of the financial position of the Council and its spending and income for the year in question; and whether they have been prepared properly, following the relevant accounting rules.

This Policy will not be reviewed to a timetable. It will be reviewed through the Audit and Governance Committee only should its content become out of date. Any significant issues relating to data quality that arise will be reported to Audit and Governance on an ad hoc basis as appropriate.

Related Policies

- Data Protection Policy
- Retention and Disposal Schedule
- ICT and Data Security Policy

Partnerships & Performance
August 2012



AGENDA ITEM: 9

AUDIT AND GOVERNANCE COMMITTEE:

25 September 2012

Report of: Borough Treasurer

Relevant Managing Director: Managing Director (People and Places)

**Contact for further information: Marc Taylor (Extn. 5092)
(E-mail: marc.taylor@westlancs.gov.uk)**

SUBJECT: REVIEW OF FRAUD, BRIBERY AND CORRUPTION ISSUES

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide a summary of the fraud, bribery and corruption issues facing the Council and the action being taken to deal with them.

2.0 RECOMMENDATIONS

2.1 That the updated Anti Fraud, Bribery and Corruption Policy as set out in Appendix 1 be endorsed for agreement under delegated authority.

2.2 That the self assessment of Fraud and Corruption issues as set out in Appendix 2 be noted.

2.3 That the Counter Fraud Plan as set out in Appendix 3 be endorsed.

3.0 BACKGROUND

3.1 It is important to recognise that fraud and corruption is a corporate issue that can affect all Council services. It can be internal to the Council (for example Members making fraudulent expenses claims, or staff claiming to have qualifications that they do not possess) or external (for example the illegal sub letting of Council housing or fraudulent claims for benefit).

3.2 Incidents of fraud and corruption in local authorities have increased nationally because of the recession. This is because economic distress can increase the

incentive to commit fraud, and controls to prevent and detect fraud come under pressure as Councils must reduce their costs.

- 3.3 To respond to this position, the Council's counter fraud, bribery and corruption arrangements are regularly reviewed to ensure that they remain adequate and that they comply with developments in best practice. This report now provides an update on the work that has been undertaken since the last report to Audit and Governance Committee in April 2011.

4.0 UPDATED ANTI FRAUD, BRIBERY AND CORRUPTION POLICY

- 4.1 The Anti Fraud and Corruption Policy was last reviewed and updated in early 2011. Since that time a new Bribery Act has come into force and consequently the policy now needs updating. To reflect this change the policy has also been renamed to the Anti Fraud, Bribery and Corruption Policy.
- 4.2 Under the Bribery Act, the crime of bribery occurs when a person offers, gives or promises to give a "financial or other advantage" to another individual in exchange for "improperly" performing a "relevant function or activity". The Act also covers the offence of being bribed, which is defined as requesting, accepting or agreeing to accept such an advantage, in exchange for improperly performing such a function or activity.
- 4.3 A tracked changes version of the proposed new policy is included in Appendix 1. In addition to the changes required by the new Bribery Act, a number of other more minor amendments have been made to reflect changes in the Council's structure and to improve the readability of the policy. Members are now asked to consider and endorse its contents.
- 4.4 There is a delegation in place for the Treasurer to update and amend the Policy in consultation with the Portfolio Holder for Resources and Transformation. Consequently following Audit and Governance endorsement, the Treasurer will discuss and finalise the new Policy with the Portfolio Holder. Given the importance of this matter, I will then circulate the updated policy to all staff and Members.

5.0 FIGHTING FRAUD LOCALLY

- 5.1 In April 2012 "Fighting Fraud Locally" was published, which is a counter fraud strategy developed by Local Government for Local Government. This strategy is underpinned by three principles:
- Acknowledge – acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti fraud response
 - Prevent – preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti fraud culture
 - Pursue – punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive law enforcement

response

- 5.2 This strategy highlights that no local authority is immune from fraud and that acknowledging this fact is the most important part in developing an appropriate and effective anti fraud response. Recognising fraud must also incorporate a thorough understanding and knowledge about what the fraud problem is, where it is likely to occur, and the scale of potential losses. This can then enable a robust and proportionate fraud response to be developed. The recommendations in this strategy will need to be considered as the Council reviews and updates its policies, procedures and plans.

6.0 REVIEW OF CURRENT ARRANGEMENTS

- 6.1 In November 2011 the Audit Commission published a report entitled “Protecting the Public Purse 2011”. This is the latest in the Protecting the Public Purse series of reports that have been published in recent years, and details of which have been previously reported to this Committee. This document contains a self assessment checklist for Councils to evaluate their current arrangements on fraud and corruption particularly in the light of the recession.
- 6.2 This checklist has been reviewed and completed following discussions with relevant officers and is included in Appendix 2. In general managers feel that there are satisfactory arrangements in place to deal with fraud, bribery and corruption issues and no significant weaknesses have been identified.
- 6.3 Over the previous 12 months there were 47 cases of potential benefit fraud identified, which resulted in 21 prosecutions all of which resulted in a guilty outcome. None of these cases involved staff or elected Members. Benefit fraud is a high risk area for all local authorities, and there is a dedicated Benefit Fraud team in place that deal with these issues. There were no other cases of fraud, bribery or corruption that were identified across the Council.
- 6.4 Consequently it can be concluded that the Council’s anti fraud and corruption arrangements remain appropriate and fit for purpose. However, the Council cannot be complacent and this position will be kept under review. Managers will do their utmost to ensure that these issues are tackled as effectively as possible within the resources available.

7.0 COUNTER FRAUD PLAN

- 7.1 Best practice guidance states that Councils should have a Counter Fraud plan in place. This plan should be based on a robust fraud risk assessment focused on areas where there is a high risk of fraud.
- 7.2 The latest Counter Fraud plan is set out in Appendix 3 and summarises the existing work programmes of different service areas as well as identifying significant new areas of work. Members are asked to consider and endorse this Plan.
- 7.3 A significant change that will be taking place next year will be the creation of a new Single Fraud Investigation Service (SFIS) by the Government. Currently,

local authorities are responsible for investigating fraud in relation to Housing and Council Tax Benefit and Central Government departments such as the DWP investigate fraud in relation to other welfare benefits. From April 2013 the Government plan to introduce a single, merged fraud investigation service for all benefit and tax credit claims. This new SFIS is intended to bring together the combined expertise of these different parties and to enable a more integrated approach to tackling fraud for all types of welfare benefit to be put in place. Under these plans though, local authority benefit investigators will continue to be employed by the Council.

8.0 RISK ASSESSMENT

- 8.1 At times of recession there is the possibility that levels of fraud and corruption can increase and consequently it is important that the Council monitors and reviews its internal control arrangements for these areas. The measures set out in this report will help to ensure that the Council has an effective anti fraud, bribery and corruption framework in place.

Background Documents

Fighting Fraud Locally – The Local Government Fraud Strategy

Available at the following web address:

<http://www.homeoffice.gov.uk/publications/agencies-public-bodies/nfa/fighting-fraud-locally-strategy/strategy-document?view=Binary>

Protecting the Public Purse 2011

Available at the following web address:

<http://www.audit-commission.gov.uk/fraud/protecting-the-public-purse/Pages/ppp2011.aspx>

Equality Impact Assessment

The decision does not have any direct impact on members of the public, employees, elected members and / or stakeholders. Therefore no Equality Impact Assessment is required.

Appendices

Appendix 1 – Anti Fraud, Bribery and Corruption Policy

Appendix 2 – Self Assessment Checklist

Appendix 3 – Counter Fraud Plan

WEST LANCASHIRE BOROUGH COUNCIL
ANTI-FRAUD, BRIBERY AND CORRUPTION POLICY

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APPENDIX 1: WHAT TO DO IF FRAUD, BRIBERY OR CORRUPTION IS SUSPECTED

1.0 INTRODUCTION

1.1 West Lancashire Borough Council is committed to combating fraud, bribery, corruption or abuse of position for personal gain, whether the perpetrators are internal or external to the Authority.

1.2 The Anti-Fraud, Bribery and Corruption Policy has been devised to:

- comply with the guiding Principles of Public Life outlined in the Nolan Report.
- promote a culture of integrity and accountability in all employees, elected members, partners, contractors and suppliers of goods and services.
- raise awareness of Fraud and ensure that concerns are properly raised and addressed.
- protect the Authority's reputation
- comply with best practice requirements on the prevention and detection of fraud, ~~and~~ corruption and bribery
- promote an anti-fraud culture across the Authority to provide a sound defence against internal and external abuse of public funds.
- demonstrate a commitment to taking firm action against any acts of fraud, corruption, bribery or abuse that come to light
- comply with the Anti-Money Laundering Act, ~~and~~ the Proceeds of Crime Act and the Bribery Act 2010.

1.3 The Authority is also aware of the high degree of external scrutiny of its affairs by a variety of bodies such as the Audit Commission, Inspection bodies, the Local Government Ombudsman, HM Revenues and Customs. These bodies are important in highlighting any areas where improvements can be made.

1.4 The Authority's expectation, and indeed the public's, regarding propriety and accountability, is that Members and Employees, at all levels, will lead by example in ensuring adherence to all Council regulations, codes of conduct, procedures and practices. They will also conduct themselves in a manner which avoids the possibility of any suspicion arising that they could be influenced by improper motives.

1.5 This Policy is designed to encourage prevention, frustrate any attempted fraudulent or corrupt act, promote detection and identify a clear pathway for investigation and remedial action.

-
- 1.6 It provides a coherent and consistent framework to enable employees to understand and implement arrangements enabling compliance. In conjunction with other policies and documents it will enable employees to identify and effectively report a potential breach.
- 1.7 There will be no distinction made in investigation and action between cases that generate financial benefits and those that do not.

2.0 REGULATORY BACKGROUND

2.1 The following paragraphs are not intended to be a comprehensive summary of the law in this area but outline some of the key influences which have shaped this Policy.

2.2 The Fraud Act 2006 provides a legislative definition of fraud as the intention to make gain or cause loss by false representation, failing to disclose information or abuse of position.

2.3 Fraud is typically associated with financial loss, however, this Policy also relates to acts of dishonesty, whether or not financial loss is incurred.

2.4 For the purposes of this Policy, fraud may also include the Audit Commission's definition, which is "the intentional distortion of financial statements or other records by persons internal or external to the Organisation which is carried out to conceal the misappropriation of assets, evasion of liabilities or otherwise for gain." It can also include unauthorised use of Council property or theft of monies or other Council property by persons internal to the Authority.

2.5 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage. The Bribery Act 2010 makes it an offence to offer, promise or give a bribe. It also makes it an offence to request, agree to receive, or accept a bribe.

There are four key offences under the Act:

- bribery of another person (section 1)
- accepting a bribe (section 2)
- bribing a foreign official (section 6)
- failing to prevent bribery (section 7)

2.6 The Bribery Act 2010 makes it an offence to offer, promise or give a bribe (Section 1). It also makes it an offence to request, agree to receive, or accept a bribe (Section 2). Section 6 of the Act creates a separate offence of bribing

a foreign public official with the intention of obtaining or retaining business or an advantage in the conduct of business. There is also a corporate offence under Section 7 of failure by a commercial organisation to prevent bribery that is intended to obtain or retain business, or an advantage in the conduct of business, for the organisation.

2.7 This policy is supported by the Council's Officers and Members Codes of Conduct which provide further advice and procedures for dealing with offers of gifts and hospitality.

2.8 Corruption is defined as "the offering, giving, soliciting or acceptance of an inducement or reward which may improperly influence the action of any person." Corruption in the Public Sector is an offence under ~~the Prevention of Corruption Acts of 1889 to 1916 as amended and~~ Section 117 of the Local Government Act 1972.

2.9 Theft is defined as 'the dishonest taking of property belonging to another with the intention of depriving the owner permanently of its possession'.

2.10 In addition, this ~~Fraud and Corruption~~ Policy also covers "the failure to disclose an interest in order to gain financial or other pecuniary gain."

2.11 Other irregularities or improper practices, which may tarnish the Authority's reputation, include the failure to observe or breaches of Financial Regulations, Local Government Legislation and the Authority's policies, procedure and practices. ~~Also, the failure to properly declare interests.~~

2.12 Areas where there is a risk that fraud, bribery or corruption might be attempted include (this is not an exhaustive list):

- Income – misappropriation, failure to account, falsifying of receipts, not issuing receipts
- Housing and Council Tax Benefits – false verification documents and undeclared changes in circumstances leading to the wrong or inaccurate payment of benefits
- Credit income – suppression of invoices, issuing invoices for wrong amounts, unauthorised writing off of debts
- Payroll – falsification of records (time sheets, overtime claims), creation of fictitious employees
- Creditor payments – payments for work not completed or not in accordance with the specification, or for goods not supplied or not in accordance with the original order
- Expenses claims – over claiming expenses
- Equipments and vehicles – unauthorised personal use

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- Cancelled transactions to “clean up” money – money is paid in advance of a transaction but from which the person then withdraws and requests their money back
 - Lettings
 - Disposal of assets
 - Tendering and award of contracts – offering of inducements to secure contracts
 - Settlement of contractors claims for loss and expense, compensation, additional payments, or work not done or substandard
 - Award of permissions, consents, licences – offering of inducements to secure approvals

2.13 This Policy encompasses all fraud, including Money Laundering and Housing and Council Tax Benefit Fraud. The Council also has a separate Benefit Sanctions and Prosecution Policy, and an Anti-Money Laundering Policy that deal with these areas in more detail.

3.0 CORPORATE FRAMEWORK

3.1 The Authority’s Corporate Framework includes a whole range of high level component parts, which contribute towards it having an effective Anti Fraud, Bribery and Corruption culture. Some of the key ones include:

- Annual Governance Statement
- Codes of Conduct and Register of Interests for Members and Officers
- Gifts and Hospitality Registers
- Whistleblowing Code
- Complaints Procedures
- Anti-Money Laundering Policy
- Disciplinary Procedures
- Contract Procedure Rules and Financial Regulations
- Effective Internal and External Audit
- Sound internal control systems, procedures and reliable records
- National Fraud Initiative Data matching exercises
- A dedicated Benefits Fraud Team
- A Policy and Strategy to embed Risk Management
- Effective recruitment and selection process
- Induction and Training for members and employees

3.2 However, the Authority must not be complacent, and this Policy addresses ways in which each individual can prevent and detect fraud, bribery and corruption.

4.0 CULTURE

- 4.1 The Authority's culture is one of openness and the core values of fairness, honesty and trust support this. The Authority's culture therefore supports its opposition to fraud, bribery and corruption.
- 4.2 The prevention and detection of fraud and corruption, and the protection of the public purse, is everyone's responsibility. The Authority expects all people and organisations, who are in any way associated with it, to be honest and fair in their dealings with the Authority and its clients and customers.
- 4.3 Bribery is a criminal offence. We do not, and will not, pay bribes or offer improper inducements to anyone for any purpose, nor do we or will we, accept bribes or improper inducements. To use a third party as a conduit to channel bribes to others is a criminal offence. We do not, and will not, engage indirectly in or otherwise encourage bribery. We are committed to the prevention, deterrence and detection of bribery and have zero tolerance towards it.
- 4.4 Officers and Members play an important role in creating and maintaining an open and accountable culture and taking a stance on fraud, bribery and corruption. They are positively encouraged to raise concerns regarding fraud, bribery and corruption, immaterial of seniority, rank or status, in the knowledge that such concerns will be treated appropriately and properly investigated.
- 4.5 If necessary, a route other than to the Line Manager may be used to raise concerns, for example, directly with Internal Audit, the Chief Executive~~Joint Managing Directors~~ or a Chief Officer~~Head of Service~~. However where an offence under the Money Laundering Regulations or Proceeds of Crime Act 2002 is suspected then the appropriate policy should be viewed to ascertain the correct reporting procedure.
- 4.6 Concerns must be raised when Members or Employees reasonably believe that one or more of the following has occurred, is in the process of occurring or is likely to occur:
- a criminal offence
 - a failure to comply with a statutory or legal obligation
 - improper, unauthorised use of public or other funds
 - a miscarriage of justice
 - maladministration, misconduct or malpractice
 - endangering of an individual's health and safety
 - deliberate concealment of any of the above
- 4.7 The Authority's Whistleblowing Code actively encourages employees to raise concerns in confidence, without fear of reprisals or victimisation, so that they

can be investigated properly and fairly. Members of the public, Councillors, Contractors and Partners are also encouraged to report any concerns which they may have.

4.8 The Authority will ensure that any allegations received in any way, including by anonymous letters or telephone calls, will be taken seriously and investigated in an appropriate manner.

5.0 PREVENTION – ROLES AND RESPONSIBILITIES

5.1 The Authority believes that if it is to combat fraud, bribery and corruption, it must prevent it from happening in the first place. The Council's Financial Regulations, Contract Procedure Rules and Codes of Conduct detail clear rules and procedures within which Members, Employees, Consultants and Contractors must work.

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

5.3 We require that all personnel:

- act honestly and with integrity at all times and to safeguard the organisation's resources for which they are responsible
- comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the organisation operates, in respect of the lawful and responsible conduct of activities

5.4 This Policy applies to all of the organisation's activities. For partners, joint ventures and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy. Officers engaging contractors should have regard to the Council's current guidance in relation to the Bribery Act.

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

5.6 There are five dimensions essential to the prevention of fraud, bribery and corruption; Members, Employees, Internal Control Systems, Internal and External Audit and Joint Working.

Elected Members

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- 5.7** As elected representatives, all Members of the Authority have a duty to protect the Authority from all forms of abuse. This is recognised by this Policy and promoted through the Member's Code of Conduct, which Members undertake to abide by when they take office.
- 5.8** The Code specifically states that 'Members should uphold the law and, on all occasions, act in accordance with the trust that the public is entitled to place in them' and 'should not place themselves in situations where their honesty and integrity may be questioned'.
- 5.9** Elected Members are also required to operate within:
- The Council's Financial Regulations
 - Local Government Act 2000
- 5.10** These, and other guidance, are specifically brought to the attention of Members during induction, along with the declaration and registration of any interests.
- 5.11** All interests must be registered by Members in the Authority's Register of Member's Interests when appointed to office, and any new interests whilst in office. Disclosure must also be made at meetings where Members have an ~~personal~~ interest in the matter being considered.
- 5.12** These measures are intended to ensure that Members are open and transparent in their outside activities and minimises the risk of any collusion or biased decision making that could lead to themselves or any other person securing an advantage or gaining financially.
- 5.13** The ~~Council Secretary and Solicitor~~ Borough Solicitor advises Members of new legislative or procedural requirements and regular training is provided.
- 5.14** Members are expected to be steadfast in their attitude towards fraud, bribery and corruption and raise any concerns they may have with the relevant Senior Manager.

Employees

- 5.15** Managers, at all levels, are responsible for the communication and implementation of ~~the Anti-Fraud and Corruption~~ this policy in their work area. They are also responsible for ensuring that employees are aware of the Constitution, in particular Financial Regulations, and that the requirements of each are being met in their everyday business activities. In addition, Managers must make their employees aware of the requirements of the Officer Code of Conduct at induction.

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- 5.16** Managers are expected to strive to create an environment in which their staff feel able to approach them with any concerns they may have about suspected irregularities. Where they are unsure of the procedures, they must refer to the information in the Whistleblowing Code or seek appropriate advice.
- 5.17** Special arrangements will apply where employees are in charge of financial systems and systems that generate payments, for example **payrollrents**, benefits or council tax. Managers must ensure that relevant training is provided for employees. Regular checks must be carried out to ensure that proper procedures are being followed.
- 5.18** The Authority recognises that a key preventative measure in dealing with fraud, **bribery** 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. The Authority's equal opportunities policy will be adhered to during this process.
- 5.19** The Authority has a formal recruitment procedure, which contains appropriate safeguards on matters such as written references and verifying qualifications held. Written references will always be taken up and referees should specifically be requested to give views, based on their knowledge and experience of the individual, on the candidate's propriety and integrity. Independent confirmation of professional qualifications will be obtained before offers of employment are made. Employees, who are members of professional bodies, are expected to observe the high standards advocated by those bodies.
- 5.20** As with other public bodies, checks will be undertaken with the Criminal Records Bureau if employees work with children or vulnerable groups. Further checks will be introduced in areas where an increased risk of potential fraud, **bribery** and corruption is identified. High risk/sensitive posts, and those with access to privileged information, should be considered for further vetting and should follow procedures for declaring any interests where necessary.
- 5.21** Temporary and contract employees should be treated in the same manner as permanent employees.
- 5.22** In regard to contracts, employees are reminded of the specific requirements of the Financial Regulations, and of the need to comply with all relevant legislation. In particular, they must operate within Section 117 of the Local Government Act 1972, which requires the declaration of any interests in contracts (such as membership of contracting bodies) that have been, or are proposed to be, entered into by the Authority. The legislation also prohibits the acceptance of fees or rewards other than by means of proper remuneration.
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- 5.23** Employees are also 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.
- 5.24** In addition to the Constitution, ~~Divisions~~ Services may have their own procedures to prevent and detect fraud. There may also be Audit reports that recommend methods to minimise losses to the Authority. Managers and employees must be made aware of these various sources of guidance and alter their working practices accordingly.
- 5.25** Employees are expected always to be aware of the possibility that fraud, bribery or corruption may exist in the workplace and be able to share their concerns with Management. Concerns must be raised, in the first instance, directly with a Supervisor or Line Manager. If for any reason, employees feel unable to do this, concerns should be raised directly with the Audit Manager or with a ~~Chief Officer~~ Head of Service. If necessary, concerns can be raised anonymously in accordance with the Authority's Whistleblowing Code.
- 5.26** The Authority has disciplinary procedures for dealing with perpetrators of fraud and corruption.
- 5.27** The Benefits Investigation Team is responsible for benefit fraud investigations, in accordance with the requirements of relevant legislation. In cases where employees or ~~M~~members are involved, or where fraud other than benefit fraud is disclosed, they should report this to Internal Audit, Human Resources and the appropriate Senior Manager to ensure the correct procedures are followed and that this Policy is adhered to.

Internal Control Systems

- 5.28** The Section 151 Officer has a statutory duty under Section 151 of the Local Government Act 1972, to ensure that there are proper arrangements in place to administer the Authority's financial affairs. Accordingly, Financial Regulations have been developed which outline systems, procedures and responsibilities of employees in relation to the Authority's financial activity.
- 5.29** The Authority has control systems in place designed to ensure the legitimacy of expenditure, the security of assets and income, the reliability of management information and the accuracy of financial and other records.
- 5.30** Within these systems are procedures which control the authorisation of transactions, ensure that duties and responsibilities are clearly segregated, provide internal checks, safeguard assets and regulate their proper use. Strong internal controls are an effective safeguard against fraud.
- 5.31** Management are responsible for ensuring that such controls are maintained and complied with. Internal Audit carries out periodic reviews of all systems to

ensure that these responsibilities are being met and that controls in place are appropriate and adequate.

- 5.32 This ~~Anti-Fraud and Corruption~~ Policy should be integrated into the overall management process, rather than dealt with in isolation. Anti fraud measures should be designed to fit around the particular activities and circumstances of the service area.
- 5.33 With regard to the use of I.T systems, the Authority is committed to ensuring that it takes effective measures for implementing and maintaining effective and efficient internal controls in computer systems.
- 5.34 Periods of change can be particularly critical to the prevention of fraud. Extra management supervision will be required when posts are vacant, when sections are streamlined and during periods of change, both within the Authority and society as a whole. The importance of controls against fraud in a new system will need to be considered by Managers undertaking the change. Internal Audit must be informed of any changes to key systems. These may either be financial systems, management systems or changes in the way information is collected prior to its use.

Internal and External Audit

- 5.35 The Accounts and Audit Regulations ~~2003 (as amended 2006)~~2011 stipulate that the Authority should maintain an adequate and effective system of Internal Audit of its accounting records and systems of internal control.
- 5.36 The existence of an effective Internal Audit section is a prime deterrent against fraud, bribery and corruption. It is a role of Internal Audit to have regard to the possibility of malpractice and to identify serious defects in internal control, which may permit irregularities to occur.
- 5.37 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 the adequacy ~~of~~ the Authority's financial systems, and arrangements for preventing and detecting fraud, bribery and corruption.
- 5.38 It is not the External Auditor's function to prevent fraud and irregularities, but the integrity of public funds is, at all times, a matter of general concern. External Auditors are always alert to the possibility of fraud and irregularity, and will act if grounds for suspicion comes to their notice.
- 5.39 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 opportunities for corrupt practices.

Joint Working

5.40 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 activities with external agencies such as the Police, External Auditors, the Audit Commission, the Benefits Agency, Government Departments and County Unitary and District Groups.

5.41 There is also an intelligence gathering, collation and dissemination service on fraud and corruption known as the National Anti-Fraud Network (NAFN).

5.42 Data matching is also undertaken. This is recognised as an important tool in the prevention and detection of fraud, and is used by many other Local Authorities. The Audit Commission has drawn up a Code of Data Matching Practice for its National Fraud Initiative (NFI), which is recognised by the Information Commissioner as complying with Data Protection legislation.

6.0 DETERRENCE

6.1 There are a number of ways to deter potential fraudsters from committing or attempting fraudulent or corrupt acts. These include publicity, disciplinary action and preventative systems.

6.2 Publicising the fact that the Authority is firmly set against fraud, bribery and corruption, and states this at every appropriate opportunity, e.g. clauses in contracts, statements on benefit claim forms etc is essential. This makes fraud against the Authority socially unacceptable.

6.3 The Authority's ~~Public Relations~~Communications and Consultation team~~Unit~~ will optimise the publicity opportunities associated with aAnti-fraud and corruption activity within the Authority. They will also try to ensure that the results of any action taken, including prosecutions, are reported in the media as appropriate.

6.4 In all cases, where financial loss to the Authority has occurred, the Authority will seek to recover the loss and advertise this fact.

6.5 All aAnti-fraud, bribery and corruption activities, including any update of this Policy, will be publicised in order to make employees, contractors and the public aware of the Authority's commitment to taking action on fraud, bribery and corruption when it occurs.

6.6 Regular reports will be made to the Audit and Governance Committee about countering fraud and corruption activities and their success.

6.7 Theft, fraud, 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 may be taken, irrespective of any criminal proceedings, depending on the circumstances of each individual case, but in a consistent manner, after consultation with the ~~Chief Executive and the Assistant Chief Executive~~Joint Managing Directors.

6.8 Members will face appropriate action under this Policy if they are found to have been involved in theft, fraud, bribery or corruption. Action may 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, may be referred to the Audit and Governance Committee or relevant Group Leader, as appropriate. ~~The requirements of the Local Government Act 2000 and Code of Conduct may mean cases are referred to the Standards Committee.~~

6.9 The array of preventative systems, particularly internal control systems within the Authority, help to provide indicators of, and help to deter, any fraudulent activity. These preventative systems are in place to make any potential fraudster feel that the attempt is not worthwhile

7.0 DETECTION AND INVESTIGATION

7.1 It is the responsibility of Chief Officers and their Managers to have in place system controls to prevent and detect fraud, bribery and corruption. Managers should also satisfy themselves that checks are in place at the appropriate levels, so that in the event of a breach, any irregularity would be picked up promptly, so minimising any loss to the Authority.

7.2 In addition, Internal Audit plays an important role in the detection of fraud, bribery and corruption. Included in the Audit plan are reviews of system financial controls and specific fraud and corruption test spot checks and unannounced visits.

7.3 However, despite the best efforts of Managers and Auditors, many frauds are discovered by chance or 'tip-off'. It is often the vigilance of employees, Members and the public that enables detection to occur and appropriate action to be taken.

7.4 Employees of the Authority are required to report all suspected irregularities (verbally or in writing) to Internal Audit, either directly or through Line Management or through alternatives outlined in the Whistleblowing Code. Employees reporting concerns in this way are afforded certain rights under the Public Interest Disclosure Act 1998.

7.5 All suspicions of Money Laundering should be reported to the Money Laundering Reporting Officer (The Internal Audit Manager, or Legal Services)

ManagerBorough Solicitor in his absence) as detailed in the Authority's Anti Money Laundering Policy.

7.6 Reporting is essential to the Policy as it:

- Ensures the consistent treatment of information regarding fraud, bribery and corruption
- Facilitates a proper and thorough investigation
- Ensures the proper implementation of relevant system improvements

7.7 Any records or information relating to an allegation must be secured so that there is no possibility of evidence being lost, destroyed, amended or otherwise tampered with. This includes IT systems, as well as paper based records. Although this is predominantly the role of Internal Audit, Managers may need to do this promptly if an allegation is presented directly to them.

7.8 Where an Officer, Member, Contractor or a member of the public has belief that a fraud is or has been committed, or that bribery and corruption is or has taken place, then they must never attempt to investigate the situation.

7.9 Such 'unofficial' investigations are likely to render the evidence unusable within the Authority's disciplinary procedures or inadmissible in Court due to it being gathered outside the relevant legal procedures. ~~laid down by the Criminal Justice Act 2003 and Regulation of Investigatory Power Act 2000, where surveillance is required.~~

7.10 It could also leave the Authority open to criticism and in some cases potential legal proceedings or disciplinary action could be made against the Authority and/or the person who carried out the 'unofficial' investigation.

7.11 All allegations and evidence will be properly investigated and reported on and will include Management, Human Resources, and Legal Services as appropriate. Where appropriate, cases will be referred directly to the District Auditor or the Police.

7.12 Senior Management are responsible for following up any allegations of fraud, bribery or corruption. The designated Investigating Officer will in consultation with the Internal Audit Manager and Joint Managing Directors:

- Deal promptly with the matter
- Record all evidence received
- Ensure that all evidence is sound and adequately supported
- Ensure the security of all evidence collected
- Contact other agencies e.g. The Police (where appropriate)
- Notify the Authority's Insurers (where appropriate)
- Implement disciplinary procedures (where appropriate)

7.13 The Authority will deal firmly with those who defraud the Authority, or who are corrupt or when there has been financial malpractice.

7.14 There is ~~of course~~, a need to ensure that ~~the an~~ investigation process is not misused and therefore, any abuse (such as employees raising malicious allegations) may be dealt with as a disciplinary matter.

7.15 Any decision to refer a matter to the Police will be taken by the Audit Manager in consultation with the ~~Chief Executive~~Joint Managing Directors. The Authority will normally wish the police to be made aware of, and investigate, offenders independently where financial impropriety is discovered. The Police may pass appropriate cases to the Crown Prosecution Service with a view to prosecution.

7.16 The Authority's Disciplinary Procedures will be used where the outcome of the investigation indicates improper behaviour. 'Reasonable belief' is sufficient ground for dismissal, rather than absolute proof as in a court of law.

7.17 Any necessary investigative activity will be conducted without regard to any person's position or length of service.

7.18 ~~Investigation results~~Details of investigations in progress will not be disclosed to or discussed with anyone other than those with a legitimate need to know. This is important to avoid damaging the reputations of persons suspected, but subsequently found not guilty, and to protect the Authority from potential civil liability.

7.19 When fraud, bribery or corruption has occurred because of a breakdown in the Authority's systems or procedures, Senior Managers will ensure that appropriate improvements in systems or controls are implemented to prevent a reoccurrence.

7.20 The Audit Manager will, if appropriate, following an investigation, make recommendations to Management for changes to systems and procedures to ensure that similar frauds will not recur.

7.21 The Authority's standard terms for contracts and tenders provide for contracts to be terminated and tenders to be rejected should any attempt at corrupt practice be discovered.

8.0 AWARENESS AND TRAINING

8.1 The Authority recognises that the continuing success of this Policy, and its general credibility, will depend, in part, on the effectiveness of the training and awareness of elected Members and employees throughout the Authority.

8.2 To facilitate this, the Authority supports the concept of induction and training. This applies particularly to Officers involved in internal control systems and financial and finance related systems, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

8.3 This also applies to casual, temporary and agency staff, who may not be aware of the standards of probity that are required in the public sector.

8.4 Elected Members are supported through induction and training and are made aware of their roles and responsibilities, in particular, the need for honesty and probity in all areas that they are involved in.

8.5 Full copies of the Whistleblowing Code, the Disciplinary Procedure, the Anti Fraud and Corruption Policy and the Anti Money Laundering Policy should be made available to all employees and members.

9.0 CONCLUSION

9.1 The Authority has always prided itself on setting and maintaining high standards and a culture of openness, with core values of fairness and trust. This Policy fully supports this desire to maintain an honest Authority, free from fraud, bribery and corruption.

9.2 The Authority has in place a network of systems and procedures to assist it in dealing with fraud, bribery and corruption when it occurs. It is determined that these arrangements will keep pace with future developments and techniques to both prevent and detect fraudulent or corrupt activity that may effect its operation.

9.3 The Authority will maintain a review of these systems and procedures through continuous Internal Audit work and this Policy will also be reviewed regularly.

REFERENCES

Members Code of Conduct	Constitution
Officers Code of Conduct	Constitution
Financial Regulations	Constitution
Contract Procedure Rules	Constitution
Whistleblowing Code	Constitution
Disciplinary Procedure	Human Resources

~~Equal Opportunities~~ Equality in Employment Policy
Resources

Human

Benefits Sanctions & Prosecutions Policy

Exchequer Services

Anti Money Laundering Policy

Internal Audit

APPENDIX 1: WHAT TO DO IF FRAUD, BRIBERY OR CORRUPTION IS SUSPECTED

1. Employees are often the first to realise that there is something seriously wrong within the Authority. Where appropriate, concerns should normally be raised with a Supervisor or Line Manager who, if the claim can be substantiated, will inform the Internal Auditor Manager. The nature of the complaint will determine the Authority's course of action. However where an offence under the Money Laundering Regulations or Proceeds of Crime Act 2002 is suspected then the appropriate policy should be viewed to ascertain the correct reporting procedure.
2. If an employee feels unable to do this, the Authority's Whistleblowing Code should be utilised. This is intended to encourage and enable staff to raise serious concerns without fear of harassment or victimisation. Employees reporting concerns in this way are afforded certain rights under the Public Interest Disclosure Act 1998. A full copy of the Whistleblowing Code is available on the Authority's Intranet and website.
3. In the case of any doubt about the seriousness of any concerns, advice and guidance can be obtained from the Internal Audit Manager.
4. All concerns will be treated in confidence and every effort will be made not to reveal the identity of employees if they so wish. At the appropriate time, however, employees may need to come forward as witnesses.
5. Anonymous allegations will be considered at the discretion of the Council based on the seriousness of the issues raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources.
6. If an allegation is made in good faith, but it is not confirmed by the investigation, no action will be taken against the originator. If, however, individuals make malicious or vexatious allegations, disciplinary action may be considered against the individual making the allegation.
7. The Authority encourages members of the public, who suspect fraud, bribery and corruption, to contact the ~~Chief Executive~~ Joint Managing Directors or Internal Audit Section.

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8. The Authority accepts that people who report alleged fraud or corruption need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, they will receive information about the outcome of any investigation and whether any changes/improvements are to be made to systems and procedures as a consequence.
 9. This Policy is intended to provide you with an avenue **within** the Authority to raise concerns. The Authority hopes that you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Authority, the following are possible contact points:
 - The External Auditor
 - Your Trade Union
 - Your local Citizen's Advice Bureau
 - Relevant professional bodies or regulatory organisations
 - The Police
 - Your Solicitor
 10. If you do take matters outside the Authority, you should ensure that you do not disclose confidential information or that disclosure would be privileged. As such, it is advisable that appropriate advice is sought before proceeding.

APPENDIX 2
SELF ASSESSMENT OF ANTI FRAUD AND CORRUPTION ISSUES

General	Yes	No	Comments/ Action
1. Do we have a zero tolerance policy towards fraud?	Yes		There is an Anti Fraud, Bribery and Corruption policy and Counter Fraud Plan in place. The plan sets out actions being taken to maintain an anti fraud culture including regular reviews of our arrangements
2. Do we have the right approach, counter fraud strategies, policies and plans? Have we aligned our strategy with Fighting Fraud Locally?	Yes		<p>Relevant documents which have been reported to this Committee include:</p> <ul style="list-style-type: none"> • Anti Fraud, Bribery and Corruption Policy • Counter Fraud Plan • Whistle Blowing Policy • Anti Money Laundering Policy • Contract Procedure Rules • Financial Regulations • Internal Audit Plan <p>It will however take some time to fully review our approach in line with the new Fighting Fraud Locally strategy</p>
3. Do we have dedicated counter-fraud resources?	Yes		These resources include the Benefits Fraud team, an Internal Audit resource specifically for work on the Audit Commission National Fraud Initiative (NFI) scheme, and an Insurance Claims Investigator. Given the size of the authority, counter fraud resources are often not teams or full time staff, but represent a core part of the wider role that staff undertake.
4. Do counter-fraud staff review all of the work of our organisation?	Yes		Our management systems for internal control are designed to prevent and detect fraud and this is an inherent part of the work undertaken by all staff. Examples include Member services staff maintaining and reviewing registers of interests as well as the checks carried out on invoice payments by relevant staff
5. Do we receive regular reports on how well we are tackling fraud risks, carrying out plans and delivering outcomes?	Yes		A regular review of specific fraud and corruption issues is reported to this Committee, and these areas are also considered as a component part of other reports such as the Annual Governance Statement and Internal Audit reports.

General (continued)	Yes	No	Comments/ Action
6. Have we assessed our management of counter-fraud work against good practice?	Yes		The Anti Fraud, Bribery and Corruption Policy has been drawn up to meet best practice requirements. The work of the Benefit Fraud team and Internal Audit are also conducted in accordance with good practice requirements and relevant professional Codes
7. Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> • new staff (including agency staff) • existing staff • elected members; and • our contractors? 	Yes		Information on fraud risks is included in the induction material for new staff, and periodic reminders on relevant policies are sent to all staff. Specific training is also arranged for relevant staff while details on emerging issues (such as the latest scams) are circulated by e-mail to raise awareness. There are effective governance arrangements in place that include Member training and providing up to date guidance and protocols for Members as and when required. All Members must also sign up to the Member Code of Conduct that highlights principles of selflessness, honesty and integrity. There are standard terms and conditions in contract documentation covering fraud, bribery and corruption and whistle blowing arrangements.
8. Do we work well with national, regional and local networks and partnerships to ensure we know about current fraud risks and issues?	Yes		These networks include the Lancashire Audit Group, the Lancashire Revenues and Benefits Group which includes active participation in Benchmarking/Good Practice sub groups, membership of Local Authority Investigation Officers Group and the National Anti Fraud Network.
9. Do we work well with other organisations to ensure we effectively share knowledge and data about fraud and fraudsters?	Yes		Key partners for data sharing include the Benefits Agency and the National Anti Fraud Network. The Council has also implemented the security and administrative requirements for Government Connect compliance

General (continued)	Yes	No	Comments / Actions
10. Do we identify areas where internal controls may not be performing as intended? How quickly do we then take action?	Yes		Management and Internal Audit consider the effectiveness of internal control systems on an ongoing basis. External Audit and Inspectorate reports may also identify issues. Action plans will then be developed to ensure agreed recommendations are then implemented. In addition at the end of each fraud investigation the findings are considered to ensure that appropriate lessons are learnt and any necessary improvements are put in place.
11. Do we maximise the benefit of our participation in the Audit Commission National Fraud Initiative and receive reports on the matches investigated?	Yes		A report on outcomes is produced at the end of each NFI mapping exercise and information on the findings are included in the Internal Audit Annual Report to Audit and Governance.
12. Do we have arrangements in place that encourage our staff to raise their concerns about money laundering?	Yes		An Anti Money Laundering policy is in place which has been communicated to all staff.
13. Do we have effective whistleblowing arrangements?	Yes		A Whistleblowing Code is in place which has been circulated to all staff and Members.
14. Do we have effective fidelity insurance arrangements?	Yes		This issue is covered under our insurance policy, and is seen as relatively low risk as no claims have been made in recent years.
Fighting fraud with reduced resources	Yes	No	Comments / Actions
15. Have we reassessed our fraud risks in the light of the current financial climate?	Yes		The increased risk of fraud in the current environment has been recognised by the Council. A range of measures have been put in place to address this increased risk including regular reports on fraud and corruption to this Committee and the development of a corporate Counter Fraud plan
16. Have we amended our counter-fraud action plan as a result?	Yes		The Counter Fraud plan contained in Appendix 3 has been drawn up giving specific attention to the issues caused by the recession and how they can be dealt with. The annual Internal Audit Plan also specifically takes account of this increased risk.
17. Have we reallocated staff as a result?			

Current risks and issues	Yes	No	Comments / Actions
18. Do we take proper action to ensure that we only allocate social housing to those who are eligible?	Yes		There is a policy in place that ensures that social housing is only allocated to those who require it. This is based upon an assessment and prioritises those most in need.
19. Do we ensure that social housing is occupied by those to whom it is allocated?	Yes		After six weeks a new tenant visit is conducted and the original application is gone through in more detail. Information is also shared with the rents team and the benefits team on applications etc. Any issues raised by neighbours are followed up by conducting interviews, asking the benefits team to make an investigations etc. Any suspected false tenancy applications will be actively pursued
20. Are we satisfied our procurement controls are working as intended?	Yes		Payments are always assessed as being a high risk issue and consequently the controls in this area are comprehensive and well documented. Management review the controls on payments on an ongoing basis and they are also subject to an annual review by Internal Audit. The last internal audit review did not identify any significant control issues
21. Have we reviewed our contract letting procedures since the investigations by the Office of Fair Trading into cartels and compared them with best practice?	Yes		Contract Procedure Rules and Financial Regulations have both been reviewed and updated to reflect best practice. Procurement Practice Notes are also produced to address emerging issues and to provide additional guidance.
22. Are we satisfied our recruitment procedures achieve the following: <ul style="list-style-type: none"> • Do they prevent us from employing people working under false identities? • Do they confirm employment references effectively? • Do they ensure applicants are eligible to work in the UK? • Do they require agencies supplying us with staff to undertake the checks that we require? 	Yes		There is a standard checklist of evidence that must be verified before a new employee can start working for the Council, including identity, CRB, employee references and eligibility to work in this country.

Personal Budgets	Yes	No	Comments / Actions
23. Where we are expanding the use of personal budgets for social care, in particular direct payments, have we introduced proper safeguarding proportionate to risk and in line with recommended good practice?	N/a	N/a	This question is intended for authorities that have social services responsibilities and so is not relevant to district councils.
24. Have we updated our whistleblowing arrangements, for both staff and citizens, so that they may raise concerns about the financial abuse of personal budgets?	N/a	N/a	This question is intended for authorities that have social services responsibilities and so is not relevant to district councils.
Council tax	Yes	No	Comments / Actions
25. Are we effectively controlling the discounts and allowances we give to council taxpayers?	Yes		The Council tax section checks discounts and allowances periodically to ensure that taxpayers are still entitled to them, requesting and verifying evidence where appropriate. Data matching work, including NFI, is also undertaken to ensure that this area is effectively controlled.
Housing and Council tax Benefits	Yes	No	Comments / Actions
26. When we tackle housing and council tax benefit fraud do we make full use of the following: <ul style="list-style-type: none"> • National Fraud Initiative? • Department of Work and Pensions Housing Benefit Matching Service? • Internal data matching? • Private sector data matching? 	Yes		The Council has a detailed Benefits Sanctions and Prosecutions Policy and has a good track record in relation to National and Local Performance Indicators

**WEST LANCASHIRE BOROUGH COUNCIL
COUNTER FRAUD AND CORRUPTION PLAN**

This plan summarises key measures that will be put in place to prevent and detect fraud, bribery and corruption and to take effective action against any attempted or actual fraudulent act, but is not a comprehensive list of all the procedures that are in place.

	Main means to achieve effectiveness	Target date	Lead Officer	Further action required
FRAUD REFERRALS & WHISTLEBLOWING				
Improve fraud referral	Re-issue updated anti fraud, bribery and corruption policy to all staff and Members	October 2012	BT	
Improve fraud referral	Re-issue updated Anti Money Laundering Policy to all staff and Members	March 2013	IAM/BT	
Referrals from other agencies	Through partnership working with other agencies Links and protocols	Annual review	ADHPM IAM	Develop links through the National Fraud Initiative (Audit Commission) for data matching and through the National Anti-Fraud Network for intelligence sharing.
FRAUD INVESTIGATION				
External data matching	Timely response to NFI data matches Compliance with national reporting requirements	Ongoing	IAM	Regular full participation in NFI in accordance with national guidance, and reports returned in accordance with timetable.
DETERRENCE / PUBLICITY				
Reported publicity	Investigation activity and outcomes, including prosecutions, publicly reported via press releases and website	Ongoing	Relevant Manager / IAM	Ongoing liaison with Communications and Consultation Unit
Counter-fraud culture	Put updated corporate Counter Fraud plan in place	September 2012	DSH	Maintain and develop corporate consideration of fraud and corruption issues

	Main means to achieve effectiveness	Target date	Lead Officer	Further action required
PARTNERSHIP WORKING				
Partnerships and links with other external agencies	To undertake joint working	Annual Review	IAM	See referrals from other agencies above but contact with other organisations also established e.g. Serious Organised Crime Agency for Money Laundering reporting.
FRAUD AWARENESS TRAINING				
Fraud awareness for new staff	Ensure information on fraud, bribery and corruption is included in the induction material for new staff	March 2013	BT	Review and development of existing arrangements in liaison with HR
Fraud awareness training for relevant staff	Utilise the fraud awareness e-learning training developed by the National Fraud Authority	Ongoing	BT	
KEY ISSUES				
Review of current arrangements to identify areas for improvement	Completion of Fraud and Corruption Self Assessment Checklist	Annual review	DSH	
Monitoring of this action plan	Monitor and report progress to Audit and Governance Committee	Ongoing	BT	
Payroll controls	Procedures in place Annual internal audit review	Annual review	TM IAM	Review new shared service payroll arrangement once it has been implemented
Recruitment procedures	Appropriate counter-fraud checks are already in place	Annual Review	TM IAM	Check compliance with and effectiveness of existing procedures
REPORTING				
Audit and Governance Committee	Receive regular reports on counter-fraud arrangements	Ongoing	BT	Regular reporting of issues to Audit and Governance Committee
Audit Commission Annual Fraud and Corruption survey	Report on numbers and types of fraud and emerging issues	May 2013	BT	

	Main means to achieve effectiveness	Target date	Lead Officer	Further action required
Portfolio holder	Receive regular reports of counter fraud activity	Ongoing	IAM BT	Regular reporting

NOTE

This plan does not include any measures in relation to Revenues, Benefits and IT Services which are being considered through a separate process

Lead Officers

BT Borough Treasurer
IAM Internal Audit Manager
ADHPM Assistant Director Housing and Property Maintenance
TM Transformation Manager
DSH Heads of Service

Audit & Governance Committee Work Programme – 25 September 2012

Date	Training (commencing 6.30pm)	Reports
29 January 2013	Risk Management	<ol style="list-style-type: none"> 1. Risk management Framework 2. Internal Audit Activities – Quarterly Update 3. Regulation of Investigatory Powers Act quarterly monitoring of use of powers
26 March 2013	Contract Procedure Rules	<ol style="list-style-type: none"> 1. Internal Audit Plan 2013/14 2. Local Code of Governance 3. Treasury Management 4. Internal Audit Activities – Quarterly Update 5. Regulation of Investigatory Powers Act quarterly monitoring of use of powers.
June 2013	Financial Regulations	<ol style="list-style-type: none"> 1. Annual Governance Statement 2. Statement of Accounts 3. Internal Audit Activities – Quarterly Update 4. Internal Audit Activities – Annual report 5. Regulation of Investigatory Powers Act quarterly monitoring of use of powers.
September 2013	???????????	<ol style="list-style-type: none"> 1. Annual Governance Report 2. Internal Audit Mid-Year Review 3. Approval of Statement of Accounts 4. Regulation of Investigatory Powers Act quarterly monitoring of use of powers 5. Annual Review - Anti-Fraud, Bribery and Corruption Policy

NOTE Additional reports will be added to the Work Programme once the arrangements with Grant Thornton are made clear.