



Audit and Governance Committee

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MEMBERS: Councillor Ungar (Chairman); Councillor Mattock (Deputy-Chairman); Councillors Cooke, Ede, Harris, Heaps, Taylor and Tester

Agenda

- 1 Minutes of the meeting held on 24 September 2014 - Previously circulated.**
- 2 Apologies for absence.**
- 3 Declarations of Disclosable Pecuniary Interests (DPIs) by members as required under Section 31 of the Localism Act and of other interests as required by the Code of Conduct.**
- 4 Questions by members of the public.**

On matters not already included on the agenda and for which prior written notice has been given (total time allowed 15 minutes).

5 Urgent items of business.

The Chairman to notify the Committee of any items of urgent business to be added to the agenda.

6 Right to address the meeting/order of business.

The Chairman to report any requests received to address the Committee from a member of the public or from a Councillor in respect of an item listed below and to invite the Committee to consider taking such items at the commencement of the meeting.

7 Update: Individual Electoral Registration.

Electoral & Land Charges Manager to give a verbal presentation.

8 Update: Members and Standards. (Pages 1 - 4)

Report of Monitoring Officer.

9 Update: The Regulation of Investigatory Powers Act (RIPA) and related legislation. (Pages 5 - 6)

Report of Monitoring Officer.

10 Annual Audit Letter 2013/14. (Pages 7 - 14)

Report of External Auditors BDO.

11 Internal Audit Report to 30th September 2014. (Pages 15 - 86)

Report of Internal Audit Manager.

12 Treasury Management Mid-year Review Report. (Pages 87 - 96)

Report of Chief Finance Officer.

Inspection of Background Papers – Please see contact details listed in each report.

Councillor Right of Address - Councillors wishing to address the meeting who are not members of the Committee must notify the Chairman in advance.

Public Right of Address – Requests by members of the public to speak on a matter which is listed in this agenda must be **received** in writing by no later than 12 Noon, 2 working days before the meeting e.g. if the meeting is on a Tuesday, received by 12 Noon on the preceding Friday). The request should be made to Local Democracy at the address listed below. The request may be made by letter, fax or e-mail. For

further details on the rules about speaking at meetings please contact Local Democracy.

Disclosure of interests - Members should declare their interest in a matter at the beginning of the meeting, and again, at the point at which that agenda item is introduced.

Members must declare the existence and nature of any interest.

In the case of a DPI, if the interest is not registered (nor the subject of a pending notification) details of the nature of the interest must be reported to the meeting by the member and subsequently notified in writing to the Monitoring Officer within 28 days.

If a member has a DPI or other prejudicial interest he/she must leave the room when the matter is being considered (unless he/she has obtained a dispensation). If a member has a DPI he/she may not make representations first.

Further Information

Councillor contact details, committee membership lists and other related information is also available from Local Democracy.

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Agenda Item 8

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	3 December 2014
Subject:	Members and Standards: an update
Report Of:	LAWYER TO THE COUNCIL AND MONITORING OFFICER
Ward(s)	All
Purpose	To assist the Audit and Governance Committee in fulfilling its obligations in relation to member standards.
Recommendations:	That the Committee note the following: <ul style="list-style-type: none">• The information supplied to it regarding complaints against members, dispensations issued to members and also member training on Standards• The update provided on Standards-related matters
Contact:	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

1.0 Background

1.1 Members will recall their longstanding invitation to the Monitoring Officer to provide quarterly updates on Standards-related matters. This report aims to provide such an update to this Committee in order to assist it in discharging its role in leading and overseeing standards of conduct at this authority.

2.0 Complaints

2.1 No new formal complaints against members have been received in during this quarter. As none remain outstanding from previous quarters, no complaints await determination at time of writing.

3.0 Dispensations

3.1 No new dispensations have been applied for since the last quarterly report.

4.0 Member Training

4.1 As members are aware, one element of the Committee's remit is to review member training and development across all areas.

4.2 In October 2014, members of Licensing Committee attended a training session run by the Lawyer to the Council which amongst other things provided a recap both on the Code of Conduct and also on decision-making in a Committee environment. This session was open to all members who are involved in decision-making. Although take-up of the training by non-

Licensing Committee members was not high, the feedback of those who did attend was markedly positive. This has reinforced plans to ensure that those elements which members found particularly useful - such as the discussion of problem scenarios - features consistently in future standards training for all members. Plans are currently being formulated for induction sessions for any new members who are in post after May 2015, while future rounds of member training during the next financial year are also being formulated.

- 4.3 No further training on Standards-related issues has taken place during the last quarter.

5.0 Update on Standards related matters

- 5.1 Sir Paul Bew, Chair of the Committee on Standards in Public Life ('the CSPL'), has recently emphasised the need for a broader conception of standards in the context of certain recent controversies about the Government's handling of two high-profile appointments. While the news stories on conflicts of interests and transparency which have hit the headlines in recent months do not involve local government and in any event raise issues which have not arisen at this authority, the principles are the same. Sir Bew's emphasis on a broader approach to standards to include the potential conflicts of interests of external appointees is relevant to all public bodies. This Committee will be mindful that unless potential issues are explored fully at the outset and transparency ensured throughout government then it is likely to result in an adverse impact on public confidence overall.
- 5.2 Members will recall that CSPL started a watching brief on the efficacy of local authorities' standards arrangements following implementation of the 2011 Localism Act. In its 2013-14 annual Report, the CSPL notes with approval the positive results of a snapshot survey (a survey in which this authority participated) of the arrangements at a number of authorities for member induction and training. While CSPL will continue to monitor the situation due to its ongoing concerns that standards in local government remain a matter of self-regulation, this authority has put in place robust arrangements for overseeing the conduct of members. Compliance with the Code of Conduct, member training and other matters relevant to the promotion of good standards of ethical conduct are all overseen by this Committee, which is equipped by means of regular training and updates such as this one to take action should issues arise.
- 5.3 On an unrelated topic, this Committee has previously noted the challenges inherent in a context where local authorities are exploring innovative ways of delivering public services, whether in partnership or otherwise. A different and more commercial skillset than hitherto is required from both officers and also from members. The CSPL has taken up a different aspect of the same story. It has published research which highlights the public's desire that the same ethical standards should be upheld by any organisation providing public services, regardless of sector. In a report directed primarily at central government, they recommend that proportionate ethical standards are made explicit in the commissioning, contracting and monitoring of the arrangements whereby public services are delivered on behalf of the

taxpayer. The emphasis is on the need to ensure adherence to ethical behaviour not just in those commissioning of external providers but also in those selected to deliver services. This is a message which is being communicated to those with responsibility for agreeing the terms of service commissioning on behalf of this authority.

6.0 Consultation

6.1 There has been no consultation.

7.0 Resource Implications

7.1 None.

8.0 Financial

8.1 None.

9.0 Staffing

9.1 None.

10.0 Conclusion

10.1 Authorities must have in place arrangements to monitor member conduct and to promote effective decision-making. It also a requirement that steps be taken to promote high standards of conduct. This report aims to assist this Committee in discharging its responsibilities in this regard.

Victoria Simpson
LAWYER TO THE COUNCIL AND MONITORING OFFICER

Appendices:

None

Background Papers:

Previous reports and minutes of this Committee.

The Constitution of Eastbourne Borough Council

Articles in the Local Government Lawyer, as well as an article in the national press by Lord Bew: http://www.theguardian.com/public-leaders-network/2014/nov/14/lord-bew-standards-in-public-life-conflict-interest-fiona-woolf?CMP=twg_gu

The 2013/14 annual report of the Committee on Standards in Public Life, published in September 2014:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/358202/Annual_Report_241014_CSPL_Final__V2_.pdf

CSPL Report on Ethical standards for providers of public services:
<https://www.gov.uk/government/collections/ethical-standards-for-providers-of-public-services>

Agenda Item 9

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	3 December 2014
Subject:	The Regulation of Investigatory Powers Act and related legislation: update on the authority's usage of its powers
Report Of:	LAWYER TO THE COUNCIL AND MONITORING OFFICER
Ward(s)	All
Purpose	To assist the Audit and Governance Committee in monitoring the authority's usage of its powers under the Regulation of Investigatory Powers Act
Recommendations:	That the Committee note that no applications were made by officers of this authority to engage in activity regulated by the Regulation of Investigatory Powers Act during the quarter leading up to 1 December 2014.
Contact:	Victoria Simpson, Lawyer to the Council and Monitoring Officer, Telephone 01323 415018 or internally on extension 5018. E-mail address: victoria.simpson@eastbourne.gov.uk

1.0 Background

- 1.1 Members will recall that the Audit and Governance Committee has agreed to receive quarterly reports on the authority's usage of its powers to conduct covert surveillance and to access communications data pursuant to the Regulation of Investigatory Powers Act.

2.0 Usage of the powers available to Eastbourne Borough Council to conduct covert surveillance under the Regulation of Investigatory Powers Act

- 2.1 The quarterly returns compiled for the period 1/09/2014 to 1/12/2014 include the following data:

RIPA applications for the use or conduct of a CHIS:

Nil applications by either EBC or by partner organisations with which the authority is working on relevant matters.

RIPA applications for authorised surveillance:

Nil applications made by either EBC or by partner organisations with which the authority is working on relevant matters.

RIPA applications for communications data use and acquisition:

Nil applications made by either EBC or by partner organisations with which the authority is working on relevant matters.

2.2 The Committee will note that the returns for this quarter are consistent with EBC's infrequent recourse to the powers available to it under RIPA in recent years.

3.0 Consultation

3.1 None.

4.0 Resource Implications

4.1 None.

5.0 Financial

5.1 None.

6.1 Staffing

6.2 None.

7.0 Conclusion

7.1 This report updates the Committee on the authority's arrangements for the usage of its powers to conduct covert surveillance and to access communications data when circumstances merit. The report helps this Committee ensure that the authority applies a robust approach which balances its enforcement responsibilities with the requirement to act at all times in a proportionate and human rights-compliant way.

Victoria Simpson
LAWYER TO THE COUNCIL AND MONITORING OFFICER

Appendices

None

Background Papers:

Previous reports and minutes of this Committee and of Cabinet.

Articles in the Local Government Lawyer

Resources available from the Officer of the Surveillance Commissioner and from the Interception of Communications Commissioner

EASTBOURNE BOROUGH COUNCIL

Annual Audit Letter 2013/14

October 2014



EXECUTIVE SUMMARY

Background

This Annual Audit Letter summarises the key issues arising from the work that we have carried out during the year. It is addressed to the Council but is also intended to communicate the significant issues we have identified to external stakeholders and members of the public.

Responsibilities of auditors and the council

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business and that public money is safeguarded and properly accounted for.

Our responsibility is to plan and carry out an audit that meets the requirements of the Audit Commission's Code of Audit Practice (the Code). Under the Code, we are required to review and report on:

- the Council's Statement of Accounts
- whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

We are also required to review and report on the Council's Annual Governance Statement, Whole of Government Accounts (WGA) submission, whether we have exercised our statutory powers under the Audit Commission Act 1998 in any matter, and our grant claims and returns certification work.

We recognise the value of your co-operation and support and would like to take this opportunity to express our appreciation for the assistance and co-operation provided during the audit.

BDO LLP
22 October 2014

STATEMENT OF ACCOUNTS

1

We issued an unqualified true and fair opinion on the financial statements on 24 September 2014.

Five material misstatements were identified as a result of our audit, which have been corrected in the revised financial statements and have reduced the deficit for the year by £23.241 million. However, as these corrections all relate to capital items which are subsequently reversed through reserves, there is no impact on the closing General Fund or HRA balance.

There are four unadjusted audit differences identified by our audit work which would decrease the revised deficit on the provision of services by £748,000 to £1.701 million (from £2.449 million).

We did not identify any significant deficiencies in controls although we have reported that improvements should be made regarding accounting for significant capital expenditure on council dwellings and for accounting for replacement of significant components.

USE OF RESOURCES

2

We issued an unqualified value for money conclusion on 24 September 2014.

The Council maintains healthy levels of earmarked reserves and balances. The budget for 2014/15 includes a savings requirement of £1.6 million which it plans to achieve through a combination of efficiency savings, income generation schemes and reduced contribution to reserves of £0.8 million. The Council continues to challenge the way services are delivered in response to addressing the medium term financial position.

OTHER MATTERS

3

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with Delivering Good Governance in Local Government (CIPFA / SOLACE).

The Council's WGA submission is below the threshold for audit and we are required only to review the total amounts included in the Data Collection Tool for property, plant and equipment and for the net pension liability. The original submission was consistent with the draft financial statements although will require resubmission to reflect the amendments to the final audited financial statements.

GRANT CLAIMS AND RETURNS CERTIFICATION

4

We have completed our review of the Housing Pooled Capital Receipts return and have no matters to report. Our work on the Housing Benefits subsidy claim for 2013/14 is in progress.

STATEMENT OF ACCOUNTS

1

OPINION

We issued an unqualified true and fair opinion on the financial statements on 24 September 2014.

Financial performance

The Council reported a deficit on the provision of services of £2.449 million.

After adjusting for items in the Movement in Reserves Statement, the Council reported a surplus on the General Fund of £2.612 million before transfers to earmarked revenue reserves of £1.844 million, resulting in a net increase to the General Fund balance of £0.768 million. The HRA reported a surplus of £0.525 million after transferring £0.553 million to earmarked revenue reserves.

Financial statements

The draft Statement of Accounts was prepared and provided to us for audit on 30 June 2014. A comprehensive file of audit working papers was also provided.

Five material misstatements were identified and corrected in the financial statements. These corrections reduced the reported deficit for the year by £23.241 million. These misstatements also impacted on amounts reported in prior years and corrections were also made to the previous year's financial statements.

However, as these corrections all relate to capital items which are subsequently reversed through reserves, there is no impact on the closing General Fund or HRA balance.

There are four remaining unadjusted audit differences identified by our audit work which would decrease the revised deficit on the provision of services by £0.748 million to £1.701 million (from £2.449 million).

We consider that these misstatements did not have a material impact on our opinion on the financial statements.

Internal controls

We did not identify any significant deficiencies in controls.

However, we found that the Council incurred expenditure of £18.183 million on the refurbishment of its housing stock in the last three years which was written off as impairment in the current year on the grounds that management considered that it did not add any enhanced value to the properties.

The financial reporting standard for property, plant and equipment requires that asset components are derecognised when they are replaced. The Council had not derecognised any of the items replaced in the refurbishment work as these were not separately identifiable.

Amendments have been made to correct amounts capitalised in previous years where this expenditure replaced components that continued to be included in the valuation of dwellings.

We have recommended that the Council should review its procedures for accounting for significant capital expenditure on council dwellings, to ensure that replaced components are appropriately removed from the valuation of dwellings.

USE OF RESOURCES

2 CONCLUSION

We issued an unqualified value for money conclusion on 24 September 2014.

Our principal work in arriving at our value for money conclusion was comparing the Council's performance against the requirements specified by the Audit Commission in its guidance:

- the organisation has robust systems and processes to manage financial risks and opportunities effectively, and to secure a stable financial position that enables it to continue to operate for the foreseeable future
- the organisation is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Financial resilience

Clear leadership has been shown on financial governance matters through the work of the Cabinet and the management team to respond to the Government's spending review.

The Medium Term Financial Strategy (MTFS) and Capital Strategy identify and direct resources at a strategic level, which are then developed through the service and financial planning and budget setting process.

The Council maintains healthy levels of earmarked reserves and balances. The MTFS was updated and approved by Cabinet during the year to cover the four year period to 2017/18. This identified a base funding gap of £3.6 million over the period, to be met by a combination of efficiency savings of £2.2 million and procurement savings of £1.4 million.

In 2013/14 planned savings of £1.5 million were achieved of which £1 million related to the waste and street cleaning contract. The budget for 2014/15 includes a savings requirement of £1.6 million to be met from efficiency savings, income generation schemes and reduced contribution to reserves. Management has reported that a significant level of savings required for the medium term has already been identified and that the change programmes in place under the Council's transformation programme (DRIVE) and Sustainable service delivery programme (SSDS) are projected to deliver savings in excess of the minimum requirement in order to create headroom for investment in priority services.

The Council incurred a deficit of £3 million on business rates in the Collection Fund in 2013/14. This was largely due to a higher than anticipated provision for outstanding appeals and the fact that the government made changes to small business rate reliefs after the Council had set its collection fund estimates.

Challenging economy, efficiency and effectiveness

The Council continues to challenge the way services are delivered in response to addressing the medium term financial position.

Key focus areas in the medium term continue to include:

- ensuring that financial benefits continue from the Sustainable Service Delivery Strategy
- rationalising and renegotiating external contracts through the work on procurement
- monitoring both cost and performance to demonstrate that despite significant reductions in costs, services continue to deliver services in line with corporate priorities.

Performance towards key projects underpinning achievement of the Council's four cross cutting themes (a prosperous economy, quality environment, thriving communities and sustainable performance) is regularly monitored by the Cabinet through the quarterly Corporate Performance Report.

Performance in 2013/14 illustrates that the Council continues to make improvements in many areas, although there remains scope to deliver improvement in some areas.

Partnership working with other public sector organisations and the voluntary and community sector underpins the Council's approach to value for money. The Council Plan contains clear commitments to partnership working in providing services to local people.

OTHER MATTERS

3

REPORT BY EXCEPTION

We have no other matters to report.

Annual Governance Statement

We are satisfied that the Annual Governance Statement is not inconsistent or misleading with other information we were aware of from our audit of the financial statements and complies with Delivering Good Governance in Local Government (CIPFA / SOLACE).

Whole of Government Accounts

The Council's WGA submission is below the threshold for audit and we are required only to review the total amounts included in the Data Collection Tool for property, plant and equipment and for the net pension liability.

The original submission was consistent with the draft financial statements although will require resubmission to reflect the amendments to the final audited financial statements.

GRANT CLAIMS AND RETURNS CERTIFICATION

4

CERTIFICATION WORK

The 2012/13 Housing and Council Tax Benefit subsidy claim was subject to qualification.

Certification findings 2012/13

We presented our most recent Grant claims and returns certification report in February 2014, which included the results of the audited returns for 2012/13.

We certified three returns amounting to over £93 million. The Housing Pooled Capital Receipts return and National non-domestic rates return were certified without amendment or qualification.

Our audit of the Housing and Council Tax Benefits subsidy claim found a number of errors in processing benefit claims, classification of overpayments and the reconciliation of benefit entitlement claimed and that paid to claimants. DWP wrote to the Council to state that it intends to withhold £19,817 of subsidy and to seek assurances that these issues will be addressed in 2013/14. The Council responded on 21 January to confirm that non HRA tenancy type classifications will be reviewed and a monthly review of overpayments will be undertaken and additional training provided where necessary.

Work in progress for 2013/14

We have completed our review of the Housing Pooled Capital Receipts return and have no matters to report. There is no requirement to audit the National non-domestic rates return in 2013/14.

Our work on the Housing Benefits subsidy claim for 2013/14 is in progress.

We will report the findings from this work in December 2014.

APPENDIX

Reports issued

We issued the following reports during the year.

REPORT	DATE
Planning letter	April 2013
Grant Claims and Returns Certification Report	February 2014
Audit Plan	March 2014
Final Audit Report	September 2014
Annual Audit Letter	October 2014

Fees update

We reported our original fee proposals in our Audit Plan issued in March 2014. Our fees to date and any variance to the original proposal are shown below.

AUDIT AREA	PROPOSED FEES £	FEES UPDATE £
Scale fee	88,920	88,920
Certification work	12,592	<i>(note 1)</i> 12,592
Total fees for audit services	101,512	101,512
Non audit fees		
- Decent homes backlog funding claim	-	2,000
- Tax subscription service	2,500	2,500

Note 1 - Our work on the audit of the grant claims and other returns for 2013/14 is in progress and we will report the findings from this work and the final fees separately.

Certification work fees have reduced from £22,350 in 2012/13 to £12,592 to reflect the reduced work required for housing benefits, council tax benefits and NDR income. In previous years, we were able to take assurances of amounts included in the financial statements for council tax benefits (now local council tax reduction scheme) and NDR net yield from this work. As a result, we have had to undertake additional testing on the financial statements this year and we are currently discussing with the Audit Commission a small increase in the scale fee. We will report the final fee outturn once this has been agreed with management and the Audit Commission.

The matters raised in our report prepared in connection with the audit are those we believe should be brought to your attention. They do not purport to be a complete record of all matters arising. This report is prepared solely for the use of the council and may not be quoted nor copied without our prior written consent. No responsibility to any third party is accepted.

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Agenda Item 11

Body:	AUDIT AND GOVERNANCE COMMITTEE
Date:	3rd DECEMBER 2014
Subject:	Internal Audit Report to 30 th September 2014
Report Of:	Internal Audit Manager
Ward(s)	All
Purpose	To provide a summary of the activities of Internal Audit for the second quarter of the financial year 2014/15.
Recommendation(s):	<p>That the information in this report be noted and members identify any further information requirement and timescales.</p> <p>That the committee consider and rank, in terms of importance, the outstanding reviews.</p> <p>That the committee consider and agree the updated Anti-Fraud and Corruption Policy and the new Corporate Fraud Strategy.</p>
Contact:	Jackie Humphrey, Internal Audit Manager, Telephone 01323 415925 or internally on extension 5925. E-mail address jackie.humphrey@eastbourne.gov.uk

1.0 Introduction

- 1.1 The work of Internal Audit is reported on a quarterly basis to demonstrate work carried out compared to the annual plan and to report on the findings of audit reports issued since the previous meeting of the committee.
- 1.2 The annual audit plan for 2014/15 was agreed by the Audit and Governance Committee in March 2014.

2.0 Review of work in the second quarter of the financial year 2014/15.

- 2.1 A list of all the audit reports issued in final from 1st April to 30th September 2014 is as follows:

Benefits (Annual 2013/14)	Performing Well
Cash and Bank (Annual 2013/14)	Performing Excellently
Council Tax (Annual 2013/14)	Performing Excellently
Creditors (Annual 2013/14)	Performing Excellently
Debtors (Annual 2013/14)	Performing Excellently
Main Accounting (Annual 2013/14)	Performing Well
NNDR (Annual 2013/14)	Performing Excellently

Payroll (Annual 2013/14)	Performing Excellently
Treasury Management (Annual 2013/14)	Performing Well
IT (Annual 2013/14)	Performing Excellently
Theatres Reconciliation (Annual 2013/14)	Performing Well
Events	Performing Adequately
GIS LLPG	Performing Adequately
Daily Cash Reconciliations	Performing Well
Risk Management	Performing Well
Housing Rents (Annual 2013/14)	Performing Excellently
Tourist Information Centre	Performing Adequately
BACAS Cemeteries System	Performing Excellently

Levels of Assurance - Key

Performing inadequately	Major weaknesses. Insufficient controls in place or controls not being applied. Fundamental improvements required. – High risk.
Performing adequately	Some important weaknesses. Key controls need to be improved. – Medium to high risk.
Performing well	Important strengths but some areas for improvement. – Medium to low risk.
Performing excellently	Major strengths. Minor or no recommendations. A good example of internal control. – Low risk.

2.2 Appendix A shows the work carried out against the annual plan to the end of September 2014. The following comments explain the main points to be noted from the table:

- Annual audits for BDO – The number of days taken to carry out the work currently refers to work which relates to the last financial year but which was carried out in this year.
- Government Connect – this was originally carried out as four separate reviews but these were collated into one this year. The review took longer than was anticipated.

2.3 It should be explained that it is highly unlikely that all the reviews on the plan will be completed this year. This is due to the IT Auditor leaving, the new member of staff being trained and work being undertaken to set up the Corporate Fraud team.

The IT Auditor could not begin new reviews before her departure but did complete what had been started and collated some working programmes for our future use. The work that she carried out on the National Fraud Initiative has been passed to another Internal Auditor and has, consequently, slightly impacted on their time in carrying out their own reviews.

The Internal Audit Manager is training the new Auditor which limits time which could be spent on trying to complete other reviews on the plan. Added to this is the time spent on ensuring that plans are progressing in setting up the new Corporate Fraud team.

After Christmas work must begin on the annual reviews which must be completed for the external auditors to review.

At this stage it is not yet possible to state exactly how much will not be completed. The work listed in Appendix A is to the end of September and work has since been commenced on other reviews.

Below is a list of reviews not yet commenced in order of risk based on the risk assessment carried out at the end of the last financial year.

RISK LEVEL AND SCORE	REVIEW	LAST AUDITED
Medium - 31	Leasing and Licensing	March 2011
Medium - 30	Planning System	New system not audited
Medium - 28	Waste	August 2005
Medium - 24	Customer Contact	Not previously audited
Medium - 24	Internet Controls	September 2006
Low - 19	Change Controls	December 2009
Low - 17	Elections Computer System	March 2004
Requested after plan	Backup and Storage	Not previously audited
Requested after plan	Right to Buy (EBC side)	Not previously audited

Points to note are:

- Change Controls and Elections Computer Systems are both low risk but were included in the plan because of how long ago they were last audited.
- Waste contract was last specifically audited in 2005. However, since that date other cross cutting reviews of contracts have been undertaken.
- Backup and Storage and Right to Buy did not appear on the original plan but were requests for work early in the financial year.

If the committee agrees then any time available will be spent on reviews in the order in which they have been listed above. It can be assured that any reviews which are not carried out this year will automatically be transferred into next year's audit plan.

- 2.4 Appendix B is the list of all reports issued in final during the year which were given an assurance level below "Performing Excellently", with any issues highlighted in the reviews which informed the assurance level given. NB. These are the assurance levels that were given at the time the final report was issued and do not reflect recommendations that have been addressed.
- 2.5 Appendix C shows the outstanding high and medium priority recommendations from audits and the reasons why they have not been implemented along with the month when the next follow up is due.

There are just three items to point out in Appendix C. The first is Corporate Complaints. A follow up is actually overdue. However, there needs to be a

critical mass of cases in order to carry out testing. As this has not been reached the follow up has been postponed until December.

Secondly, a review was also due for Business Continuity Planning. Progress on this was awaiting the outcome of talks with iESE and Lewes. Discussions are currently ongoing with Lewes.

Lastly, the original review of Records Management was carried out in April 2013. A further review has been carried out by a consultant and requires substantial work to put in place. It is therefore proposed to not carry out any further follow ups but to undertake a new review once the new processes are in place.

- 2.6 Where the column "priority" in Appendix C shows "High" the outstanding recommendations, and client comments from the report, have been listed at Appendix D. Appendix D is designated as "Confidential" to reduce the risk of opportunities to commit fraud. It should be noted that the recommendations listed were outstanding at the time of the last follow up review. If they have been addressed since this time this will not be noted or reported until the next follow up review is carried out.

3.0 Frauds over £10k

- 3.1 It is a requirement that frauds over £10k are reported to our external auditors. Usually such frauds are only found by the Benefit Fraud section however a request is now also sent quarterly to Eastbourne Homes Ltd to ask them to confirm whether they have been aware of any frauds over £10k within that quarter.
- 3.2 The Benefit Fraud section now report these frauds to Internal Audit on a quarterly basis and these are passed on to the external auditors.
- 3.3 One benefit fraud of over £10k was reported in the second quarter of 2014/15. The details are given below:

Overpayments over £10,000 between 01/07/14 and 30/09/14					
Suspected Fraud	Proven Fraud	Source of Info	Completed	Progress & Outcome	Over payment
Undeclared Capital	Undeclared Capital	Anon letter	04-09-14	Proven-being repaid	£13,380.05

4.0 Corporate Fraud

- 4.1 Work has been ongoing to prepare for the transfer of staff from the Benefit Fraud team to the new Corporate Fraud team as of 1st November.

The Fraud Investigations Manager has been working on updating job descriptions and person specifications for the team and these are currently with HR.

- 4.2 The Anti Fraud and Corruption Policy has been updated to reflect the new

team and is attached for approval. The amendments are just the addition of references to the new team and a whole paragraph under section 3 on page 9 of the policy.

- 4.3 Additionally a Corporate Fraud Policy (see attached) has been written to explain the culture, objectives and role of the Corporate Fraud team. It also states how work will be monitored and reported and lists the areas within the scope of work to be carried out. This policy will be reviewed annually.

Currently there are areas of work such as the remit of the SPOC post and the work on Housing Benefits Pensions that have not yet been clarified by the DWP. It is therefore requested that the policy be adopted as it currently stands and once better information is received from the DWP the policy will be fully updated and brought back to the committee for approval.

- 4.4 Progress against the action plan included in the report to committee in September is attached at Appendix G.

5.0 Eastbourne Homes Limited

- 5.1 Eastbourne Homes are currently considering options for provision of Internal Audit Services as their current contract is nearing the end of its term. The Council's Internal Audit function has been requested to provide a business case to propose providing this service. If the proposal is accepted it is anticipated that a 0.5 FTE would be required to cover the extra audit work. Audit plans would take into account both areas of work for reporting purposes.

6.0 Consultation

- 6.1 Respective Service Managers and Heads of Service as appropriate.

7.0 Resource Implications

- 7.1 Financial – Delivered within the approved budget for Internal Audit
- 7.2 Staffing – None directly as a result of this report.

8.0 Other Implications

- 8.1 None

9.0 Summary of Options

- 9.1 None

10.0 Recommendation

- 10.1 That the information in this report be noted and members identify any further information requirement and timescales.

That the committee consider and rank, in terms of importance, the outstanding reviews.

Jackie Humphrey
Internal Audit Manager

Background Papers:

The Background Papers used in compiling this report were as follows:

None

			Planned days	Actual days	Reason for Variance
CORE ANNUAL AUDITS	Benefits	Governance	15	7.2	Work relating to 13/14 review
	Cash and Bank	Governance	10	0.4	Work relating to 13/14 review
	Council Tax	Governance	10	2	Work relating to 13/14 review
	Creditors	Governance	15	0.2	Work relating to 13/14 review
	Debtors	Governance	15	0.1	Work relating to 13/14 review
	Housing Rents	Governance	15	4.7	Work relating to 13/14 review
	Main Accounting	Governance	10	5.2	Work relating to 13/14 review
	NNDR	Governance	10	1	Work relating to 13/14 review
	Payroll	Governance	10	3.8	Work relating to 13/14 review
	Treasury Management	Governance	10	0.8	Work relating to 13/14 review
	IT	Governance	4	0.2	Work relating to 13/14 review
	Theatres Reconciliation	Governance	5	2.2	Work relating to 13/14 review
	Claims work		80	69.4	

Contingency		25		
NFI		20	8.4	
Special Investigations/advice		30	15	
Follow ups re audits carried out in previous year		30	20.4	
Consultancy		25		

REQUESTS	Shared Sports Facilities	Review	10	0.2	
	Rent Support Loans	Review	10		
	Corporate Fraud	Consultancy	10	3.7	Some work undertaken on report for CMT New Corp Fraud team now to come under Internal Audit
	Daily Cash Reconciliations	Review	5	3.1	COMPLETED
	Waste	Review	15		
	Petty Cash	Review	10	3.8	Ongoing training with new member of staff

Please turn over

			Planned days	Actual days	Reason for Variance
MEDIUM RISK REVIEWS	Government Connect	IT	10	15.8	Brought 3-4 reviews together for the first time. In draft.
	Software Compliance	IT	5		
	Internet Controls	IT	10		
	Change Controls	IT	5		
	Conference and Group Travel	Review	10	5	
	Tourist Information Centre	Review	10	8	COMPLETED
	Printing	Review/Consultancy	20	7.4	COMPLETED
	Members	Review	15	13	COMPLETED
	CHRIS	IT	5	1.4	
	Elections Computer System	IT	5	1.7	
	Homelessness/Temporary Accommodation	Review	10		
	BACAS Cemeteries Systems	IT	5	4.2	COMPLETED
	Customer Contact	Review	10	1.6	
	Pest control/Public Health Burial	Review	10	10.7	
	Open Spaces	Review	15	5.2	
	Licences	Review	10		
	Car Parking	Review	10	8.1	
	Planning System	IT	10		
Risk Management	Review	10	14.3	COMPLETED and followed up	

CONTINGENCY	Leasing and Licensing	Brought forward	15		
	Backup and Storage	Brought forward	5		
	Right to Buy	Requested after plan agreed	10	0.1	

APPENDIX B**Reasons for original assurance levels given (below Excellent)**

AUDIT REVIEW	ASSURANCE LEVEL	ISSUES NOTED
Benefits	Well	<ul style="list-style-type: none"> • Performance monitoring could be improved – resource issue • Instances of incorrect percentage of Council Tax liability being entered.
Main Accounting	Well	<ul style="list-style-type: none"> • Some reconciliations not being carried out on a monthly basis. • Some reconciliations are not dated nor noted with the name of the person carrying out the reconciliation.
Treasury Management	Well	<ul style="list-style-type: none"> • Evidence of authorisation could not be found for one investment.
Theatres Reconciliation	Well	<ul style="list-style-type: none"> • "Tops and tails" (show details) are not signed and dated to demonstrate a check being carried out.
Events	Adequate	<ul style="list-style-type: none"> • One instance was found of the contract procedure rules not being followed. • Purchase orders are not being raised at the time the order is placed. • GRNs are not being completed as soon as goods and services are received. • No reconciliation is carried out of car parking tickets to income taken. • No reconciliation is carried out of beer festival tokens to income taken. • Copies of receipts for cash taken from traders at events are not retained.
GIS & LLPG	Adequate	<ul style="list-style-type: none"> • Addresses not standardised which could affect implementation of Phase 2 software. • Back-ups are not regularly tested. • There is only one member of staff trained as a system

N.B. The issues noted here may have been addressed since the original report was issued.

APPENDIX B**Reasons for original assurance levels given (below Excellent)**

		administrator.
Risk Management	Well	<ul style="list-style-type: none">• Departmental and operation risk registers are not being regularly reviewed.• Risks relating to large contracts are not recorded on risk registers.• No explanation is given where residual risks remain high.
Daily Cash Reconciliations at Venues	Well	<ul style="list-style-type: none">• Recommendations from the previous review have been addressed. However as there were no variances which required investigations it was not possible to ensure that these were carried out and recorded correctly.
Tourist Information Centre	Adequate	<ul style="list-style-type: none">• There were issues around who could “void” a sale and how these are recorded and monitored.• “No sales” did not appear to be checked.• No records of stock checks are retained although the manager stated that these were undertaken.• Stock rooms left unlocked.

N.B. The issues noted here may have been addressed since the original report was issued.

AUDIT	NUMBER OF RECS		FOLLOW UP DUE	OUTSTANDING RECS		CURRENT POSITION	NOTES RE FOLLOW UP/RECS OUTSTANDING	PRIORITY
	HIGH	MEDIUM		HIGH	MEDIUM			
Leaseholders Recharges	0	3	Jan-15	0	1	Not Yet Due	One recommendation being considered	Medium
IT Policies and Procedures	0	4	Nov-14	0	1	Not Yet Due	Outstanding rec re reviewing a policy - this will be reviewed along with other policies.	Medium
Catering	11	6	Jan-15	4	1	Not Yet Due	Work is progressing	High
Corporate Equality	0	1	Jul-14	0	1	Ongoing	Work is progressing	Medium
Corporate Complaints	0	5	Dec-14	-	-	Not Yet Due	Follow up postponed until December.	
HR Management	0	4	Dec-14	0	2	Not Yet Due	One rec being worked on by IT the other refers to agreements and no new ones have been issued since the report.	Medium
Community Enforcement	1	3	Jul-14	-	-	Ongoing		
Tenancy Management	8	5	Jan-15	0	1	Not Yet Due	Remaining rec reliant on Phase 2	Medium
Business Continuity Planning	0	4	Aug-14	0	4	Overdue	Dependent on IESE/Lewes outcome	Medium
GIS & LLPG	1	2	Mar-15	1	2	Not Yet Due	A lot of work ongoing in IT - will review in 6 months	Medium
Records Management	6	0	Oct-14	6	0	Not Yet Due	The consultants have completed their work and presented to CMT. The scale of change required is significant and requires a dedicated records management resource. The Lawyer to the Council and Monitoring Officer has worked on a job description and person specification. These need to be evaluated and included in a S&FP growth bid or built into Future Model Phase 2 structure.	High
Events	6	3	Oct-14	-	-	Not Yet Due		
Tourist Information Centre	2	4	Dec-14	-	-	Not Yet Due		

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By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

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Eastbourne Borough Council
ANTI FRAUD AND CORRUPTION POLICY



ANTI FRAUD AND CORRUPTION POLICY

Title	Anti Fraud and Corruption Policy
Version	3
Date	Reviewed 31/10/14
Approved By	Audit and Governance Committee
Next Review	October 2015
Author	Internal Audit Manager

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Introduction

Eastbourne Borough Council (the Council) has a responsibility to protect the public funds it administers together with its assets. In administering its responsibilities, the Council is set against fraud and corruption, whether it is attempted on the Council from the outside or inside. It is committed to an effective Anti Fraud and Corruption Policy designed to:

- Encourage prevention
- Promote detection
- Identify a clear pathway for investigation.

The Council is subject to external scrutiny of its affairs by a number of bodies who also have an interest in its policy to combat fraud and corruption. These organisations include:

- Local Government Ombudsman
- Audit Commission and External Auditor
- The Public/Council Tax Payers – Annual Inspection of the Accounts;
- The Public/Service Users – through the Council’s Complaints Procedures
- Central Government Departments and Parliamentary Committees
- H.M. Revenues and Customs

As part of External Audit’s statutory duties they are required to ensure that the Council has in place adequate arrangements for the prevention and detection of fraud and corruption.

The Council’s Anti Fraud and Corruption Policy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act. These cover:

- Culture (Section 1)
- Prevention (Section 2)
- Detection and Investigation (Section 3)
- Training (Section 4)
- Bribery Act 2010
- Whistleblowing Guide (Appendix A).
- Anti-money laundering Guide (Appendix B)

Definitions

Fraud – a person is guilty of fraud if he

- 1)a) dishonestly makes a false representation, or
- b) dishonestly fails to disclose to another person information which he is under a legal obligation to disclose, or
- c) occupies a position in which he is expected to safeguard or not to act against the financial interests of another person and dishonestly abuses that position.

AND

- 2) intends to make a gain for himself or another or to cause loss to another or expose another to the risk of loss.

Theft – a person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it.

Corruption - dishonest or fraudulent conduct by those in a position of responsibility, typically involving bribery

Bribery - as giving or receiving a financial or other advantage in connection with the "improper performance" of a position of trust, or a function that is expected to be performed impartially or in good faith. Bribery does not have to involve cash or an actual payment exchanging hands and can take many forms such as a gift, lavish treatment during a business trip or tickets to an event.

1.0 Culture

1.1 Commitment to Corporate Governance and Organisational Values

The Council is committed to promoting an environment of effective corporate governance (i.e. the systems by which it is directed and controlled) through the openness, integrity and accountability of its Members and officers. These individuals are expected to lead by example by adhering to legally sound and honest procedures and practices.

The Council also expects that the people and organisations (i.e. suppliers, contractors, and service providers) that it comes into contact with will act towards the Council with integrity and without thought or actions involving fraud and corruption.

The Council has made a commitment to achieving these standards through compliance with its agreed Organisational Values. The Anti Fraud and Corruption Policy and other corporate information already available in the Constitution including Rules of Procedure and Codes and Protocols will therefore underpin the Council's attempt to:

- Conduct its business with integrity and impartiality whilst remaining open and accountable
- Make the most efficient and effective use of public resources
- Encourage co-operative and partnership working
- Consult and listen to local people in its planning and decision making activities
- Support, value and develop staff enabling them to continuously improve the quality of services
- Project clear and positive leadership.

1.2 Whistleblowing

The Council's Officers are encouraged by Financial Procedure Rules, Codes of Conduct and other protocol documents to raise any concerns involving fraud and corruption where they are associated with the Council's activities.

Officers are aware that such concerns will be treated in confidence and properly investigated, although anonymity cannot always be guaranteed. Detailed guidance regarding

“whistleblowing” under the Public Interest Disclosure Act 1998 is provided to all Officers as Appendix A to this document.

Members of the public can report any concerns through the same channels as Officers or by additional means including the official complaints procedure, the Fraud Hotline or by contacting their elected Member or the External Auditor.

1.3 Benefit Fraud

As of November 2014 the responsibility for investigation of Benefit Fraud moved to the Department of Work and Pensions.

1.4 Anti Money Laundering

Our policy is to do all we can to prevent, wherever possible, the Council and its staff being exposed to money laundering, to identify the potential areas where it may occur, and to comply with all legal and regulatory requirements especially with regard to the reporting of actual or suspected cases. We cannot stress too strongly, however, that it is every member of staff's responsibility to be vigilant. Detailed guidance is given at Appendix B to this document.

The Internal Audit Manager is responsible for providing training and advice to relevant officers on compliance with Money Laundering legislation.

1.5 Bribery and Other Fraud and Corruption

Management is responsible for ensuring that allegations of bribery or other fraud or corruption are dealt with urgently by referring them immediately to the Chief Executive, Statutory Chief Finance Officer (Section 151 Officer) and the Internal Audit Manager.

Internal Audit or the relevant manager (if within the Disciplinary Procedure) will conduct an investigation ensuring that the Chief Executive and Statutory Chief Finance Officer (Section 151 Officer) are kept informed. Consequently Internal Audit and Management will, if necessary:

- Notify the Council's Insurance Officer
- Implement the Council's Disciplinary Procedure

- Consider possible Police action
- Notify the External Auditor
- Notify the Leader of the Council

Persons who defraud the Council or who are corrupt will be dealt with swiftly and firmly. Likewise perpetrators of unfounded malicious allegations will be dealt with under the Disciplinary Procedure.

The Council does however recognise that anyone being investigated for fraud or corruption could have serious personal difficulties that may have led to the offence. Members of staff can therefore obtain access to advice and support from the Council's Human Resources Section.

2.0 Prevention

2.1 The Role and Responsibilities of Employees

The Council recognises that a key preventative measure in dealing with fraud and corruption is for managers to take effective steps at the recruitment stage to establish, as far as possible, the honesty and integrity of potential employees, whether for permanent, temporary or casual posts. Where references are requested, the candidate's suitability for the post needs to be in accordance with the Person Specification.

The Disclosure and Barring Service (DBS) is able to provide access to criminal record information in respect of candidates for certain sensitive areas of work.

In order to make use of this facility, managers must state on the Person Specification that the post is exempt under the Rehabilitation of Offenders Act 1974 and request Human Resources to seek disclosure from the DBS. Further advice on this procedure can be obtained from Human Resources.

Officers of the Council are expected to follow any Code of Conduct related to their personal Professional Association and also abide by the Council's Code of Conduct for Employees which sets out the Council's requirement on personal conduct. This Code forms part of the Council's Corporate Personnel Standards Handbook and is referred to and attached to all Contracts of Employment.

The Council's induction programme is aimed at ensuring that new staff are familiar with the Code of Conduct, the implication of non-compliance and the declaration of conflicts of interest.

The Council has in place Disciplinary Procedures for all categories of officer.

The role that appropriate officers are expected to play in the Council's framework of internal control will feature in induction and re-induction procedures.

Officers are reminded under the Council's Rules of Procedure that they must declare to the Head of Paid Service any pecuniary (monetary) and non-pecuniary interests in a contract in accordance with Section 117 of the Local Government Act 1972. Declarations are open to the inspection of any Member of the Council during office hours.

2.2 The Role of Elected Members

As elected representatives, all Members have a duty to citizens to protect the Council from all forms of abuse. This is done through the Anti Fraud and Corruption Policy and compliance with the National Code of Conduct for Members, the Council's Rules of Procedure and other relevant legislation.

Elected Members sign to the effect that they have read and understood the National Code of Conduct when they take office. These conduct and ethical matters are specifically brought to the attention of Members during induction and include the declaration and registration of interests.

2.3 Conflicts of Interest

Both Members and employees must ensure that they avoid situations where there is potential for a conflict of interest. Such situations can arise with externalisation of services, tendering and planning and land issues for example. Effective role separation will ensure that decisions made are seen to be based on impartial advice and avoid questions about improper disclosure of confidential information.

2.4 Internal Control Systems

The Council has Rules of Procedure in place that provide a lead and requirement on officers, when dealing with the Council's affairs, to act in accordance with best practice.

The Statutory Chief Finance Officer (Section 151 Officer) has a statutory responsibility under Section 151 of the Local Government Act 1972 to ensure the proper arrangements of the Council's financial affairs.

Accordingly, the Statutory Chief Finance Officer (Section 151 Officer) has developed Financial Codes of Practice and Accounting Instructions which underpin Financial Procedure Rules and outline the system, procedures and responsibilities of Officers in relation to the Council's financial activity. The Statutory Chief Finance Officer (Section 151 Officer) also maintains a Head of Profession role within the Council and, through this, exercises, amongst other things, a quality control on financial administration.

The Council has developed, and is committed to continuing with, systems and procedures that incorporate efficient and effective internal controls. This includes adequate separation of duties to ensure that error or improprieties are prevented. Under Financial Procedure Rules it is required that Heads of Service ensure that such controls, including those in a computerised environment, are properly maintained and effective, and this would include that they are documented. The Council's Internal Audit Service independently monitors the existence, appropriateness, and effectiveness of these internal controls.

2.5. Working with Others

The Council encourages the exchange of information with other organisations in respect of fraudulent and corrupt activities. These organisations include:

- The Police
- The Audit Commission
- The Chartered Institute of Public Finance and Accountancy
- Government Departments
- East Sussex Finance Officers Association
- Society of District Council Treasurers

- Sussex Audit Group (13 authorities)
- Sussex Information Systems Sub Group
- National Anti Fraud Network (NAFN)
- Other Local Authorities and Outside Agencies.
- National Fraud Initiative (NFI) *for data matching*

This collaboration provides a base for combating potential criminal activity of a fraudulent nature against this and other public sector organisations.

3.0 Detection and Investigation

Internal control systems and other preventative measures provide indicators of fraudulent activity and, to some degree, these same procedures deter fraud. In order to augment these checks the Internal Auditors will ensure that their profile within the Council is maintained at a very visible level.

It is the responsibility of Senior Heads of Service, Heads of Service and their managers to prevent and detect fraud and corruption. Nevertheless, it is often the alertness of employees and the public to indicators of fraudulent activity that enables detection to occur and the appropriate action to take place. However, despite the presence of internal controls, it should be recognised that many frauds are discovered by chance or “tip off” (whistleblowing). Consequently the Council has put procedures in place which will enable such information to be properly dealt with. These are shown within the Whistleblowing Guide that forms Appendix A of this policy document.

A Corporate Fraud team has been set up to detect and investigate instances of corporate fraud. Corporate fraud focuses on areas of fraud risk outside of Housing Benefits. These include Housing Tenancy, Single Person Discount, Procurement, Grants, Employee, Insurance and Right To Buy Fraud. By proactively looking for fraud in these areas the Council is able to demonstrate that it is protecting public money. Other areas of counter fraud work will also come under this team, including work on the National Fraud Initiative.

In accordance with the Regulation of Investigatory Powers Act (RIPA) 2000 cases of fraud requiring specific investigation processes, namely direct or covert surveillance, will be properly documented, authorised and reported to the Monitoring Officer.

Any investigation undertaken by Internal Audit and the Corporate Fraud team, or other appropriate Officers, must comply with codes of practice and other regulated powers. All relevant interviews and gathering of evidence must be conducted in accordance with the Police and Criminal Evidence Act 1984, the RIPA 2000, the Human Rights Act 1998 and the Criminal Procedure and Investigations Act 1996.

The Council's Disciplinary Procedures will be used where the outcome of an audit investigation indicates improper behaviour.

Where financial impropriety is discovered, the Council's presumption is that the Police will be called in. The Crown Prosecution Service determines whether a prosecution will be pursued. Referral to the Police is a matter for the Internal Audit Manager, in consultation with the Chief Executive, and relevant Head of Service. Referral to the Police will not prohibit action under the Disciplinary Procedure. External Audit also has powers to independently investigate fraud and corruption, and the Council can use their services for this purpose too. Any cases of corruption or fraud over £10,000 must be reported to the external auditors (on an AF70 form).

4.0 National Fraud Initiative

The National Fraud Initiative is a biennial data matching exercise carried out by the Audit Commission. Data sets are sent to the Audit Commission who match data records held by one organisations to records held by the same or another organisation. This data matching allows potentially fraudulent claims and payments to be identified. Further investigation can be made into the matches produced. The Audit Commission requires the Council to participate in this exercise to assist in the prevention and detection of fraud. The use of personal data is carried out under the Commission's powers in Part 2 of the Audit Commission Act 1998 and therefore does not require the consent of the individuals concerned under the Data Protection Act 1998.

5.0 Covert Surveillance/Covert Human Intelligence Sources

The Regulation of Investigatory Powers Act 2000 (RIPA) was introduced to provide a statutory framework for certain investigative activities to ensure that they comply with Article 8 of the Human Rights Act.

The use of powers under RIPA are laid down in the Council's RIPA policy.

6.0 Fraud Hotline

The Corporate Fraud team will maintain a Fraud Hotline to enable internal and external reports of suspected fraudulent activity to be made. The free fraud Reporting hotline number is: 0800 731 7039. Reports can also be made in writing and online both from the internet and the intranet.

7.0 Redress

The Council will refer to Legal all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets under the Proceeds of Crime Act 2002.

Where an overpayment arising from fraud or other reasons is identified the Council will take steps to recover the resultant debt, including taking action in the Civil Court. If necessary this will be in addition to any sanction it, or the Criminal Courts, may impose in the respect of fraud cases.

8.0 Training

The Council recognises that the continuing success of its Anti Fraud and Corruption Policy will rely on the effectiveness of programmed training and responsiveness of Members and Officers throughout the organisation.

To facilitate this, appropriate provision has been made via induction and refresher training for officers involved in internal control systems to ensure that they are fully aware of their

responsibilities and duties. Specialist training will also be available to certain Members and officers.

9.0 Conclusion

The Anti Fraud and Corruption Policy identifies that the Council has put into place procedures which will assist in the prevention, detection and investigation of fraud and corruption.

The Council will maintain a continuous overview of the arrangements through its officers, particularly the Statutory Chief Finance Officer (Section 151 Officer) via Internal Audit, the Constitution including Rules of Procedure and Codes and Protocols together with Accounting Instructions. This Policy will be subject to review by Internal Audit annually or earlier if necessary to ensure that it is kept up to date.

The Audit and Governance Committee will, as part of its terms of reference, review the effectiveness of anti fraud and corruption arrangements. The Policy will be regularly reviewed by the Committee and any issues arising from concerns raised which will be reported by the Internal Audit Manager.

BRIBERY ACT 2010

Policy Statement - Anti Bribery

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. We have zero-tolerance towards bribery. We aim to maintain anti-bribery compliance as "business as usual", rather than as a one-off exercise.

Objective of this policy

This policy provides a coherent and consistent framework to enable the organisation's employees to understand and implement arrangements enabling compliance. In conjunction with related policies and key documents it will also enable employees to identify and effectively report a potential breach.

We require that all personnel, including those permanently employed, temporary agency staff and contractors:

- 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

Scope of this policy

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.

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

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.

This organisation's commitment to action

This organisation commits to:

- Setting out a clear anti-bribery policy and keeping it up to date
- Making all employees aware of their responsibilities to adhere strictly to this policy at all times
- Training all employees so that they can recognise and avoid the use of bribery by themselves and others
- Encouraging its employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
- Rigorously investigating instances of alleged bribery and assisting police and other appropriate authorities in any resultant prosecution
- Taking firm and vigorous action against any individual(s) involved in bribery
- Provide information to all employees to report breaches and suspected breaches of this policy
- Include appropriate clauses in contacts to prevent bribery.

Bribery

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

The Bribery Act

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)

The Bribery Act 2010

(http://www.opsi.gov.uk/acts/acts2010/ukpga_20100023_en_1)

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

Are we a “commercial organisation”?

The guidance states that a “commercial organisation” is any body formed in the United Kingdom and “...it does not matter if it pursues primarily charitable or educational aims or purely public functions. It will be caught if it engages in commercial activities, irrespective of the purpose for which profits are made.”

We are, therefore, a “commercial organisation”.

What are “adequate procedures”?

Whether the procedures are adequate will ultimately be a matter for the courts to decide on a case-by-case basis. Adequate procedures need to be applied proportionately, based on the level of risk of bribery in the organisation. It is for individual organisations to determine proportionate procedures in the recommended areas of six principles. These principles are not prescriptive. They are intended to be flexible and outcome focussed, allowing for the different circumstances of organisations. Small organisations will, for example, face different challenges to those faced by large multi-national enterprises. The detail of how organisations apply these principles will vary, but the outcome should always be robust and effective anti-bribery procedures.

Proportionate procedures

An organisation’s procedures to prevent bribery by persons associated with it are proportionate to the bribery risks it faces

and to the nature, scale and complexity of the organisation's activities. They are also clear, practical, accessible, effectively implemented and enforced.

Top level commitment

The top-level management are committed to preventing bribery by persons associated with it. They foster a culture within the organisation in which bribery is never acceptable.

Risk Assessment

The organisation assesses the nature and extent of its exposure to potential external and internal risks of bribery and on its behalf by persons associated with it. The assessment is periodic, informed and documented. It includes financial risks but also other risks such as reputational damage.

Due diligence

The organisation applies due diligence procedures, taking a proportionate and risk based approach, in respect of persons who perform or will perform services for or on behalf of the organisation, in order to mitigate identified bribery risks.

Communication (including training)

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

Monitoring and review

The organisation monitors and reviews procedures designed to prevent bribery by persons associated with it and makes improvements where necessary.

This organisation is committed to proportional implementation of these principles.

Penalties

An individual guilty of an offence under sections 1, 2 or 6 is liable:

- On conviction in a magistrates court, to imprisonment for a maximum term of 12 months (six months in Northern Ireland), or to a fine not exceeding £5,000, or to both

- On conviction in a crown court, to imprisonment for a maximum term of ten years, or to an unlimited fine, or both

Organisations are liable for these fines and if guilty of an offence under section 7 are liable to an unlimited fine.

Bribery is not tolerated

It is unacceptable to:

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

Facilitation payments

Facilitation payments are not tolerated and are illegal. Facilitation payments are unofficial payments made to public officials in order to secure or expedite actions.

Gifts and hospitality

This policy is not meant to change the requirements of our Code of Conduct concerning gifts and hospitality.

Public contracts and failure to prevent bribery

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

corruption offence. There are no plans to amend the 2006 Regulations for this to include the crime of failure to prevent bribery.

Organisations that are convicted of failing to prevent bribery are not automatically barred from participating in tenders for public contracts. This organisation has the discretion to exclude organisations convicted of this offence.

Staff responsibilities

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

You must:

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

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

Raising a concern

This organisation is committed to ensuring that all of us have a safe, reliable, and confidential way of reporting any suspicious activity. We want each and every member of staff to know how they can raise concerns.

We all have a responsibility to help detect, prevent and report instances of bribery. If you have a concern regarding a suspected instance of bribery or corruption, please speak up – your information and assistance will help. The sooner you act, the sooner it can be resolved.

There are multiple channels to help you raise concerns. Please refer to the Whistleblowing Guide (Appendix A) and determine your favoured course of action. Preferably the disclosure will be made and resolved internally. Secondly, where internal disclosure proves inappropriate, concerns can be raised with the regulator (e.g. external auditor). Raising concerns in these ways may be more likely to be considered reasonable than making disclosures publicly (e.g. to the media).

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

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

We are committed to ensuring nobody suffers detrimental treatment through refusing to take part in bribery or corruption, or because of reporting a concern in good faith.

If you have any questions about these procedures, please contact Jackie Humphrey, Internal Audit Manager either by phone on (41)5925 or by email at jackie.humphrey@eastbourne.gov.uk or Louise Powell, Corporate Fraud Investigations Manager either by phone on (41) 5340 or by email at louise.powell@eastbourne.gov.uk.

Appendix A

WHISTLEBLOWING GUIDE

FOR

EMPLOYEES OF

EASTBOURNE BOROUGH COUNCIL

Whistleblowing Guide

1.1 Statement of Commitment

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

The Council is committed to the highest possible standards of openness, propriety and integrity. In line with that commitment, staff and others with serious concerns about unlawful conduct, financial malpractice or dangers to employees, the public or the environment are encouraged to come forward and voice those concerns. This Guide makes it clear that staff can do so without fear of reprisals and is intended to encourage and enable staff to raise serious concerns within the Council rather than overlooking a problem or "blowing the whistle" outside.

The Whistleblowing Guide covers all employees of the Council including agency staff, home workers, trainees and contractors.

1.2 Aims and Scope

The Whistleblowing Guide aims to:

- Provide avenues for staff to raise concerns and receive feedback on any action taken
- Allow staff to take the matter further if they are dissatisfied with the Council's response
- Reassure staff that they will be protected from reprisals or victimisation for whistleblowing in good faith

There are existing procedures in place to enable staff to lodge a grievance relating to their employment. This Whistleblowing Guide is intended to cover concerns that fall outside the scope of other procedures.

Eastbourne Borough Council
ANTI FRAUD AND CORRUPTION POLICY
Appendix A

1.3 Safeguards

1.3.1 Prevention of Harassment or Victimisation

The Council recognises that the decision to report a concern can be a difficult one to make, not least because of the fear of reprisal from those responsible for the malpractice. The Council will not tolerate harassment or victimisation and will take action to protect staff when concerns are raised in good faith. This does not mean that if staff who whistleblow are already the subject of disciplinary or other employment related procedures, that those procedures will be halted.

1.3.2 Confidentiality

Whilst the Council gives an assurance that it will not tolerate the harassment or victimisation of anyone raising a genuine concern, it recognises that nonetheless an individual may want to raise a concern in confidence under this policy. The Council will do its best to protect the identity of staff who whistleblow and who do not want their name to be disclosed. However, in some circumstances the investigation process may reveal the source of the information and a statement may be required as part of the evidence.

1.3.3 Anonymous Allegations

This Guide encourages staff to put their name to any allegation they may make. Concerns expressed anonymously are much less powerful, but they may be considered at the discretion of the Internal Audit Manager (in consultation with other Officers as appropriate). In exercising the discretion, the factors to be taken into account would include:

- The seriousness of the issues raised
- The credibility of the concern
- The likelihood of confirming the allegation from attributable sources

Eastbourne Borough Council
ANTI FRAUD AND CORRUPTION POLICY
Appendix A

1.3.4 Untrue Allegations

No action will be taken against staff who make allegations in good faith but which are not confirmed by the investigation. Disciplinary action however may be taken in cases where false or malicious allegations are raised.

1.4 How to Raise a Concern

The reporting route for concerns will depend on the seriousness and sensitivity of the issues and who is thought to be involved. Taking these factors into account staff may approach their Line Manager, their Head of Service, their Senior Head of Service, the Statutory Chief Finance Officer (Section 151 Officer), the Chief Executive or telephone the Internal Audit Manager on 5925. If deemed appropriate staff may invite their trade union or professional association to raise a matter on their behalf.

Concerns are better raised in writing giving the background, history and reason for the concern together with names, dates, places and as much information as possible. If staff do not feel able to put their concern in writing they can telephone or meet the officer they intend reporting to. Where appropriate arrangements can be made for disclosures outside normal working hours.

Staff are encouraged to express their concern at the earliest opportunity so that timely action can be taken.

Although staff will not be expected to prove the truth of an allegation, they should be able to demonstrate that there are sufficient grounds for the concern. If required, further advice and guidance on how matters of concern may be pursued can be obtained from the Internal Audit Manager.

1.5 How the Council Will Respond

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

- Be investigated internally by Management, Internal Audit or Corporate Fraud.

Eastbourne Borough Council
ANTI FRAUD AND CORRUPTION POLICY
Appendix A

- Be referred to the Police
- Be referred to the external auditor
- Form the subject of an independent inquiry.

In order to protect individuals and the Council, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. Concerns or allegations that fall within the scope of specific procedures, for example, discrimination issues, will normally be referred for consideration under those procedures. Some concerns may be resolved by agreed action without the need for investigation.

All concerns received will be acknowledged in writing within five working days. Wherever possible the acknowledgement will:

- Indicate how the matter is proposed to be dealt with
- Give an estimate of how long it will take to provide a final response
- Advise whether any initial enquiries have been made
- Advise whether further investigations will take place, and if not, why not.

The amount of contact between the officers considering the issues and the staff member raising the concern will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, further information will be sought.

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

The Council will take steps to minimise any difficulties which staff may experience as a result of raising a concern. For instance, if staff are required to give evidence in criminal or disciplinary proceedings, advice about the procedure will be given.

The Council does recognise that an officer under investigation is entitled to advice. Contact with the Human Resources Section is recommended.

1.6 How the Matter Can Be Taken Further

This Guide is intended to provide staff with an avenue to raise concerns within the Council. The Council hopes that staff will be satisfied with the way their concerns are dealt with. If they are not, and if they feel it is right to take the matter outside the Council, the following are possible contact points:

- A local Council Member
- The External Auditor
- Relevant professional bodies or regulatory organisations
- A solicitor
- The Police.

In instances where staff do decide to take the matter outside the Council they must always ensure that, in the first instance, the Council has been given an opportunity to fully investigate the issues raised. The member of staff will also need to ensure that confidential information is not disclosed or that disclosure would be privileged. (Check with the contact point about that.)

1.7 Independent Advice

If you are unsure whether to use this procedure or you want independent advice at any stage, you may contact:

- Your Union or Professional Association
- Public Concern at Work (020 7404 6609). This is an independent charity that provides free advice for members of staff who wish to express concerns about fraud or other serious malpractice
- The Audit Commission's Whistleblowers Hotline (0303 444 8346)

1.8 The Responsible Officer

The Internal Audit Manager has overall responsibility for the maintenance and operation of this Guide. That officer maintains a record of concerns raised and the outcomes, but in a form which does not endanger confidentiality, and will report as necessary to the Council.

Whistleblowing Summary

If you suspect fraud or corruption at the Council, please follow the following simple guidelines.

Do:

- Make an immediate note of your concerns
- Convey your suspicions to someone with the appropriate authority and experience
- Deal with the matter promptly

Don't:

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

Rules for Making a Disclosure

- Disclosures of information must be made in good faith
- You must believe the information to be substantially true
- You must not act maliciously or make false allegations
- You must not seek any personal gain.

ANTI-MONEY LAUNDERING GUIDE

FOR
EMPLOYEES OF
EASTBOURNE BOROUGH COUNCIL

Anti-Money Laundering Guide

1.1 Introduction

The Proceeds of Crime Act (POCA) 2002, the Terrorism Act 2006 and the Money Laundering Regulations 2007 place obligations on the Eastbourne Borough Council and its employees regarding suspected money laundering.

1.2 What is money laundering?

The following constitute the act of money laundering:

- concealing, disguising, converting, transferring or removing criminal property from England and Wales, from Scotland or from Northern Ireland.
- being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property.
- acquiring, using or possessing criminal property.

“Criminal property” includes;

- proceeds of crime committed by a third party;
- possession of proceeds of crime (e.g. retention of monies from non-payment of income tax – however small the amount)

Under the POCA there are also secondary offences:

- failure to disclose any of the three primary offences;
- tipping off a suspect either directly or indirectly; and
- doing something that might prejudice an investigation e.g. falsifying a document.

Eastbourne Borough Council
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Appendix B

1.3 Legal Implications

As a minimum CiPFA recommends that Local Authorities:

- Make those staff most likely to be exposed to or suspicious of money laundering situations aware of the requirements and obligations placed on the organisation and on them as individuals, by the POCA and Terrorism Act.
- Give targeted training to those considered to be the most likely to encounter money laundering.
- Make arrangements to receive and manage the concerns of staff about money laundering and their suspicion of it, to make internal enquiries, and to make reports, where necessary, to the National Crime Agency (NCA).
- Establish internal procedures to help forestall and prevent money laundering.

The POCA applies to all persons in the UK in a personal and professional capacity and therefore **all** staff are required to comply with the reporting procedure set out below.

2.0 Disclosure Procedure

2.1 Reporting

If an employee has a suspicion that money laundering activity is taking, or has taken, place they must inform the Chief Finance Officer (in the role of Money Laundering Reporting Officer) immediately, either to discuss the suspicion or by using the appropriate form (attached).

The employee must not make any further enquiries into the matter and must not disclose or indicate their suspicions to the person suspected as this could be regarded as "tipping off" which is itself an offence.

Eastbourne Borough Council
ANTI FRAUD AND CORRUPTION POLICY
Appendix B

2.2. Evaluation

The Chief Finance Officer will evaluate the information disclosed to determine whether a report should be made to the National Crime Agency (NCA).

The Chief Finance Officer will, if appropriate, immediately report the matter to the NCA under the SARS regime (Suspicious Activity Reports) using one of the forms provided on their website www.nationalcrimeagency.gov.uk It is an offence not to make such a disclosure as soon as practicable.

3.0 Client Identification Procedure

3.1 The Client Identification Procedure must be used when the Council is carrying out relevant business and as part of this is:-

- a) forming a business relationship: or
- b) considering undertaking a one off transaction

and :-

- a) suspects a transaction involves money laundering; or
- b) a payment is to be made for a series of linked one off transactions involving total payment of £10,000 (15,000 Euro) or more.

Not all of the Council's business is "relevant" for the purposes of the legislation regarding client identification. Relevant services as defined by the legislation include investments, accountancy and audit services and the financial, company and property transactions undertaken by Property Services and Legal Services.

When these criteria are met the Client Identification Procedure must be followed before any business is undertaken.

3.2 If the business is being transacted with another public sector body then it must be ensured that there are signed, written instructions on the body's headed paper before any business is undertaken.

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ANTI FRAUD AND CORRUPTION POLICY
Appendix B

- 3.3 Where the business is not for a public sector body then additional evidence of identity should be sought, for example:
- Checking with the organisation's website to confirm their business address;
 - Conducting an on-line search via Companies House;
 - Seeking evidence from the key contact of their personal identity and position within the organisation.
- 3.4 If satisfactory evidence cannot be obtained then the relationship or transaction must not proceed further.
- 3.5 Client identification evidence and details of relevant transactions must be retained for at least five years in order that they may be used in any subsequent investigation by the authority into money laundering.

Report of Suspicion

CONFIDENTIAL

REPORT OF SUSPICION OF MONEY LAUNDERING

Please complete this form and pass it to the Chief Finance Officer

From:.....(name and post)

Department:.....

Telephone number:.....

DETAILS OF SUSPICION:

Name(s) and address of person(s) involved and nature of business if a company.

Nature, value and timing of activity involved. (e.g where, what, when and who)

Nature of suspicions regarding such activity. (Continue on separate sheet if necessary)

Report of Suspicion

Has an investigation been undertaken (as far as you are aware?)

Yes or no:

If yes, please give details:

Have you discussed your suspicions with anyone else?

Yes or no:

If yes, please specify when, to whom and why the discussion was necessary:

Report of Suspicion

Please include below and other information that you feel is relevant:

Signed:..... Dated:.....

Please do not discuss the contents of this report with anyone you believe may be involved in the suspected money laundering activity. To do so may constitute "tipping off" which is an offence under the Proceeds of Crime Act 2002.

Report of Suspicion

FOR COMPLETION BY THE CHIEF FINANCE OFFICER

Date of receipt of report:

Date receipt of report acknowledged:

Consideration of report of suspicion.

Are there reasonable grounds for suspecting money-laundering activity?

Report of Suspicion

Will a report be made to the NCA? Yes / No

REPORT MADE TO NCA

Date report sent:

Details of liaison with NCA regarding the report:

Notice period.....to

Moratorium periodto

Is consent required from NCA for ongoing or imminent transactions which would otherwise be prohibited acts?

Yes / No

If yes, give details below:

Date consent received:

Date consent passed on to employee:

Report of Suspicion

If there are reasonable grounds to suspect money laundering but there is not intention to report the matter to NCA, please give reasons for non-disclosure below:

Date consent given to employee for prohibited act transactions to continue:

Any other relevant information:

Signed: Dated:

THIS RECORD TO BE RETAINED FOR AT LEAST FIVE YEARS.

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CORPORATE FRAUD POLICY

Title	Corporate Fraud Policy
Version	1
Date	20th October 2014
Approved By	
Next Review	
Author	Internal Audit Manager

Contents

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Report of Suspicion

Introduction

In November 2014 the responsibility for investigating Benefit Fraud moved from local authorities to the Department of Work and Pensions under their Single Fraud Investigation Service. The Council considered at that time to set up an in-house Corporate Fraud team to detect and investigate other types of fraud across the authority.

By setting up this team Eastbourne Borough Council is able to demonstrate good governance by ensuring that public funds are protected.

Government Expectations re Corporate Fraud

In his Autumn Statement dated 5th December 2013 the Rt. Hon. Eric Pickles MP stated that "alongside the roll out of the Single Fraud Investigation Service, DCLG and DWP are investing in local government's capacity to tackle non-welfare fraud". He goes on to state that this would include extra funding over 2014-15 and 2015-16 "which will be able to support new fraud investigator posts in councils focussed on tackling corporate fraud".

In the DWP document "The Transfer of Undertaking (Protection of Employment) (Transfer of Staff to the Department for Work and Pensions) Regulations 2014, the government response to one item states "additionally the local authorities need to ensure they have sufficient capability to maintain their Corporate Fraud work."

Every year the Audit Commission publishes a Fraud and Corruption Survey which we are required to complete. They also publish a document annually entitled "Protecting the Public Purse" which reports on the findings of the survey. Each year this contains questions about our counter-fraud work

Fighting Fraud Locally – The Local Government Fraud Strategy begins its introduction "our vision is that by 2015 local government will be better able to protect itself from fraud and have in place a more effective fraud response."

Report of Suspicion

1. Culture

The Council is committed to promoting an environment of effective corporate governance (i.e. the systems by which it is directed and controlled) through the openness, integrity and accountability of its Members and officers. These individuals are expected to lead by example by adhering to legally sound and honest procedures and practices.

The Council also expects that the people and organisations (i.e. suppliers, contractors, and service providers) that it comes into contact with will act towards the Council with integrity and without thought or actions involving fraud and corruption.

The Council has made a commitment to achieving these standards through compliance with its agreed Organisational Values. The Corporate Fraud Policy and other corporate information already available in the Constitution including Rules of Procedure and Codes and Protocols will therefore underpin the Council's attempt to:

- Conduct its business with integrity and impartiality whilst remaining open and accountable
- Make the most efficient and effective use of public resources
- Encourage co-operative and partnership working
- Consult and listen to local people in its planning and decision making activities
- Support, value and develop staff enabling them to continuously improve the quality of services
- Project clear and positive leadership.

2. Objectives

The objectives of any counter fraud policy are to:

Acknowledge
Prevent
Pursue

Prevention comes under the remit of managers and Internal Audit. Managers are responsible to ensuring that controls are in place and working. The role of Internal Audit is to check that

Report of Suspicion

these controls are working and to report on any recommendations to improve the control environment.

The role of the Corporate Fraud team is to detect and investigate any suspected cases of fraud and to ensure that cases are pursued to recover misappropriated public funds.

3. The Role of Corporate Fraud

Corporate Fraud focusses on areas of fraud risk outside of Housing and Council Tax Benefits. These include Housing Tenancy, Single Person Discount, Procurement, Grants, Employee, Insurance and Right to Buy fraud. By proactively looking for fraud in these areas authorities are able to demonstrate that they are protecting public money.

Whilst Internal Audit reviews have been carried out in these areas these do not proactively look for fraud but look for any weaknesses in controls which could allow frauds to occur.

The role of Corporate Fraud is to proactively look for fraud in the areas listed above by using data matching, other analytic tools, investigations etc.

Most reports from government appear to indicate that Corporate Fraud teams would become self-funding from the savings made through their work.

4. Fraud Awareness/Acknowledgement

As part of the objective to acknowledge fraud the Corporate Fraud team will use available tools to calculate the possible levels of fraud in areas across the Council. The annual work plan for the team will be based on this, and other, information.

Awareness of fraud and the role of the Corporate Fraud team will be addressed by providing training across the Council and producing a quarterly newsletter.

The results of work carried out by the Corporate Fraud team will be reported quarterly to both the Corporate Management team and the Audit and Governance Committee.

Report of Suspicion

5. Detection/Prevention of Fraud

As part of the work to detect and prevent fraud the Corporate Fraud team will:

- Proactively look for fraud in high risk areas
- Carry out and co-ordinate counter-fraud activities across the Council
- Undertake investigations into matches produced under the National Fraud Initiative
- Carry out proactive projects such as "key amnesties"
- Feedback to Internal Audit on any weaknesses of control found

6. Pursue

A Recovery Policy has been written which lays out the various methods and processes for recovery. In summary, it will ensure that:

- Recovery will be attempted wherever appropriate
- Cases will be taken to civil court where appropriate
- Cases will be dealt with as criminal cases where appropriate
- Other sanctions will be applied where appropriate
- Cases will be referred to HR to consider as disciplinary cases where the subject of the case is an employee

7. Fraud Hotline

The Corporate Fraud team will maintain a Fraud Hotline to enable internal and external reports of suspected fraudulent activity to be made. The free fraud Reporting hotline number is: 0800 731 7039. Reports can also be made in writing and online both from the internet and the intranet.

8. Single Point of Contact

As required by the Department of Work and Pensions (DWP) the Corporate Fraud team will retain an officer to act as the Single

Report of Suspicion

Point of Contact (SPOC) for the Single Fraud Investigation Service. This role will provide liaison between the DWP and the Council for the investigation of Housing Benefit and Council Tax Benefit cases. This is a new role introduced by DWP to assist with the introduction of the Single Fraud Investigation Service (SFIS) and will be reviewed as the SFIS project is rolled out across the Country.

9. Monitoring/Reporting

The work of the Corporate Fraud team will be monitored to enable accurate reporting to those charged with governance. Quarterly reports will be taken to both the Corporate Management Team and to the Audit and Governance Committee. The information to be reported will include:

- Types of fraud identified
- Value of fraud identified
- Number of sanctions applied
- Feedback on proactive projects
- Number of tenancies retrieved

10. Scope

The scope of the work of the Corporate Fraud team will cover all areas of the Council and some work will be ad hoc, responding to issues and requests.

Work will be carried out on the National Fraud Initiative, proactive projects and giving advice to departments.

Specific areas which will be investigated for evidence of fraud will include the following:

Council Tax Reduction Scheme
Single Person Discount
Active Historic Housing Benefit Investigations
Tenancy
Employees/Payroll
Procurement
Insurance
Grants

Report of Suspicion

Right to Buy Licences

11. Conclusion

The Corporate Fraud Policy identifies that the Council has put into place procedures which will assist in the detection, investigation and pursuance of fraud.

This policy will be subject to annual review to ensure that it is kept up to date.

Reports on the work of the section will be taken to the Audit and Governance Committee as part of its overview of anti fraud and corruption arrangements.

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Action	Responsible Officer	To be completed by	Progress
Thoroughly research corporate fraud and how other authorities are dealing with this	Internal Audit Manager	December 2014	Ongoing
Decide on the scope of corporate fraud work – <i>see note below</i>	Internal Audit Manager	March 2015	Written into Corporate Fraud Policy <u>Completed</u>
Write strategy	Internal Audit Manager	March 2015	Anti Fraud and Corruption Policy updated and Corporate Fraud Policy written. <u>Completed</u>
Develop and agree plan for 14/15 (November to March)	Internal Audit Manager	30 October 2014	Ongoing
Complete Service and Financial Plan proposal for 15/16	Internal Audit Manager	October 2014	S & FP completed and submitted. <u>Completed</u>
Complete joint bid for funding (includes Lewes, Wealden and Rother)	Internal Audit Manager	September 2014	Bid has been completed and submitted. <u>Completed</u>
Consider and agree performance indicators, including a means of giving a value to such areas.	Internal Audit Manager	March 2015	
Develop job descriptions and person specs for the new roles	Internal Audit Manager	30 October 2014	Ongoing

Develop day to day working processes	Internal Audit Manager	March 2015	
Develop reporting templates	Internal Audit Manager	March 2015	
Raise awareness of corporate fraud across the authority	Internal Audit Manager	March 2015	
Investigate forms of income	Internal Audit Manager	March 2015 and ongoing	
Appoint SPOC for DWP	Internal Audit Manager	1 st November 2014	Still awaiting spec from DWP for SPOC.
Review Prosecution Policy	Fraud Investigations Manager	November 2014	
Carry out fraud risk assessment	Fraud Investigations Manager	January 2015	
Consider joint work with Internal Audit looking at Hippodrome Trust, Towner Trust and EHL to safeguard the Council's investment.	Fraud Investigations Manager and Internal Audit Manager	February 2015	

BODY: **AUDIT & GOVERNANCE COMMITTEE**
DATE: **3 December 2014**
SUBJECT: **Treasury Management Mid-year Review Report**
REPORT OF: **Chief Finance Officer**

Ward(s): All

Purpose: To provide Members with a mid year review of treasury management activity.

Contact: Janet Martin, Senior Accountant
Telephone Number 01323 415983.

Recommendations: Members are asked to note the contents of this report.

1.0 Introduction

- 1.1 Treasury Management is the management of the local authority's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.
- 1.2 The Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management was adopted by Cabinet on 5 February 2014 and requires regular reports to this committee on the Treasury Management activities undertaken.
- 1.3 This mid year report covers the following:
- An economic update for the first six months of 2014/15;
 - A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
 - The Council's capital expenditure (prudential indicators);
 - A review of the Council's investment portfolio for 2014/15;
 - A review of the Council's borrowing strategy for 2014/15;
 - A review of any debt rescheduling undertaken during 2014/15;
 - A review of compliance with Treasury and Prudential Limits for 2014/15.

2.0 Economic Update

- 2.1 After strong UK GDP quarterly growth since Q2 2013, it appears very likely that strong growth will continue through 2014 and into 2015 as forward surveys for the services and construction sectors, are very encouraging and business investment is also strongly recovering. Overall strong growth has

resulted in unemployment falling much faster through the initial threshold of 7%, set by the Monetary Policy Committee (MPC) last August, before it said it would consider any increases in Bank Rate. The MPC has, therefore, subsequently broadened its forward guidance by adopting five qualitative principles and looking at a much wider range of about eighteen indicators in order to form a view on how much slack there is in the economy and how quickly slack is being used up. Most economic forecasters are expecting growth to peak in 2014 and then to ease off a little, though still remaining strong, in 2015 and 2016. Unemployment is therefore expected to keep on its downward trend and this is likely to eventually feed through into a return to significant increases in pay rates at some point during the next three years.

2.2 Also encouraging has been the sharp fall in inflation (CPI), reaching 1.2% in September, the lowest rate since 2009. Forward indications are that inflation is likely to fall further in 2014 to possibly 1%. Overall, markets are expecting that the MPC will be cautious in raising Bank Rate as it will want to protect heavily indebted consumers from too early an increase in Bank Rate at a time when inflationary pressures are also weak. A first increase in Bank Rate is therefore expected in Q2 2015 and they expect increases after that to be at a slow pace to lower levels than prevailed before 2008.

2.3 Capita's Interest rate forecast is shown in the table below.

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sept16
Bank rate	0.50%	0.75%	0.75%	1.00%	1.00%	1.25%	1.25%
3m LIBID	0.60%	0.80%	0.90%	1.10%	1.30%	1.40%	1.60%
6m LIBID	0.80%	1.00%	1.10%	1.20%	1.40%	1.50%	1.80%
12m LIBID	1.00%	1.20%	1.30%	1.40%	1.70%	1.80%	2.10%
5yr PWLB rate	2.70%	2.70%	2.80%	2.90%	3.00%	3.10%	3.20%
10yr PWLB rate	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%
25yr PWLB rate	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%
50yr PWLB rate	4.00%	4.10%	4.30%	4.40%	4.50%	4.60%	4.70%

Capita Asset Services undertook a review of its interest rate forecasts in October as a result of a major change of sentiment in financial markets in the previous few weeks. The latest forecast now includes a first increase in Bank Rate in quarter 2 of 2015 (previously quarter 1).

This Council has applied for and received confirmation that having complied with Prudential Indicators the PWLB Certainty Rate would be applied to future borrowing. This would reduce the interest rate by 0.2%.

3.0 Treasury Management Strategy Statement and Annual Investment Strategy Update

3.1 The Treasury Management Strategy Statement (TMSS) for 2014/15 was approved by Cabinet on 5 February 2014. The Council's Annual Investment Strategy, which is incorporated in the TMSS, outlines the

Council's investment priorities as follows:

- Security of capital
- Liquidity.

There are no policy changes to the TMSS.

3.2 The Council aims to achieve the optimum return (yield) on investments commensurate with the proper levels of security and liquidity and to obtain an appropriate level of return which is consistent with the Council's risk appetite.

3.3 There is still uncertainty and volatility in the financial and banking market globally. In this context, it is considered that the strategy approved on 5 February 2014 is still fit for purpose in the current economic climate.

4.0 The Council's Capital Position (Prudential Indicators)

4.1 Prudential Indicator for Capital Expenditure

The table below shows the revised estimates for capital expenditure and the changes since the capital programme was agreed at the Budget.

Capital Expenditure	2014/15 Original Estimate £000	Position as at 30.9.14 £000	2014/15 Revised Estimate £000
General Fund	15,661	2,202	17,323
HRA	9,771	3,966	13,266

4.2 Changes to the Financing of the Capital Programme

The table below draws together the main strategy elements of the capital expenditure plans (above), and the expected financing arrangements of this capital expenditure. The borrowing element of the table increases the underlying indebtedness of the Council by way of the Capital Financing Requirement (CFR), although this will be reduced in part by revenue charges for the repayment of debt (the Minimum Revenue Provision). This direct borrowing need may also be supplemented by maturing debt and other treasury requirements.

Capital Expenditure	2014/15 Original Estimate £000	2014/15 Revised Estimate £000
Total spend	25,432	30,589
Financed by:		
Capital receipts	3,708	4,978
Capital grants	6,715	8,053
Capital reserves	6,229	6,147
Revenue	1,798	1,716

Total financing	18,450	20,894
Borrowing need	6,982	9,695

The increase in the revised estimated capital spend in 2014/15 is mainly due to re-profiling of previously approved schemes and the following new approved schemes:

- Increase of Supporting Housing and Economic Progress Initiative (SHEP);
- Increase of LA New Build;
- Home Rescue Emergency Fund;
- Congress Theatre;
- Solar Panels.

4.3 **Changes to the Prudential Indicators for the Capital Financing Requirement, External Debt and the Operational Boundary.**

The table below shows the CFR, which is the underlying external need to incur borrowing for a capital purpose. It also shows the expected debt position over the period. This is termed the Operational Boundary.

	2014/15 Original Estimate £m	2014/15 Revised Estimate £m
Prudential Indicator – Capital Financing Requirement		
CFR – non housing	27.5	31.2
CFR – housing	38.8	40.0
Total CFR	66.4	71.2
Net movement in CFR	6.2	8.7
Prudential Indicator – External Debt / the Operational Boundary		
Borrowing	65.1	
Serco Paisa Loans	1.3	
Total debt 31 March	66.4	

The revised estimate has been increased from the original forecast Capital Financing Requirement due to the increased borrowing for SHEP, LA New Build, Home Rescue Emergency Fund, Solar Panels and the Congress Theatre.

4.4 **Limits to Borrowing Activity**

One key control over the treasury activity is a prudential indicator to ensure that over the medium term, net borrowing (borrowings less investments) will only be for a capital purpose. Net external borrowing should not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2014/15 and next two financial years. This allows some flexibility for limited early borrowing for future years. The Council has approved a policy for borrowing in advance of need which will be adhered to if this proves prudent.

	2014/15 Original Estimate £m	Position As at 30.9.14 £m	2014/15 Revised Estimate £m
Gross borrowing	40.7	40.7	42.0
Serco Paisa Loans	1.2	1.3	1.3
Less investments	-	(2.8)	(0.5)
Net borrowing	41.9	39.2	42.8
CFR (year end position)	66.4	71.2	71.2

No difficulties are envisaged for the current or future years in complying with this prudential indicator.

A further prudential indicator controls the overall level of borrowing. This is the Authorised Limit which represents the limit beyond which borrowing is prohibited, and needs to be set and revised by Members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable in the longer term. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3 (1) of the Local Government Act 2003.

Authorised limit for external debt	2014/15 Original Indicator	Current Position
Borrowing	80.1	40.7
Other long term liabilities	1.3	1.3
Total	81.4	42.0

5.0 Investment Portfolio 2014/15

5.1 Investment rates available in the market continue at a historical low point. The average level of temporary funds available for investment purposes in the first six months of 2014/15 was £4.9m arising from the timing of precept payments, receipt of grants and progress on the capital programme.

5.2 A full list of investments held as at 30th September 2014, during the first six months of 2014/15 is shown in appendix 1, and summarised below:

Investments	30 th September 2014	Rate of Return
Counterparty	£000	%
Foreign Banks	0	
British Banks	2,800	0.73
Building Societies	0	
Total	2,800	0.73

The above excludes £221,000 cash invested overnight on 30th September with the Council's own bankers, the Co-op.

Approved limits within the Annual Investment Strategy were not breached during the first six months of 2014/15.

5.3 Investment performance against benchmark was as follows:

Benchmark	Benchmark Return	Council Performance	Interest Earnings
7 day	0.35%	0.65%	£16,000

5.4 The authority outperformed the benchmark by 0.30%. The budgeted investment return for 2014/15 is £50,000. Performance for the year to date is below target. This is due to the continuous use of internal balances during the first 6 months which has reduced the amount of interest paid on loans by a greater amount.

5.5 **Investment Counterparty criteria**

The current investment counterparty criteria selection approved in the TMSS is meeting the requirement of the treasury management function.

6.0 **Borrowing**

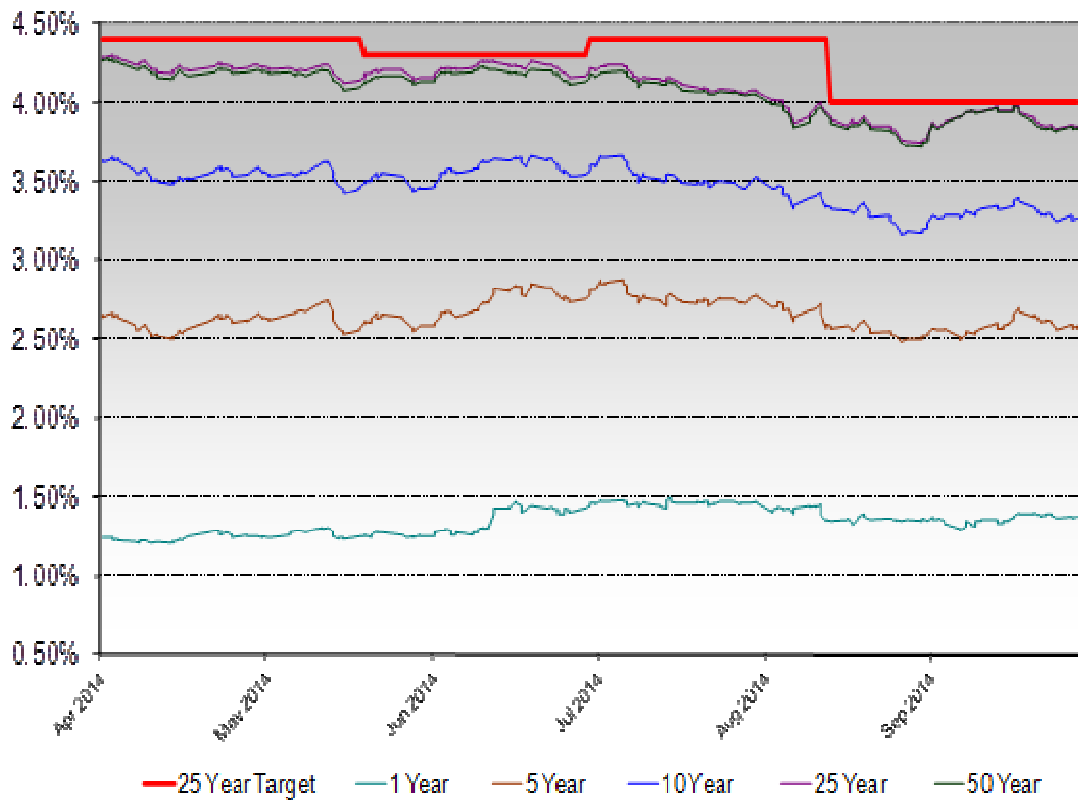
6.1 The following temporary debt has been taken and repaid during the first 6 months.

Lender	Amount £m	Interest Rate %	Start Date	Repayment Date
Portsmouth CC	2.5	0.35	31 March	30 April
Worcester CC	3.0	0.27	30 April	16 June

A long term loan of £2m was taken from the Public Works Loan Board on 5th September 2014 for 45.5 years at 3.85%.

6.2 The Council's revised estimated capital financing requirement (CFR) for 2014/15 is £71.2m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). The balance of external and internal borrowing is generally driven by market conditions. The table above at 4.4 shows the Council has borrowings of £42.0m and has utilised £29.2m of cash flow funds in lieu of borrowing. This is a prudent and cost effective approach in the current economic climate.

6.3 The graph below shows the movement in PWLB rates for April to September 2014.



7.0 Debt Rescheduling

7.1 Debt rescheduling opportunities have been limited in the current economic climate and consequent structure of interest rates. No debt rescheduling was undertaken during the first six months of 2014/15.

8.0 Compliance with Treasury and Prudential Limits

8.1 It is a statutory duty for the Council to determine and keep under review the "Affordable Borrowing Limits". Council's approved Treasury and Prudential Indicators (affordability limits) are outlined in the approved TMSS.

8.2 During the financial year to date the Council has operated within the treasury limits and Prudential Indicators set out in the Council's Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices.

9.0 Consultation

9.1 None.

10.0 Resource Implications

10.1 None

Janet Martin
Senior Accountant

Background Papers:

The Background Papers used in compiling this report were as follows:

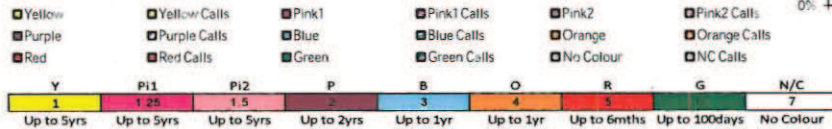
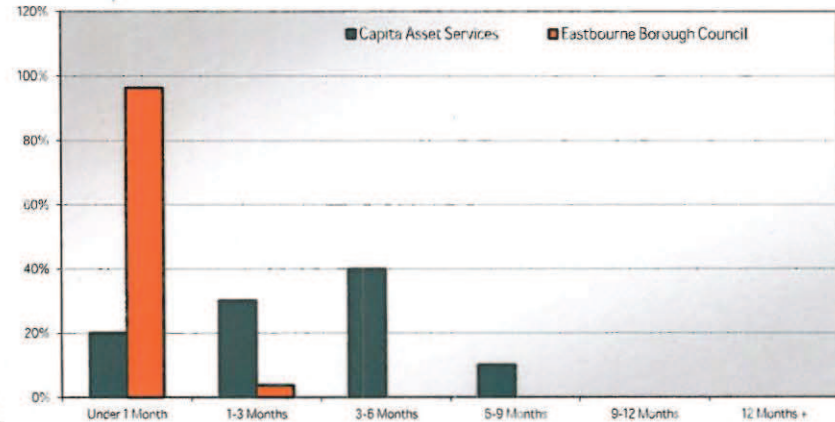
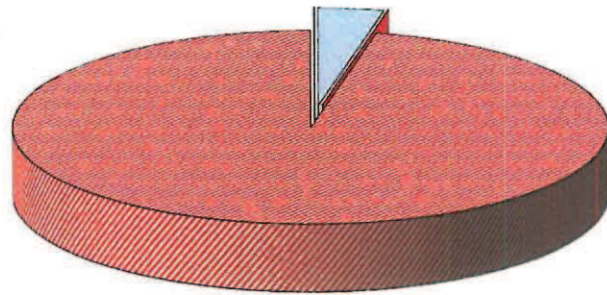
- CIPFA Treasury Management in the Public Services code of Practice (the Code)
- TMSS Policy
- Annual Investment Strategy

To inspect or obtain copies of background papers please refer to the contact officer listed above.

Current Investment List

Borrower	Principal (£)	Interest Rate	Start Date	Maturity Date	Lowest Long Term Rating	Historic Risk of Default
Santander UK Plc	2,700,000	0.74%		Call	A	0.000%
The Royal Bank of Scotland Plc	100,000	0.35%		Call90	BBB+	0.049%
Total Investments	£2,800,000	0.73%				0.002%

Portfolio Composition by Capita Asset Services' Suggested Lending Criteria



Portfolios weighted average risk number = **4.93**

WARoR = Weighted Average Rate of Return
WAM = Weighted Average Time to Maturity

	% of Portfolio	Amount	% of Colour in Calls	Amount of Colour in Calls	% of Call in Portfolio	WARoR	WAM	WAM at Execution	Excluding Calls/MMFs/EMMFs	
									WAM	WAM at Execution
Yellow	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink1	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Pink2	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Purple	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Blue	3.57%	£100,000	100.00%	£100,000	3.57%	0.35%	90	90	0	0
Orange	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Red	96.43%	£2,700,000	100.00%	£2,700,000	96.43%	0.74%	0	0	0	0
Green	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
No Colour	0.00%	£0	0.00%	£0	0.00%	0.00%	0	0	0	0
Total	100.00%	£2,800,000	100.00%	£2,800,000	100.00%	0.73%	3	3	0	0