

***AUDIT COMMITTEE
Regulatory Committee
Agenda***

Date Thursday 12 September 2019

Time 6.00 pm

Venue Crompton Suite, Civic Centre, Oldham, West Street, Oldham, OL1 1NL

Notes 1. DECLARATIONS OF INTEREST- If a Member requires advice on any item involving a possible declaration of interest which could affect his/her ability to speak and/or vote he/she is advised to contact Paul Entwistle or Mark Hardman at least 24 hours in advance of the meeting.

2. CONTACT OFFICER for this agenda is Mark Hardman Tel. 0161 770 5151 or email mark.hardman@oldham.gov.uk

3. PUBLIC QUESTIONS - Any member of the public wishing to ask a question at the above meeting can do so only if a written copy of the question is submitted to the contact officer by 12 noon, Monday, 9 September 2019.

MEMBERSHIP OF THE AUDIT COMMITTEE

Councillors Ahmad, Dean, C. Gloster, Haque (Vice-Chair), Salamat, Sheldon, Hobin, Iqbal and J Larkin

Item No

1 Apologies For Absence

2 Urgent Business

Urgent business, if any, introduced by the Chair

3 Declarations of Interest

To Receive Declarations of Interest in any Contract or matter to be discussed at the meeting.

4 Public Question Time

To receive Questions from the Public, in accordance with the Council's Constitution.

5 Minutes of Previous Meeting (Pages 1 - 10)

The Minutes of the meeting of the Audit Committee held on 25th June 2019 are attached for approval.

6 2018/19 Annual Statement of Accounts - Update (Pages 11 - 30)

7 Local Government Financial Resilience (Pages 31 - 44)

8 Data Protection Update (Pages 45 - 52)

9 Counter Fraud and Corruption Policies and Procedures (Pages 53 - 114)

10 Update on Audit Committee Matters (Pages 115 - 122)

11 Exclusion of Press and Public

That, in accordance with Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they contain exempt information under paragraph 3 of Part 1 of Schedule 12A of the Act, and it would not, on balance, be in the public interest to disclose the reports.

12 Internal Control Matters for Payroll: Update (Pages 123 - 128)

13 Follow up on Annual Governance Statement for 2018/19 and New Issues on Governance in 2019/20 (Pages 129 - 144)



AUDIT COMMITTEE
25/06/2019 at 6.00 pm

Present: Councillor Haque (Vice-Chair, in the Chair)
Councillors Ahmad, Salamat, Iqbal and Hewitt

Also in Attendance:

Anne Ryans	Director of Finance
Mark Stenson	Head of Corporate Governance
Karen Murray	Mazars External Auditors
Alastair Newall	Mazars External Auditors
Lori Hughes	Constitutional Services
Lee Walsh	Finance Manager - Capital and Treasury

1 **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Dean, C. Gloster, Hobin, Larkin and Sheldon.

2 **URGENT BUSINESS**

There were no items of urgent business received.

3 **DECLARATIONS OF INTEREST**

There were no declarations of interest received.

4 **PUBLIC QUESTION TIME**

There were no public questions received.

5 **MINUTES OF PREVIOUS MEETING**

RESOLVED that the minutes of the Audit Committee meeting held on 6th June 2019 be approved as a correct record.

6 **REVIEW OF THE ROLE OF THE HEAD OF INTERNAL AUDIT**

Consideration was given to a report which outlined how the role of the Head of Internal Audit (HIA) should operate in practice to deliver high quality Internal Audit leadership. The CIPFA Statement on the Role of the Head of Internal Audit was published on 9 April 2019 and set out how stakeholders across the organisation should engage with and support the HIA effectively. CIPFA highlighted the important role of Internal Audit in supporting those objectives and consideration that the HIA needed recognition for their contributions, together with support and encouragement. The report summarised the outcome of a self-assessment of the arrangements at Oldham Council to determine whether the Council was implementing the recommended principles. At Oldham Council, the role of the HIA is undertaken by the Head of Corporate Governance.

The CIPFA Statement on the Role of the HIA outlined five principles that should be demonstrated to ensure Internal Audit effectiveness in Local Government and the Statement acted as a guideline for the expected links between CIPFA's Core Principles for the Professional Practice of Internal Auditing and

the Role of the HIA. The principles underpinned the core activities and behaviours that were expected from the HIA and were supported by a suite of organisational, role based and individual supporting responsibilities that must be met. There were 79 supporting responsibilities in total. The outcome of the review for each principle was outlined in the report.

Members were informed of the organisational partners role which included Unity Partnership and MioCare and that amendments would need to be made to documentation such as the Audit Charter in the future.

Members made an observation that social care integration would need to be addressed as NHS organisations become more of a key partner.

RESOLVED that the outcome of the self-assessment by the Head of Corporate Governance to the CIPFA statement on the role of the Head of Internal Audit be noted.

7

TREASURY MANAGEMENT REVIEW 2018/19

Consideration was given to the report of the Director of Finance which outlined the Treasury Management Review for 2018/19.

The Council was required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities together with the actual prudential and treasury indicators for 2018/19. The report met the requirements of both the CIPFA Code of Practice on Treasury Management (the Code) and the CIPFA Prudential Code for Capital Finance in Local Authorities (the Prudential Code).

During 2018/19 the minimum reporting requirements were that the full Council should receive the following reports:

- An annual treasury strategy in advance of the year (approved 28 February 2018);
- A mid-year (minimum) treasury update report (approved 12 December 2018); and
- An annual review following the end of the year describing the activity compared to the strategy (this report).

The regulatory environment placed responsibility on Members for the review and scrutiny on treasury management policy and activities. The report was therefore important as it provided details of the outturn position for treasury activities and highlighted compliance with the Council's policies previously approved by members.

The Council confirmed that it had complied with the requirements under the Code to give prior scrutiny to all of the above treasury management reports. The Audit Committee was charged with the scrutiny of treasury management activities in Oldham and was therefore requested to review the content of the report prior to its consideration by Cabinet and Council. A programme of Treasury Management training had been

developed in conjunction with the Link Asset Services, the Council's Treasury Management advisors.



During 2018/19, the Council complied with its legislative and regulatory requirements. The key actual prudential and treasury indicators detailed the impact of capital expenditure activities during the year with comparators as outlined in the report.

The actual capital expenditure was less than the revised budget estimate for 2018/19 presented within the 2018/19 Treasury Management Strategy Report considered at the Council meeting held on 27 February 2019. The outturn position was significantly less than the £89.658m original capital budget for 2018/19 as approved at Budget Council on 28 February 2018. During the course of the year, the Capital Programme had seen substantial rephasing. A number of major schemes were re-phased or re-aligned into future years to allow for either a review of the scheme or to align with revised project timelines.

No borrowing had been undertaken during the year. This was because of the policy of self-financing which was utilised due to the uncertainty around interest rates and the availability of cash, and the Council used cash reserves rather than incur additional borrowing costs. Other prudential and treasury indicators were outlined in the report. The Director of Finance confirmed that the statutory borrowing limit (the Authorised Limit) had not been breached and that the financial year 2018/19 continued the challenging investment environment of previous years, namely low investment returns.

Members were provided with a briefing note which highlighted the position for 2018/19 which included compliance with statutory requirements, outturn on capital expenditure, capital finance requirements, treasury position and investment portfolio. The finance team had exceeded the target set for themselves in relation to a rate of return on investments made.

Members commented on the good performance of the Finance Team with regard to treasury management activities and also congratulated them on the performance on the Accounts and recorded their thanks to the officers for a job well done.

RESOLVED that:

1. The Actual 2018/19 prudential and treasury indicators presented in this report be approved.
2. The Annual Treasury Management Review Report for 2018/19 be approved.
3. The Treasury Management Review Report for 2018/19 be commended to Cabinet.

years 2018/19 to 2019/20 and incorporated any views into the final policy.



Since the financial year 2014/15, the Council had developed a strategic approach to the creation and maintenance of reserves through the development of a Reserves Policy. The presentation of the policy introduced improved transparency into this process which had previously been managed at the discretion of the Chief Financial Officer when the closure of the Finance Accounts had been undertaken.

The Committee were advised that there had been several reports issued by the National Audit Office (NAO) on the subject of financial resilience within Local Authorities alongside a recent proposal by the Chartered Institute of Public Finance & Accountancy (CIPFA) for a Local Authority Financial Resilience Index. These issues had been prompted by the risk of financial failure at Northamptonshire County Council during 2018. The policy was presented to both review and provide assurance that the Council managed its reserves effectively. The Reserves Policy, as appended to the report, presented the Council's strategic approach to the creation and maintenance of reserves.

Members were advised that financial resilience was a key indicator of the financial stability of the Council and that the level of reserves was central to this. There was, however, no set formula to determine an appropriate level of reserves and the local circumstances of Councils had to be considered.

Members were informed there had only been small movement in the level of reserves from the end of 2017/18 to 2018/19. The 15 categories of reserves were highlighted to Members. Actual and highlighted major reserves were set out in the policy.

The management of reserves were reviewed at the end of the year and any reserves no longer needed would be released. It was important to recognise flexibility at the end of the year and the Director of Finance would use this flexibility to determine the level of reserves when needed. The in-year use of reserves was reported to Cabinet as part of the financial monitoring reports.

Members questioned the reserves for Brexit and if there were any conditions on the allocation received from Government. Members were informed that the authority had been allocated £105k in the previous financial year and a further £105k this financial year to be used to support any issues which arose out of Brexit initiatives. There was a degree of flexibility in the use of the funding and the same amount had been provided to each authority with the powers and responsibilities as Oldham. The resource had not yet been called upon.

Members asked about the reserves earmarked for Property Strategy and were informed this was to finance the undertaking of any due diligence exercises required in relation to a commercial property investment.

RESOLVED that the Reserves Policy for 2018/19 to 2019/20 be noted as suitable from a governance perspective.

9

EXTERNAL AUDIT: AUDIT UPDATE REPORT

Consideration was given to the Audit Progress Report 2019 produced by the external auditor Mazars LLP. The report included key information that the external auditors wished to bring to the attention of the Committee and provided an update on progress in delivering their responsibilities as the external auditor.

The External Auditor had completed their detailed interim audit work which included:

- Obtaining documentation of controls in the Council's key financial systems;
- Testing transactions through the year to date to reduce the level of testing required at the final audit visit;
- Meeting with finance staff for the clarification of requirements and expectations;
- Issuing the 'Client Deliverable List' which set out the expected working papers and supporting information required to complete the final audit visit;
- Commencing and predominantly completing the final visit audit work on the Council's 2018/19 draft financial statements;
- Completing the audit fieldwork for the 2018/19 VFM Conclusion; and
- Ongoing liaison discussions held with Internal Audit colleagues as part of the approach to maintain an accurate understanding of the Council.

At the time of drafting the report, the final audit fieldwork was in the final stage and there were a small number of audit queries to resolve. The receipt of external assurances on the pension liability valuation and valuations related to the investment in Manchester Airport were awaited. However, there were no significant matters which were required to be reported.

The external auditors highlighted the national publication section which may be of interest from the Audit Office, CIPFA and the Local Government Association (LGA).

RESOLVED that the Audit Progress Report be noted.

10

AUDIT COMPLETION REPORT: YEAR ENDING 31 MARCH 2019

Consideration was given to a report which presented the Council's draft Audit Completion Report for the year ending 31 March 2019 as prepared by the External Auditor, Mazars LLP.

The report advised of the key issues related to the audit of the 2018/19 Statement of Accounts. The detailed scope of the work

as the appointed auditor for 2018/19 was set out in the National Audit Office's (NAO) Code of Audit Practice. The external auditor's responsibilities and powers were derived from the Local Audit and Accountability Act 2014 and as outlined in the Audit Strategy Memorandum. The audit was conducted in accordance with the International Standards of Auditing (UK) and focused on audit risks that the external auditors had assessed as resulting in a higher risk of material misstatement.

The report outlined the detailed findings from the auditors' work on the financial statements and the conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. The report included the conclusions on the audit risks and areas of management judgements.

At the time of drafting the report, the audit of the accounts had been substantially completed, however, several items remained which required resolution. These items were in the main outside the control of the Council and included investment property, pension liability, long term investments, testing of general IT controls and signed final statements and management representation letter.

The scope of the work which included identifying significant audit risks, key audit matters and other areas of management judgement was outlined in the Audit Strategy Memorandum considered by the Audit Committee on 10 January 2019. Consideration was given to an additional area of management judgement as part of the audit which was the methodology and assumptions underpinning the Council's valuation of its investment in Manchester Airport Holdings Limited.

The external auditors would issue an unqualified opinion. The period of inspection for objections had passed and no objections had been received. The external auditors were grateful for the level of cooperation and the high-quality statements. The accounts had been ready well in advance of the deadline. There were some outstanding issues, but these had reduced since the time of the production of the report. The external auditors were still waiting for the outcome of a national issue related to pensions and those liabilities may need to be taken into account on the valuation. A report on the final position was due later in the week and was likely to have an immaterial difference to the accounts.

Section 3 set out the risks and with the exception of the pensions issue referred to earlier there was nothing to be reported. The investment in Manchester Airport Group referred to in the report had been resolved.

Other than some non-material adjustments as described in Section 5 of the report, there were no significant matters arising from the audit of the Group Financial Statements consolidation process. There were internal control recommendations. The external auditors highlighted pension liability, MioCare and Unity Partnership.

The Value for Money Conclusion was a positive statement. The Council had arrangements in place for effective use of resources and managed its finances effectively. The external auditors referred to the Ofsted outcome and concluded that it did not qualify as a risk.

The external auditors expressed their sincere thanks for the significant support and assistance of the Council's finance team.

RESOLVED that the draft Audit Completion Report for the year ending 31st March 2019 be noted.

11

2018/19 STATEMENT OF ACCOUNTS

Consideration was given to a report of the Director of Finance which outlined the Audit Committee was charged with the scrutiny and approval of the Statement of Accounts. The report presented the Council's Statement of Accounts for the financial year 2018/19.

The report highlighted the following:

- The overall revenue outturn position for 2018/19 had a surplus of £0.849m. This was an increase on the favourable variance of £0.255m projected at month 9 that was reported to Cabinet on 25 March 2019.
- The year-end variances that were attributable to each portfolio.
- Schools balances at 31 March 2019 were £6.925m but were offset by the deficit on the Dedicated Schools Grant (DSG) of £2.723m leaving a net balance of £4.202m held with other earmarked reserves.
- The final Housing Revenue Account (HRA) balance was £21.305m.
- The balance on the Collection Fund was a surplus £4.147m.
- The small reduction in revenue account earmarked reserves of £2.108m to a level of £80.623m, an increase in other earmarked reserves to a level of £12.935m and an increase in balances to £14.840m reflective of the revenue outturn position.
- Expenditure on the Council's Capital Programme for 2018/19 was £48.564m which was a small increase on the month 9 forecast of £48.267m. The increase in expenditure required funding allocated to future years to be re-profiled to fully finance the Capital Programme in 2018/19.
- Capital receipts in year totalled £6.180m, which when taken with the brought forward balance, gave a total of £14.927m, which was used to finance the Capital Programme in year.
- The significant items in each of the primary financial statements.
- A small number of changes to the draft Statement of Accounts.

- The high level of performance of the Finance Team in closing the accounts to such accuracy and in a shortened timescale.

The presentation of the audited Statement of Accounts provided the Audit Committee with the opportunity to review the Council's Statement of Accounts and any amendments made to date as a result of the audit process and following the conclusion of the period for public inspection.

The Committee were advised that at the time of the publication of the agenda, the audit, although substantially completed, required the resolution of an outstanding item related to the measurement of Pension Liability. This had been delayed due to a national issue involving two legal cases. As it had been anticipated, that it was unlikely that the national issue would have been resolved by 25 June 2019, the External Auditor was content with the recommendation that the Committee consider the accounts, but delegated the final approval of the Council's Statement of Accounts (once there had been a national resolution on the pensions issue) to the Vice Chair of the Audit Committee and the Director of Finance on receipt of advice of the External Auditor.

Having regard to the comments of the External Auditor included in reports considered previously on the agenda, revised group accounts were provided to the Committee members. However, it was noted that there was no impact on the outturn presented to the Audit Committee on 6 June 2019. The Committee was informed that the report had been issued with the agenda papers whilst there was still some work ongoing.

Members asked about their ability to review the accounts of the organisations included in the group accounts and were informed that Members sat on MioCare and Unity Partnership Boards and were able to ask questions on the financial position of the respective organisations. Members were informed that MioCare worked on a different financial year which ended in December and its accounts for 2018 had already been subject to an external audit review and had been approved. The audit of the Unity accounts had yet to be completed but would be brought to a future meeting. Members were advised that undertaking the transactions to reflect a part-year acquisition of Unity had been complicated.

RESOLVED that:

1. The Council's Statement of Accounts be accepted subject to the conclusion of the national pensions matter for which the Council was awaiting the advice of the External Auditor.
2. The Management Letter of Representation be noted.
3. Delegation of approval of the Council's Statement of Accounts to the Vice Chair of the Audit Committee and the Director of Finance on receipt of advice from the External Auditor be approved.

The meeting started at 6.00 pm and ended at 6.52 pm



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Report to Audit Committee

2018/19 Annual Statement of Accounts - Update

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans – Director of Finance

Report Author: Lee Walsh – Finance Manager (Capital and Treasury)
Ext. 6608

12 September 2019

Reason for Decision

The Audit Committee is charged with the scrutiny and approval of the Statement of Accounts. This report presents the current position regarding the audit and approval of the 2018/19 Statement of Accounts and an update to the outstanding audit issues presented previously to Committee.

Executive Summary

The report presents an update to the audit of the 2018/19 Annual Statement of Accounts.

The report highlights:

- The contents of the letter from the Council's External Auditor Mazars LLP addressed to Members of the Audit Committee regarding the "Conclusion of Pending Matters – Audit Completion Report"
- The approval of the Statement of Accounts in line with the delegated authority granted by the Audit Committee Members to the Vice Chair of the Audit Committee and the Director of Finance.
- The Annual Audit Letter provided in line with the Accounts and Audit Regulations 2015.
- The progress of the audit of the Council's Whole of Government Accounts (WGA)

Recommendation

Audit Committee members are recommended to note the contents of the report, together with the letter from Mazars LLP "Conclusion of Pending Matters – Audit Completion Report" and the Annual Audit Letter.

1 Background

- 1.1 The Council is required to prepare a Statement of Accounts for each financial year in accordance with statute and proper accounting practices. The accounts are subject to scrutiny and approval by the Council's Audit Committee.
- 1.2 The draft 2018/19 Statement of Accounts was originally issued to the Council's External Auditor's (Mazars LLP) on 2 May 2019 and subsequently distributed to Audit Committee members for review. The draft accounts were then considered at Audit Committee on 6 June 2019.
- 1.3 Following review by Mazars LLP the audited Statement of Accounts was considered at Audit Committee on 25 June 2019. This gave Members the opportunity to consider the key issues, understand any movements from the draft accounts and ask officers and the External Auditor any relevant questions. Members also considered the draft Audit Completion Report (ACR) prepared by the External Auditor.
- 1.4 However due to two national legal cases, which had the potential to impact on the measurement of the Council's pension liability, the Committee was unable to formally approve the Accounts. Members were, however, content to accept the amended set of financial statements and delegated the approval of the Accounts to the Vice Chair of the Audit Committee and the Director of Finance on receipt of advice from the External Auditors, following a resolution to the national pension issues. It was, however, expected that the resolution to the matter would not have a significant impact on the Council's Statement of Accounts the Audit Committee had considered.
- 1.5 In addition, although the issue had been addressed before the 25 June Audit Committee, due to the timing of the issue of papers there was a matter shown as outstanding in the ACR related to the testing of Council's IT general controls. These items did not relate to the Statement of Accounts and would not impact the Council's primary statements or balances.

2 Current Position

- 2.1 The letter from the Auditors at Appendix 1 details the conclusion of the matters which were still outstanding in the Audit Completion Report presented on 25 June 2019 and informed the approval of the accounts under delegation. Following National Audit Office (NAO) engagement the Council was able to use appropriate methodology to provide an estimate of the potential impact which the legal cases may have on the measurement of the Council's pension liability. The impact was not considered to be material therefore the accounts were not adjusted. The testing of IT controls was also completed with some minor recommendations for improvement identified.
- 2.2 Following the resolution of these issues, and in line with the authority delegated by Audit Committee members, the Vice Chair of the Audit Committee and the Director of Finance met with the External Auditors on 10 July 2019 and approved the Statement of Accounts.
- 2.3 Following the approval of the Accounts and in line with the Accounts and Audit Regulations 2015 the auditors have also provided the Council with the Annual Audit letter which details the audit work completed in the year, the Council's Audit Fee and a forward look at issues which may affect the Council in the coming years. The Annual Audit Letter can be found at Appendix 2.

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- 2.4 The Audit of the Whole of Government Accounts (WGA) is currently underway and there are currently no significant issues identified. The WGA audit is anticipated to be completed by 13 September 2019 in line with Central Government timelines.
- 2.5 Following the conclusion of the WGA audit the Council will advertise the completion of the 2018/19 audit process on its website and update Members of the Audit Committee.
- 3 **Options/Alternatives**
- 3.1 The Audit Committee members can either choose to note the contents of the report, the Auditor's letter "Conclusion of Pending Matters – Audit Completion Report" and the Annual Audit Letter or not to do so.
- 4 **Preferred Option**
- 4.1 The preferred option is that the Audit Committee notes the contents of the report, the Auditor's letter "Conclusion of Pending Matters – Audit Completion Report" and the Annual Audit Letter.
- 5 **Consultation**
- 5.1 Consultation has taken place with the Council's External Auditors, Mazars LLP. In addition, members of the public had the opportunity to inspect the Council's Statement of Accounts and supporting documents during the 30 day public inspection period which concluded on 21 June 2019.
- 5.2 The issue of a summary briefing and draft Statement of Accounts to Audit Committee members for review in advance of the distribution of the agenda papers for the Audit Committee meeting on 6 June, was a key element of the consultation process. Formal presentation of the accounts to Members of the Audit Committee at the Audit Committee meeting on 25 June 2019 allowed the opportunity for further review and scrutiny prior to the approval of the accounts.
- 5.3 In line with the Council's Financial Procedure Rules, the accounts will also be presented for noting to Cabinet on 16 September 2019 and Council on 6 November 2019.
- 6 **Financial Implications**
- 6.1 Dealt with in the body of the report.
- 7 **Legal Services Comments**
- 7.1 There are no Legal implications.
- 8 **Co-operative Agenda**
- 8.1 Improving the quality and timeliness of the financial information available to citizens of Oldham supports the cooperative ethos of the Council.
- 9 **Human Resources Comments**
- 9.1 There are no Human Resource implications.
- 10 **Risk Assessments**
- 10.1 There are no risk implications as a result of this report.
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- 11 **IT Implications**
- 11.1 There are no IT implications as a result of this report.
- 12 **Property Implications**
- 12.1 There are no Property implications.
- 13 **Procurement Implications**
- 13.1 There are no Procurement implications.
- 14 **Environmental and Health and Safety Implications**
- 14.1 There are no Environmental and Health & Safety implications as a result of this report.
- 15 **Equality, Community Cohesion and Crime implications**
- 15.1 There are no Equality, Community Cohesion and Crime implications.
- 16 **Equality Impact Assessment Completed?**
- 16.1 Not Applicable.
- 17 **Key Decision**
- 17.1 No.
- 18 **Key Decision Reference**
- 18.1 Not Applicable.
- 19 **Background Papers**
- 19.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
- File Ref: Background Papers are provided at Appendices 1 and 2.
Officer Name: Lee Walsh/Helen Cairns
Contact No: 0161 770 6608/5715
- 20 **Appendices**
- 20.1 Appendix 1 – Letter from Mazars LLP “Conclusion of Pending Matters – Audit Completion Report”
Appendix 2 – Mazars LLP Annual Audit Letter



Members of the Audit Committee
Oldham Metropolitan Borough Council
Civic Centre
West Street
Oldham
OL1 1UH

Direct line 0161 238 9243
Email Alastair.Newall@mazars.co.uk
9 July 2019

Dear Sirs

Conclusion of pending matters– Audit completion report

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report dated 25 June 2019.

The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Pension Liability	<p>The National Audit Office engaged its consulting actuary to provide assurance to auditors on the appropriateness of the actuarial methodology and assumptions relating to the legal cases which impact on the Local Government Pension Scheme. This assurance was received, and confirmed that the impact of the legal cases on its pension liability are not material. The Council has considered this and determined that it does not intend to amend the financial statements. We have identified this as a non-material unadjusted audit difference and have included the details in Appendix A to this letter.</p> <p>We have also requested an additional management representation to confirm that the Council intends to not adjust the financial statements on the grounds of immateriality.</p>
Testing of IT general controls	<p>We have completed our testing of IT general controls and have concluded that there controls in place are designed effectively and are operating as expected.</p> <p>While there are no control deficiencies identified, our work has identified some minor matters for which we raised three low priority recommendations in the table overleaf.</p>

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Recommendations arising from IT general controls testing

1. Corporate Information Security Policy

The Council's Corporate Information Security Policy is dated 2009. Although we found no control deficiencies in our testing of access controls, as the IT and Cyber-related risks have changed in the past 10 years it is important to confirm that the Council's Policy is up to date and able to respond to the new challenges and risks.

Recommendation

The Council should consider reviewing and updating its Corporate Information Security Policy.

2. IT Backup Policy

Although our testing of IT General Controls did not include testing the operating effectiveness of the Council's IT backup routines, we noted from our discussions and walkthrough testing that the Council does not have a formal documented Backup Policy.

Recommendation

The Council should consider documenting a formal Backup Policy.

3. IT 'Logical Access' Policy

From our discussions we understand that the Council does not have a formal logical access policy, to set out the approach and procedures for areas such as granting new starters IT access, removing leavers' IT access and maintaining appropriate access for existing staff. Although our testing identified that the Council does have controls in place to ensure access is set up, removed, and maintained appropriately, this isn't governed by a formal policy.

Recommendation

The Council should consider documenting a formal logical access policy.

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me.

Yours sincerely

Mazars LLP

Mazars LLP

Cc Anne Ryans, Director of Finance

Appendix A

Unadjusted audit differences

Following the completion of our audit testing on the Council's Pension Liability we have identified the following unadjusted audit difference relating to the valuation of the liability.

	CIES		Balance Sheet	
	Dr	Cr	Dr	Cr
Dr Net Cost of Services (Past Service Cost)	£5.81m			
Cr Remeasurement of Pension Liability		£5.81m		
Dr Pension Reserve			£5.81m	
Cr Pension Liability				£5.81m

The adjustment would increase the Council's pension liability by £5.81m, with a corresponding increase in the Pension Reserve. The transactions would be included within the Service Costs (as a past service cost) and adjusted through the Movement in Reserves Statement so that they do not impact on the Council's Usable Reserves.

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Annual Audit Letter

Appendix 2

Oldham Metropolitan Borough Council
Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for Money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Oldham Metropolitan Borough Council (the Council) for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor’s report issued on 10 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council’s financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
Other information published alongside the audited financial statements	<p>Our auditor’s report issued on 10 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• The other information in the Statement of Accounts is consistent with the audited financial statements.
Value for Money conclusion	<p>Our auditor’s report concluded that we are satisfied that in all significant respects, the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.</p>
Reporting to the Whole of Government Accounts group auditor	<p>In line with group audit instructions issued by the NAO, we will report to the group auditor in line with the requirements applicable to the Council’s Whole of Government Accounts return. The deadline for our report to the NAO is 13 September 2019.</p>
Statutory reporting	<p>Our auditor’s report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements	Unqualified
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The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 10 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider the concept of materiality at numerous stages throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) due to the nature of these items or because they attract public interest. We also set a threshold for reporting identified misstatements to the Audit Committee. We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

		Council	Group
Financial statement materiality	Our financial statement materiality is based on 1.7% of the gross expenditure at the Surplus/Deficit on Provision of Services level	£9,990,000	£10,000,000
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality	£299,700	£300,000
Specific materiality	We have applied a lower level of materiality to the following areas of the accounts: - Officer Remuneration bandings - Related Party Transactions	£5,000 £50,000	n/a n/a

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. We reported significant risks identified at the planning stage to the Audit Committee within our Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of Property, Plant & Equipment</p> <p>The valuation of Property, Plant & Equipment involves the use of a management expert (the valuer) and incorporates assumptions and estimates which impact materially on the reported value. There are risks relating to the valuation process.</p> <p>As a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially fairly stated fair value. In addition, as the valuations are undertaken through the year there is a risk that the fair value as the assets is materially different at the year end.</p> <p>There is a risk that the Council's application of the valuer's assumptions is not in line with the statutory requirements and that the valuation is not supported by detailed evidence.</p>	<p>We:</p> <ul style="list-style-type: none">• Critically assessed the Council's valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;• Considered whether the overall revaluation methodology used by the Council valuer is in line with industry practice, social housing statutory guidance, the CIPFA Code of Practice and the Council's accounting policies;• Critically assessed the appropriateness of the underlying data and the key assumptions used in the valuer's calculations;• Critically assessed the appropriateness of the social housing factor applied to the valuation of the Council Dwellings;• Assessed the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;• Critically assessed the treatment of the upward and downward revaluations in the Council's financial statements with regards to the requirements of the CIPFA Code of Practice;• Critically assessed the approach that the Council adopts to ensure that assets not subject to revaluation in 2018/19 are materially fairly stated; and• Tested a sample of items of capital expenditure in 2018/19 to confirm that the additions are appropriately valued in the financial statements.	<p>We did not identify any significant matters from our testing, and we concluded that the Council's Property, Plant & Equipment was materially fairly stated.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Valuation of Defined Benefit Pension Liability</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>	<p>We:</p> <ul style="list-style-type: none">• Critically assessed the competency, objectivity and independence of the Greater Manchester Pension Fund's Actuary, Hymans Robertson;• Liaised with the auditors of the Greater Manchester Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This included the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;• Reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This included comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office;• Agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.	<p>We identified one non-material unadjusted audit difference relating to the valuation of liability relating to legal cases that impact on the Local Government Pension Scheme. Our overall conclusion was that the Council's Defined Benefit Pension Liability was materially fairly stated.</p>
<p>Management override of controls</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits</p>	<p>We addressed this risk through performing audit work over:</p> <ul style="list-style-type: none">• Accounting estimates impacting on amounts included in the financial statements;• Consideration of identified significant transactions outside the normal course of business, being:<ul style="list-style-type: none">• The purchase of Unity Partnerships Limited; and• The additional loan provided to Manchester Airport Holdings Limited; and• Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.	<p>There were no significant matters arising from our work on the management override of controls</p>

3. VALUE FOR MONEY CONCLUSION

Value for Money conclusion	Unqualified
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Our approach to the Value for Money conclusion

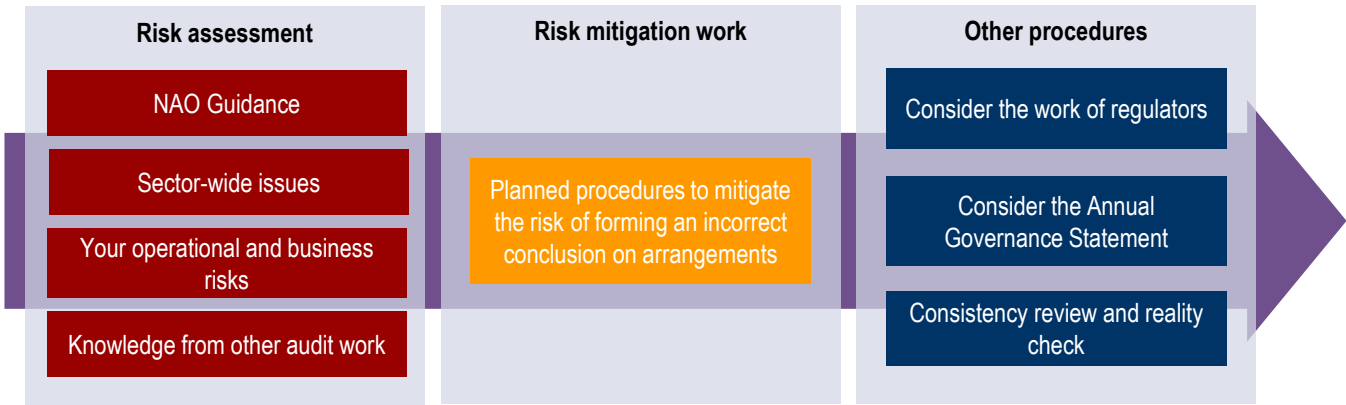
We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’ To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- Informed decision making
- Sustainable resource deployment
- Working with partners and other third parties

Our auditor’s report, issued to the Council on 10 July 2019, stated that that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

A summary of the work we have undertaken is provided below:



3. VALUE FOR MONEY CONCLUSION

Significant risks to our Value for Money conclusion

The NAO’s guidance requires us to carry out work to identify whether or not a risk to the Value for Money conclusion exists. Risk, in the context of our Value for Money work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified one significant Value for Money risk. The work we carried out in relation to significant risks is outlined below.

Risk	Work undertaken and findings	Conclusion
Financial sustainability	Work undertaken	
<p>The Council’s medium term financial strategy for the period 2018/19 to 2021/22 sets out the financial challenges it faced, highlighting a £33m budget gap by 2021/22 to achieve a balanced budget. The Council used reserves to balance the 2018/19 budget and in-year projections indicated an overspend in service budgets, in particular Children’s Social Care (at £4m). This was offset by projected underspends in capital financing, increased treasury management income and additional grants. The continuing challenges the Council faced are not new and are not unique to Oldham Council. However, the challenges present a significant audit risk in respect of considering the arrangements that the Council has in place to deliver financially sustainability over the medium term.</p>	<p>We reviewed the arrangements the Council had in place throughout 2018/19 for ensuring financial resilience.</p> <p>Specifically we reviewed whether the medium term financial plan took into consideration factors such as funding reductions, salary and general inflation, demand pressures, restructuring costs and sensitivity analysis given the degree of variability in the above factors. We also reviewed the arrangements in place to monitor progress delivering the budget and related savings plans.</p>	<p>We conclude that for 2018/19 the Council has made proper arrangements to deliver financial sustainability in the medium term.</p>
	Findings	
	<p>The Council set robust and balanced budgets for 2018/19 and 2019/20, which, although utilising reserves, does not cause a material or significant reduction in those reserves through the two years, and those reserves have been held for the purpose of supporting the budgetary pressures. However the use of reserves to support revenue budgets in the longer term is not sustainable, and the Council will need to ensure that its longer term financial sustainability does not deplete its reserves to unsustainably low levels.</p> <p>The Council’s monitoring of its 2018/19 budget has been through detailed ‘officer-led’ monthly monitoring, with quarterly reporting to Council members in the Cabinet. The reporting provides a timely and detailed report of the current position and the projected position at the year end.</p> <p>The review of the monitoring in year identifies that the Council undertakes a robust review and regular reporting, and has ‘adequate arrangements’ for delivering financial sustainability.</p>	

4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of WGA group audit reporting requirements	To be completed and reported by 13 September 2019
Other information published alongside the audited financial statements	Consistent

The NAO's Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data, and to carry out certain tests on the data. The deadline for completion of this work is 13 September 2019 and we will submit our report to NAO by this deadline.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts was consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit Committee in January 2019.

Having completed our work for the 2018/19 financial year, we can confirm that our estimated final fees includes an additional £600 for which approval from Public Sector Audit Appointments has been requested. This relates to additional work we carried out in relation to the impact of recent legal cases on the valuation of Council's defined benefit pension liability.

Area of work	2018/19 estimated fee	2018/19 planned fee
Delivery of audit work under the NAO Code of Audit Practice	£105,028	£104,428

Fees for other work

We undertook one non-audit engagement for the Council in the year relating to the Homes England requirement for the Council to obtain a compliance audit on the funding it received from Homes England for its project for Supported Housing for Adults with a learning disability and complex needs. Our fees for this work were £1,000.

6. FORWARD LOOK

Financial resilience

Fair Funding Review

The Government announced in August that it would produce a one-year spending review setting out the department allocations for 2020/21 with the three-year spending review being delayed until later in 2020. Regardless of the timing and period covered by the spending reviews, the Council will need to continue to respond positively the management of general reserves to ensure reserves remain at a level to deliver financial resilience and to enable the Council to deliver sustainable services. It must, therefore, ensure it clarifies and quantifies how it will bridge the funding gap through planned expenditure reductions and increased income generation.

Local Authority Financial Resilience Index

CIPFA is moving forward with its financial resilience index, which it believes will be a barometer on which local authorities will be judged. We would expect the Council to have at least considered the index once it is formally released.

Commercialisation

The National Audit Office will be publishing a report on Commercialisation during 2019. Depending on the Council's appetite for commercialisation, we would expect the Council to consider the outcome of the report and ensure any lessons learnt are incorporated into business practice.

Further, the UK Debt Management Office's Annual Report, published in July 2019, reported that, as at 31 March 2019, the Public Works Loan Board's loan book was £78.3 billion with 1,308 new loans totalling £9.1 billion advanced during the year. The challenge for Councils with regards to its borrowing, and its commercialisation agenda is to be able to clearly demonstrate:

- the value for money in the use of Public Works Loan Board funds to acquire commercial property; and
- the prudence of its arrangements for loan repayment through applying the updated statutory guidance on Minimum Revenue Provision in 2019/20, 2020/21 and beyond.

Financial Reporting

Lease accounting

The implementation of IFRS 16 Leases in the Code is delayed until 1 April 2020. The Council will need a project plan to ensure the data analysis and evaluation of accounting entries is completed in good time to ensure any changes in both business practice and financial reporting are captured.

UK Local Government Annual Accounts

The CIPFA/LASAAC Local Authority Code Board specifies the financial reporting requirements for UK local government. A consultation is underway to inform the direction and strategy for local government annual accounts. We will be submitting our response and suggest that Councils also voice their opinion by responding to the consultation.

Audit developments

The Code of Audit Practice sets out what local auditors of relevant local public bodies are required to do to fulfil their statutory responsibilities under the Local Audit and Accountability Act 2014. We have responded to the National Audit Office's consultation on the content of the Code (<https://www.nao.org.uk/code-audit-practice/about-code>)

A new Code will be laid in Parliament in time for it to come in to force no later than 1 April 2020.



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Report to Audit Committee

Local Government Financial Resilience

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Mark Stenson, Head of Corporate Governance

Ext. 4783

12 September 2019

Purpose of Report

To brief the Audit Committee on the overall Financial Resilience of Local Government as set out in the attached report.

Executive Summary

The attached report was also presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 22 August 2019. Given this Committee's role regarding the review of the Council's accounts, it was felt appropriate to submit the report for consideration.

Recommendations

That Members of the Audit Committee note the report on overall Local Government Financial Resilience.

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Report to the Overview and Scrutiny Performance and Value for Money Select Committee

Local Government Financial Resilience

Portfolio Holder:

Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for
Finance and Corporate Services

Officer Contact: Anne Ryans, Director of Finance

Report Author: Anne Ryans, Director of Finance
Ext. 4902

22 August 2019

Reason for Decision

The purpose of this report is to:

- Provide an update on the ability of Local Authorities to withstand future budget pressures by summarising recent Local Authority financial failures and challenges as reported in the media;
- Present the findings of a recent Public Accounts Committee report concerning the financial sustainability of Local Authorities; and
- Highlight the Chartered Institute of Public Finance and Accountancy's (CIPFA's) efforts to ensure attention on this issue remains in the spotlight through the development of a Financial Management Code which will support CIPFA's financial resilience index.

Executive Summary

Following on from the report presented to this Committee in December 2018 and in light of further recent media attention with regards to the financial sustainability of Local Authorities following the financial failure of Northamptonshire County Council in February 2018, this paper provides an update on the issues that are facing Local Government. There have also been a number of papers issued by a variety of organisations on the issue of Local Government Financial Sustainability and a summary of these are provided for Members.

Recommendations

The Committee is invited to consider and discuss the content of the report.

Local Government Financial Resilience

1. Background

- 1.1. Members of this Committee will recall that a report was presented to its meeting of 13 December 2018 discussing the issues around Financial Resilience within Local Government. This was in light of the continuation of real terms reductions in Government funding for Local Authorities coupled with the emergence of major national spending pressures within the realm of Adults and Children's Social Care.
- 1.2. The report also followed the financial failure resulting in the issuing of two notices under Section 114 of the Local Government Finance Act 1988 (see **Appendix 1** for information) which resulted in the imposition of immediate spending controls at Northamptonshire County Council. This failure attracted significant media attention and has highlighted the existence of major financial challenges emerging in other Local Authority areas. This report will provide further details on the Local Authorities most recently considered to be facing the increased risk of financial failure.
- 1.3. Members will be aware of the specific financial challenges facing Oldham Council. It is therefore important to continue to consider the issues in Oldham in the context of the challenges being dealt with by Northamptonshire, other Local Authorities, and the continuing uncertainty in relation to the future funding of Local Government finance.
- 1.4. The following sections in this report therefore will:
 - Provide an update on the ability of Local Authorities to withstand future budget pressures by summarising recent Local Authority financial failures and challenges as reported in the media;
 - Present the findings of a recent Public Accounts Committee report concerning the financial sustainability of Local Authorities; and
 - Highlight CIPFA's efforts to ensure attention on this issue remains in the spotlight through the development of a Financial Management Code which will support CIPFA's financial resilience index.

The report also includes a commentary on the current financial resilience of Oldham Council.

2. Current Position

Northamptonshire County Council

- 2.1. Members will recall that Northamptonshire County Council issued its first Section 114 notice in February 2018, imposing immediate spending controls on the organisation followed by a second notice in July 2018.
- 2.2. Since the last report was presented to this Committee, Northamptonshire County Council has reported a revenue underspend of £4.460m for 2018/19 due to the successful delivery of £24m of savings and in year management actions being delivered via the stabilisation plan of £8.2m.

-
- 2.3. Despite this revenue underspend, work is still ongoing to address legacy financial issues using a variety of different means such as Capital dispensation (agreed by Government), and the formation of a transformation strategy. It is also important to note, that from 2021 (previously April 2020) the County Council is to be abolished and replaced by two new unitary authorities.

Financial Sustainability Issues Reported Elsewhere

- 2.4. As detailed within the last report, there are a number of other Local Authorities which have attracted media attention in relation to financial resilience and financial sustainability. Below are details of the most recent announcements.

Dorset Council

- 2.5. In April 2019, Dorset's nine Council's merged into two which aimed to save £108m over six years. However, a report presented to the new Authority's Cabinet detailed that there is a projected overspend of £12.6m for 2019/20, £7.1m for the general fund and £5.5m for the Dedicated Schools Grant (DSG). This forecast is due to a large increase in the demand for social care across both Adults and Children's Social Care service areas whilst there is also an increased pressure on the High Needs Block of the DSG.
- 2.6. The Authority plans to use the general fund reserve which was increased to £29m at the end of 2018/19 to balance the budget within 2019/20. There is also a review of all earmarked reserves underway to ensure that those held are still required for the purpose on which they were created.
- 2.7. Although the use of reserves has been identified to balance the in year budget, work is still required to address the issues causing financial stress for the Council as the continued use of reserves is unsustainable.

East Sussex County Council

- 2.8. At the beginning of July 2019, East Sussex County Council announced that it was facing a £15m budget gap for the financial year 2020/21, rising to £27m in 2022/23. Members will recall that East Sussex County Council has already implemented a core offer approach to keep within its current financial envelope and the budget pressures identified are after implementation of this management action.
- 2.9. Similar to Dorset Council and in line with the national trend, the pressure is due to an increase in demand for social care services. Work is ongoing at the Council to revisit estimates. However, uncertainty around Central Government funding intentions is making it difficult for the Council to plan effectively.

Redcar and Cleveland Borough Council

- 2.10. On 30 July 2019, the Statement of Accounts for Redcar and Cleveland Borough Council was presented to its Governance Committee. Within the Value for Money opinion given by Mazars LLP, the auditors for Redcar and Cleveland Borough Council, concerns were highlighted with regard to the financial sustainability of the Council. The auditors concluded that the Authority does not have enough reserves in the medium term to cover the estimated budget gap.
- 2.11. The Authority has used £8.9m of reserves to balance its budget for 2019/20 however doing so, has meant that the level of reserves remaining will not meet the budget gap in full for 2020/21 leaving £1.6m still to be found. With no reserves available, there would be a

requirement for the Authority to also find savings of £10.8m in 2021/22 and another £11.8m in 2022/23.

- 2.12. Although this is the current position, once again uncertainty around Government intentions is preventing effective financial planning but in the context of Redcar and Cleveland, the Council considers future Government announcements on Local Government funding could have a positive impact on this forecast.

Section 24 Notices

- 2.13. Under the Local Audit and Accountability Act 2014, External Auditors can issue Councils with a Section 24 Notice. This is a statutory recommendation and is a strong warning to a Council of the Auditor's concerns but stops short of a public interest report. A Section 24 Notice requires Full Council to agree its response to the points included within the recommendations within 1 month of issue and to publish how it proposes to address the issues raised. Whilst such a notice may relate to a range of financial issues, it can act as a warning in relation to financial resilience. Although rare, there have been two recent instances of Local Authorities receiving such notices.
- 2.14. In March 2019, Birmingham City Council was issued with a third Section 24 notice in three years. The External Auditor, Grant Thornton UK LLP concluded that the Authority faced a "unique level of one-off risks", including funding for the 2022 Commonwealth Games but required the Council to take action on a number of areas relating to governance and finance. In a letter, the Auditor warned the Council over its use of non-earmarked reserves, even though these currently stand at a healthy £152m.
- 2.15. In July 2019, Auditors issued an adverse audit report for Redditch Borough Council, telling the Council it needs to save £1.5m over the next three years and is at risk of breaching its statutory duty to set a balanced budget. The report by Grant Thornton UK LLP advised that it had issued a Section 24 Notice, recommending urgent action to prevent both the General Fund and Housing Revenue Account balances being exhausted by the end of 2020/21. The report, considered by the Council's Audit Committee, advised that the Auditors were not satisfied that the Council had made proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The Auditors pointed out that they had previously identified financial issues in 2017/18 saying then that Redditch was "not in a financially sustainable long-term position and did not have sufficiently developed plans to address this". The escalation to a formal Section 24 Notice suggested that these previous concerns had not been addressed.

Reports on the Financial Sustainability of Local Authorities

- 2.16. Due to the number of media announcements, there have been several recent reports issued on the subject of Financial Sustainability in Local Authorities. Details of these reports can be found below:

Public Accounts Committee – Local Authority Financial Resilience

- 2.17. On 12 March 2019, the Public Accounts Committee released a paper on the subject of Local Authority Financial Resilience. The report included the following:
- Local Financial accountability; the legal framework
 - Local Authority budgeting
 - Financial Resilience concerns in England
 - Financial Stress; effects on individual authorities
 - Monitoring financial resilience

-
- 2.18. The briefing paper was issued due to the concerns around Local Authority Financial Resilience since 2010, the uncertainty around future funding of Authorities and the debates that are being held on whether Local Authorities in England have enough access to sufficient funding to discharge their functions. It also had regard to the media reports of financial difficulties of Local Authorities since the financial crisis of Northamptonshire County Council.
- 2.19. Highlighted within the briefing paper are the results from the Local Government Information Unit and the Municipal Journal's Annual Statement of Local Government Finance Survey which showed that in February 2019, 80% of the 158 respondents (key decision makers in Local Authorities) were "not confident in the sustainability of local government finance". Of the respondents, 53% expected to use reserves in 2019/20. As expected, it also highlighted that the services under most pressure included Children's Services, Adult Social Care and Homelessness.
- 2.20. A key theme throughout the paper is the level of reserves and the unplanned use of these resources by Local Authorities particularly in recent years and the report makes reference to the work completed by CIPFA on its Local Authority Financial Resilience Index.
- 2.21. What is clear from the briefing paper is that funding of Local Authorities is of key concern across the sector and that the outcome of the Comprehensive Spending Review and Fair Funding Review (which were due to inform the 2020/21 Local Government Finance Settlement) will be fundamental in ensuring that Authorities are sustainable in the long term. However, due to the recent change in Prime Minister and the delays in taking forward Brexit, the timing of these reviews is unclear.

CIPFA's Local Authority Financial Resilience Index

- 2.22. Members of this Committee will recall that CIPFA consulted on the proposed publication of an index of resilience for English Councils. The decision to develop an index was driven by CIPFA's desire to support the Local Government sector as it faces continued financial challenges.
- 2.23. The index, based on publicly available information, was initially focused around six indicators. However, taking into consideration feedback received from the consultation, CIPFA then proposed an increase to fifteen indicators. The indicators have yet to be finalised. CIPFA plans to deliver a series of development workshops with Finance Directors before the release of the final version which is expected to be after the official publication of Local Authority revenue and expenditure outturn data in November 2019.
- 2.24. The tool will sit alongside CIPFA's planned Financial Management Code which aims to support good practice in the planning and execution of sustainable finances. Further details of the new Financial Management code can be found at Sections 2.25 to 2.31 and **Appendix 2**.

CIPFA's Proposed Financial Management Code

- 2.25. On 15 March 2019, CIPFA published a consultation on its proposed Financial Management Code that would support its Financial Resilience Index. This consultation concluded on 30 April 2019. The objectives of this code are "to support good practice in financial management and to assist Local Authorities in demonstrating their financial sustainability".
- 2.26. The code is based upon a series of principles which will be supported by specific standards of practice which CIPFA consider necessary for a strong foundation. The foundation being the ability to:

-
- Financially manage the short, medium and long-term finances of a Local Authority
 - Manage financial resilience to meet foreseen demands on services
 - Financially manage unexpected shocks in their financial circumstances
- 2.27. The proposed Financial Management code builds on the success of the CIPFA Prudential Code which requires Local Authorities to demonstrate the long term financial sustainability of their capital expenditure. The Code is also consistent in that it is based upon principles rather than prescriptions and each Local Authority must demonstrate that they meet the requirements of this code. It is expected that this Code will be in place for April 2020.
- 2.28. The underlying principles of this code are as follows:
- Organisational **Leadership** – the demonstration of a clear strategic direction based on a vision in which financial management is embedded into organisational culture
 - **Accountability** – based on medium term financial planning which drives the annual budget process supported by effective risk management, quality supporting data and whole life costs
 - Financial Management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making
 - Adherence to professional **standards** which are promoted by the leadership team and evidenced
 - Sources of **assurance** are recognised as an effective tool mainstreamed into financial management and includes political scrutiny and the results of both external audit and internal audit inspection
 - The long-term **sustainability** of local services is at the heart of all financial management process and is evidenced by prudent use of resources
- 2.29. Underpinning each of these principles are Financial Management Standards. These standards can be found at **Appendix 2**.
- 2.30. An expectation of the Code is that Local Authorities comply with the CIPFA Statement on the Role of the Chief Financial Officer (CFO) in Local Government. The aim of this Statement is to set out the fundamental principles that support a successful CFO which is considered to be critically important for good governance in public sector organisations. This Statement also provides assurance that the CFO will focus on dealing with the current issues around financial sustainability of organisations.
- 2.31. Members of this Committee can be assured that when the final version of the Financial Management Code is published, there will be an exercise to ensure that the Finance Service, and where possible, the wider organisation, is compliant with its requirements in advance of its implementation in April 2020.

Additional CIPFA Documentation

- 2.32. On 31 July 2019, CIPFA published a new document entitled 'Talking About Tomorrow' / Shaping Successful Local Services. Whilst this contained no new information over and above the proposed Financial Management Code detailed above, it did reference back to that document and again highlighted the importance of Local Authorities demonstrating financial sustainability and resilience.

BBC Analysis of Government Data

- 2.33. The BBC has conducted an analysis based on Government data building on CIPFA's draft Financial Resilience Index. This analysis was recently reported and identified that 11

Authorities were expected to have fully exhausted all reserves in the next four years unless they are topped up.

2.34. The 11 Authorities mentioned in the article represent a mix of Authority types and also varied geographical locations and were identified as follows:

- Northamptonshire County Council
- Somerset County Council
- Rotherham Council
- Thurrock Council
- Croydon Council
- Stoke-on-Trent City Council
- Sutton Council
- Isles of Scilly
- Knowsley Council
- Greenwich Council
- Medway Council

2.35. The article identifies that “systematic underfunding” of Local Government is responsible for the continued use of reserves by Local Authorities. Councillor Richard Watts of the Local Government Association stated "This is unsustainable and does nothing to address the systemic underfunding that they face. Ongoing funding gaps are simply too big to be plugged by reserves."

2.36. It should be noted however that the Authorities identified as having used a lot of their reserves insisted that they were not running out of cash and so this difference of view also helps to highlight the limitations of simply using financial information at a fixed point without the wider Authority context.

Oldham Council Financial Resilience

2.37. The Statement of Accounts for 2018/19 which were approved at the Audit Committee on 25 June 2019, showed that Oldham Council increased its general fund balances by £0.849m to a value of £14.840m. This provides increased financial resilience for the Council and enables balances to be held at a value sufficient to support 2020/21 budget setting in line with the calculated risk assessment presented to Budget Council in February 2019.

2.38. The Revenue Account earmarked reserves balance slightly reduced from £82.731m to £80.623m whilst other earmarked reserves have increased by £3.661m to £12.935m. These include movements in the Schools Balances and the Revenue Grant Reserve (which are not available for general use). It is important to note that total earmarked reserves showed a small overall increase to £93.558m, but that £8.818m of these earmarked reserves have been used to support the 2019/20 budget and others have been set aside to provide financing for future Council initiatives.

2.39. In accordance with good practice, the Council does have a Reserves Policy which is reviewed annually by the Audit Committee (most recently at the meeting of 25 June 2019).

2.40. As detailed within the Council's Audit Completion Report, presented alongside the Statement of Accounts, the External Auditors concluded that for 2018/19 the Council had made proper arrangements to deliver financial sustainability in the medium term. However, it was also pointed out that “the use of reserves to support revenue budgets in the longer term is not sustainable, and the Council will need to ensure that its longer term financial sustainability does not deplete its reserves to unsustainably low levels”.

-
- 2.41. Whilst the Council does continue to face significant financial challenges, its financial position is still strong, as demonstrated with an increase in both balances and earmarked reserves at the end of 2018/19. There is a robust 2019/20 budget together with a Medium Term Financial Strategy covering the period to 2023/24 supported by a Capital Strategy and Capital Programme also covering 2019/20 to 2023/24. Together with a suite of other financial reports approved at the Budget Council, these provide a firm base from which to move into the budget process for 2020/21. There are also robust in-year financial monitoring arrangements in place with regular reports to Cabinet. However, whilst the Council remains financially resilient, it must be mindful of the Auditor's comments about the depletion of reserves.
3. **Options/Alternatives**
- 3.1. Options are not presented as the report is intended to prompt discussion and debate among Committee colleagues.
4. **Preferred Option**
- 4.1. Options are not presented as the report is intended to prompt discussion and debate among Committee colleagues.
5. **Consultation**
- 5.1 Cabinet Members and Chief Officers have been consulted on the content of the report.
6. **Financial Implications**
- 6.1. Financial implications are included in full within the report.
7. **Legal Services Comments**
- 7.1. There are no legal implications arising directly from the report.
8. **Co-operative Agenda**
- 8.1. The pressure on Local Authority finances shows no sign of relenting. Developing a co-operative future where everybody can do their bit and with everybody benefitting is as important as ever. Taking a co-operative approach provides the opportunity to do things differently, provide a sustainable solution to the unprecedented challenges Oldham faces as well as making the most of the assets/strengths that lie in our communities.
9. **Human Resources Comments**
- 9.1. There are no Human Resources implications arising directly from the report.
10. **Risk Assessments**
- 10.1. Sustained real terms reductions in Government funding for Local Authorities coupled with the emergence of major spending pressures within the realm of Adults and Children's Social Care means the risk of fiscal failure among Local Authorities is greater than it has been for many years.
- 10.2. Fiscal failure and the imposition of spending controls at Northamptonshire County Council has attracted significant media attention as has the existence of major fiscal challenges emerging in other Local Authority areas. The action having to be taken and the issues that have led to such action act as a warning to the rest of the sector.

-
- 10.3. The issue of financial resilience and fiscal sustainability across the Local Authority sector is highly relevant to the ongoing development of the Council's Medium Term Financial Strategy and associated budget options for 2020/21 and beyond.
11. **IT Implications**
- 11.1. There are no IT implications arising directly from the report.
12. **Property Implications**
- 12.1. There are no property implications arising directly from the report.
13. **Procurement Implications**
- 13.1. There are no procurement implications arising directly from the report.
14. **Environmental and Health & Safety Implications**
- 14.1. There are no Environmental and Health & Safety implications arising directly from the report.
15. **Equality, community cohesion and crime implications**
- 15.1. There are no equality, community cohesion and crime implications arising directly from the report.
16. **Equality Impact Assessment Completed?**
- 16.1. N/A.
17. **Key Decision**
- 17.1. No.
18. **Key Decision Reference**
- 18.1. N/A.
19. **Background Papers**
- 19.1. The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:
- | | |
|---------------|--|
| File Ref: | Background papers are included in Appendices 1 and 2 and in the report 'Local Government Financial Resilience' presented to the Overview and Scrutiny Performance and Value for Money Select Committee on 13 December 2018 |
| Officer Name: | Anne Ryans |
| Contact No: | 0161 770 4902 |
20. **Appendices**
- 20.1. The following appendices are included in the report:
- | | |
|------------|---|
| Appendix 1 | Definition of a Section 114 Notice |
| Appendix 2 | CIPFA's Proposed Financial Management Standards |

Definition of a Section 114 Notice

What is a S114 Notice?

Within the Local Government Finance Act 1988, Section 114 (3) dictates that:

“The chief finance officer of a relevant authority shall make a report under this section if it appears to him that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure”.

In general terms this means that for Local Government, it is the Chief Finance Officer or Section 151 officer who has the role under law of being the most senior financial advisor to the wider Council's leadership on its financial plans. Uniquely across the public sector however, the CFO also has the power and responsibility to legally suspend spending for a period of time if they judge the Council does not have a balanced budget or the imminent prospect of one.

What Happens when a S114 Notice is Issued?

It means that no new expenditure is permitted, with the exception of that funding statutory services, including safeguarding vulnerable people, however existing commitments and contracts will continue to be honoured.

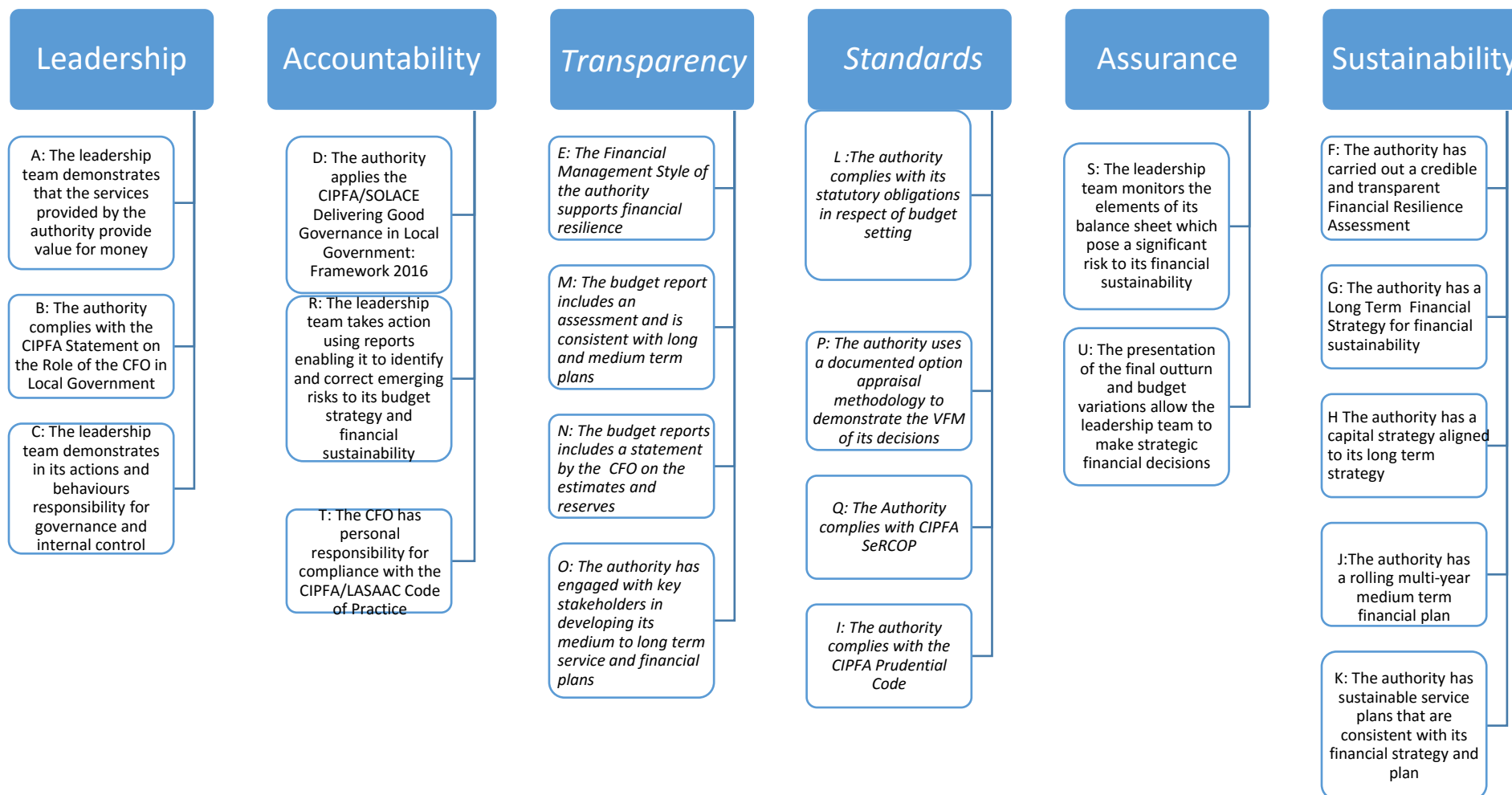
Council officers must therefore carry out their duties in line with contractual obligations and to acceptable standards, while being aware of the financial situation. Any spending that is not essential or which can be postponed should not take place and essential spend will be monitored.

The only allowable expenditure permitted under an emergency protocol would include the following categories:

- existing staff payroll and pension costs
- expenditure on goods and services which have already been received
- expenditure required to deliver the council's provision of statutory services at a minimum possible level
- urgent expenditure required to safeguard vulnerable citizens
- expenditure required through existing legal agreements and contracts
- expenditure funded through ring-fenced grants
- expenditure necessary to achieve value for money and / or mitigate additional in year costs

Councillors have 21 days from the issue of a Section 114 notice to discuss the implications at a Full Council meeting.

Mapping of CIPFA summarised Financial Management Standards onto CIPFA Principles of Good Financial Management (DRAFT)



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Report to Audit Committee

Data Protection Update

Portfolio Holder: Councillor Abdul Jabbar MBE – Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans – Director of Finance
Ext. 4902

Report Author: Barbara Mulvihill – Data Protection Officer
Ext. 1311

12 September 2019

Purpose of Report

To update Members of the Audit Committee on the Council's management and assurance in relation to data protection.

Recommendations to the Audit Committee

The Audit Committee is asked to consider and note the contents of the report.

Audit Committee

Data Protection Update

1 Background

- 1.1 The Audit Committee, as the appropriate Committee within the Council, has received a previous Data Protection Officer (DPO) report and agreed to receive reports twice yearly thereafter. This is the first update report for 2019/20.

2 Current Position

- 2.1 The Council's DPO continues to provide advice and guidance to the Council and through formally agreed service level agreements (SLA) to The Unity Partnership Ltd (UPL), MioCare Community Interest Company (CIC) and 55 schools (directly maintained and academies) based in Oldham.
- 2.2 Under the same SLAs, the Information Management Team continues to provide support and expertise across the wider information governance arena, e.g. data protection, information security, Freedom of Information and records management for these organisations.
- 2.3 The Data Protection Board continues to meet every two months to receive data protection plan progress updates and to discuss information management requirements in relation to local and wider Greater Manchester Combined Authority (GMCA) activities.
- 2.4 As a consequence of the increased number of localised and GMCA activities/initiatives that require the use of personal information, there is a requirement to ensure that data protection implications are fully considered.
- 2.5 Examples of the working together of organisations, e.g., Councils, health, police, voluntary, housing providers, community groups etc. include, but are not limited to:
- Co-location and integration of services
 - Sharing of personal data
 - Joining up individual's records
 - Development of IT systems to facilitate the above
 - Communicating to individuals about the use of their personal data
 - Handling of information rights requests within integrated services
- 2.6 These activities can be illustrated at 2.6.1 and 2.6.2 below:
- 2.6.1 Oldham Cares has an integrated approach to 'systems of care' in relation to health and social care services. The key aims include, but are not limited to:
- Improving health outcomes and performance
 - Focusing on prevention and for people to live healthy lives
 - Enabling people to make informed choices
 - To work jointly with partners and be needs led
 - Develop community resilience through the Thriving Communities project

A key element of Oldham Cares surrounds the implementation of the Integrated Care Record and the wider Local Health and Care Record Exemplar (LHCRE) programme.

-
- 2.6.2 Place Based Integration and Reform focusses on how mainstream services should be delivered across the whole system and in partnership with residents. This will be achieved through the implementation of the Our Oldham Place Based Operating Model. The model aims to create integrated services working in an asset based way to deliver better outcomes for people and the places where they live. These changes in delivery will work in partnership with the Thriving Communities project which is part of Oldham Cares. This area of work feeds into the GM Place and Reform Executive and towards the implementation of the Place Based Reform Greater Manchester Model.
- 2.7 The Council's Information Management Team is working closely with colleagues from other organisations to ensure that information governance requirements are considered and built into initiatives as they are developed.
- 2.8 The Council's Central Records service is relocating from its current site at Vulcan Street to a new location at the Meridian Centre with the key parties managing this move being the Information Management Team, UPL and the Council's Regeneration team. The planned re-location is anticipated to be completed by December 2019 and the intention is that all Council records will eventually move to this new site.
- 2.9 Phase 1 of the Council's data protection plan, known as the GDPR implementation project was completed in September 2018. Phase 2 of the Council's data protection plan to continue implementation of the requirements of the legislation introduced in 2018 is detailed in Appendix 1. MioCare CIC and UPL have their own agreed plans and support is being provided to enable progress to be made in these wholly owned companies. There is a high level plan for supporting schools & academies in delivering on their own data protection responsibilities.
- 2.10 A high level assurance dashboard has been created at a corporate level and this aligns with the planned activity within Phase 2 of the plan. Appendix 2 provides an overview of the current baseline assurance level of the Council from a corporate perspective. Actions have been identified and where required will be incorporated within the plan for Phase 2 of the Council's data protection Plan.
- 2.11 The potential impact of Brexit on information sharing is uncertain at the time of the production of this report. As and when the implications become clearer this will need to be factored into the plans of the Council and other bodies as appropriate.

3 Options/Alternatives

- 3.1 There is one option presented for consideration:

The Committee considers and notes the contents of this report.

4 Consultation

- 4.1 Relevant officers of the Council have been consulted in the preparation of this report.

5 Financial Implications

- 5.1 N/A

6 Legal Services Comments

- 6.1 N/A

7	Co-operative Agenda
7.1	Committed to the Borough - to visibly demonstrate that the Council is taking steps to ensure legal compliance.
8	Human Resources Comments
8.1	N/A
9	Risk Assessments
9.1	This report provides assurance that the Council is managing its risks around Information Governance. (Mark Stenson)
10	IT Implications
10.1	N/A
11	Property Implications
11.1	N/A
12	Procurement Implications
12.1	N/A
13	Environmental and Health & Safety Implications
13.1	N/A
14	Equality, community cohesion and crime implications
14.1	N/A
15	Equality Impact Assessment Completed?
15.1	No, as a result of an EIA screening it was determined that a full EIA was not required.
16	Key Decision
16.1	No
17	Key Decision Reference
17.1	N/A
18	Background Papers
18.1	The following is a list of the background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents, which would disclose exempt or confidential information as defined by that Act.
	File Ref: Background papers are attached as Appendices 1 and 2
	Officer Name: Barbara Mulvihill
	Contact No: 0161 770 1311

19 **Appendices**

- 19.1 Appendix 1 – Phase 2 Plan progress
 Appendix 2 – Self Assurance Framework

Phase 2 Plan Progress

Overview of key elements of Council phase 2 plan are set out below and accompanied by a high level milestone BRAG rating.

Phase 2 of the plan builds on the success of Phase 1 plan and integral to the plan is the delivery of the agreed collaborative approach with MioCare CIC, the Unity Partnership and Schools. It has the following elements:

Self Assurance Framework

A high level assurance dashboard has been created at corporate level and this aligns with the planned activity within the plan. The intention remains to develop a framework that engages services and the Information Management Team in reviewing specific data protection themes. See Milestone 2.

Data Protection Policies

Work continues to supplement the existing suite of policies and guidance in line with best practice and to incorporate the requirements of the Law Enforcement Directive.

Milestones 5, 6, 7, 11 and 12 all relate to policy development and implementation. In summary the FOI policy and supporting documentation has been reviewed, data sharing and Data Privacy Impact Assessment policies have been drafted and the documentation is under review. There is more action required to revise/create specific policies in relation to data subject access and these will be reviewed in line with the Data Protection Compliance Improvement Project, which is currently scheduled for completion by January 2020.

Privacy Notices

A review of the existing privacy notices is being undertaken with the intention of adding to the existing suite and aligning the privacy notices to the internet themes to aid findability for the public. Milestone 9 refers.

Records of Processing Activities (ROPA)

Work continues to develop a comprehensive ROPA and to establish an effective way going forward as to review and maintenance. With regard to Milestones 8 and 14, a review of the current ROPA is underway and the review of future form needs to consider whether or not an information audit would enable a comprehensive information asset register and ROPA.

Information Governance Logging Systems Development

The existing systems facilitate request and breach management, i.e., tracking and performance management. These are being reviewed to update the systems in relation to changes in legislation, i.e., terminology, timelines, reporting etc. See Milestone 13.

Delivery of Continuing Support to Key Partners

The schools plan is focused on providing model policies, training and a self-assurance framework to assist schools in demonstrating compliance and developing action plans. Advice is provided as required on a range of issues.

The UPL and MioCare CIC plans are similar in that they are focused on assisting them to develop policies, ROPA's, privacy notices, the facilitation of training and guidance.

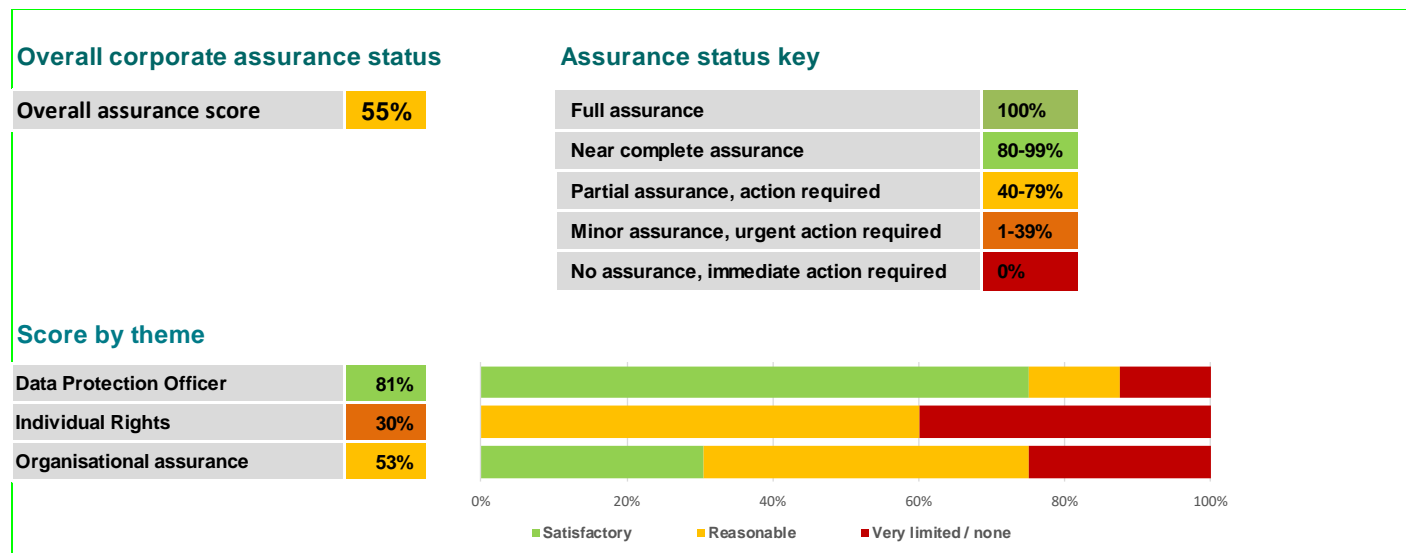
The overall assessment of progress on Phase 2 is detailed in the Table below as at August 2019:

B – closed, R – clear risk of not meeting, A – potential risks being addressed, G – on target

#	High Level Milestone	% Complete	BRAG
1	Project Governance	100%	B
2	Establish a Self Assurance framework	50%	G
3	Public awareness	100%	B
4	Staff suitably trained	100%	B
5	DP Policies in place	0%	G
6	Data Protection embedded in service processes	50%	A
7	DP Policy supplemental	25%	G
8	Up to date ROPA	33%	G
9	Up to date Privacy Notices	75%	G
10	Special Data Appropriate policy	100%	B
11	Law Enforcement Directive Policy	50%	G
12	FOI	100%	B
13	Effective Data protection logging systems	7%	G
14	Information Asset Register/alternative ROPA	0%	G

Self Assurance Framework

Following the development of the corporate IG self assurance framework, a dashboard baselining current assurance is illustrated below:



Phase 2 of the Data Protection Plan and the Data Protection Compliance Improvement Project includes actions to address any elements identified as Red or Amber to move them towards Green.

The Corporate IG Assurance Framework identifies all actions required to address any concerns flagged through completion of the framework, with all actions currently forecast to be completed by March 2020. All these actions will be led by the Information Management Team.

Key:

DPO	Data Protection Officer
LED	Law Enforcement Directive
DP	Data Protection
IMT	Information Management Team
FOI	Freedom of Information
ROPA	Records of Processing Activities



Report to Audit Committee

Counter Fraud and Corruption Policies and Procedures

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans - Director of Finance

Report Author: Mark Stenson - Head of Corporate Governance

Ext. 4783

12 September 2019

Reason for Decision

This report sets out the updated Counter Fraud and Corruption Policies and associated planning documents following a review. These documents support the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption.

Executive Summary

The Accounts and Audit Regulations 2015 state that the Council must have measures in place “to enable the prevention and detection of inaccuracies and fraud.” In this context, fraud also refers to cases of bribery and corruption.

The Council’s Financial Procedure Rules require the Head of Corporate Governance to be responsible for the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption. The Counter Fraud Team at Oldham Council operates in accordance with practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Team also adheres to guidance issued by the Cabinet Office, relating to professional Counter Fraud standards across the public sector.

The Audit and Counter Fraud Team is responsible for investigating potential fraud, for identifying potential fraud risks, conducting proactive fraud reviews, and for delivering training and awareness to colleagues. In addition, the team maintains the relevant policies and procedures, which are reviewed and updated routinely.

Recommendations

Members note the contents of this report and approve the updated Policies and Planning documents.

Counter Fraud and Corruption Policies and Procedures**1 Background**

- 1.1 The Accounts and Audit Regulations 2015 state that the Council must have measures in place “to enable the prevention and detection of inaccuracies and fraud.” In this context, fraud also refers to cases of bribery and corruption.
- 1.2 The Council’s Financial Procedure Rules *Section 6.8: Investigations and Suspected Fraud or Corruption*, require the Head of Corporate Governance to be responsible for the provision of an appropriate Counter Fraud service to minimise fraud risks and to investigate potential fraud and corruption. The Counter Fraud Team at Oldham Council operates in accordance with practices recommended by CIPFA and the team also adheres to guidance issued by the Cabinet Office, relating to professional Counter Fraud standards across the public sector.
- 1.3 The Audit and Counter Fraud Team is responsible for investigating potential fraud, for identifying potential fraud risks and conducting proactive fraud reviews, and for delivering training and awareness to colleagues. In addition, the team maintains the relevant policies and procedures, which are reviewed and updated routinely.
- 1.4 This report sets out the proposed revised policies and planning documentation. These updated documents have been based on a review which was carried out to minimise the risk of fraud, bribery and corruption occurring within and against the Council.

2. Current Position: Policies and Procedures

- 2.1 Effective policies and procedures are essential to ensure that all officers and members are aware of their roles and responsibilities in identifying and managing the risk of fraud. The Audit and Counter Fraud Team will continue to review and update these policies and procedures on an ongoing basis.
- 2.2 In August 2019, the following policy and planning documents were reviewed. These are attached to this report as the following Appendices, and discussed at the high level in the sections to follow:
 - **Policies:**
 - **Appendix 1:** Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, which includes corporate sanctions, except for Council Tax Reduction sanctions, which are set out in Appendix 2.
 - **Appendix 2:** Local Council Tax Reduction Scheme Sanction Policy 2019.
 - **Appendix 3:** Anti-Money Laundering Policy 2019.
 - **Audit and Counter Fraud Planning to minimise Potential Fraud Risks:**
 - **Appendix 4:** CIPFA Fighting Fraud and Corruption Locally Checklist 2016 – 2019.
 - **Appendix 5:** Fraud and Loss Risk Assessment 2019.

Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan

- 2.3 In October 2014, CIPFA issued the “Code of Practice on Managing the Risk of Fraud and Corruption”. Whilst not mandatory, the Code represents best practice and compliance with the Principles set out in the Code to enable the Council to

demonstrate effective financial stewardship of public monies. The updated Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan is attached as **Appendix 1**. The Strategy meets the requirements of CIPFA's Code of Practice on Managing the Risk of Fraud and Corruption and consolidates all related policies and procedures in its Appendices. In reviewing this Strategy, limited changes were required.

- 2.4 As part of the training and awareness offer, Bribery and Corruption training is available to staff and Members online via the Council's MeLearning portal. This fraud e-learning module contains an overview of Bribery Act requirements.

Local Council Tax Reduction Scheme Sanction Policy 2019.

- 2.5 This Policy provides the framework for the investigation, sanctions and prosecution in relation to Council Tax and the local Council Tax Reduction Scheme, and Single Persons Discount scheme. The policy has been reviewed with Civil Penalties to reflect current legislation, which is set out in Regulations 11, 12 and 13 of the Council Tax Reduction schemes (Detection of Fraud and Enforcement) (England) 2013.

Anti-Money Laundering Policy

- 2.6 The Council's Anti-Money Laundering Policy has been reviewed and amended to reflect the guidance of The Money Laundering, Terrorist Financing and Transfer of Funds Regulations 2017. Although the Council is classed as an exempt body under the Regulations, it is considered good practice to carry out appropriate measures to minimise the risk that the Council or its employees may commit an offence under the relevant provisions of the Terrorism Act 2000 or the Proceeds of Crime Act 2002.

3. Planning to Minimise the Risk of Fraud

- 3.1 The Audit and Counter Fraud Team also has processes to review potential fraud risks in order to drive the use of resources in the team. The following appendices sets out the outcome of this review:
- **Appendix 4:** CIPFA Fighting Fraud and Corruption Locally Checklist 2016 – 2019. This is developed in conjunction with the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. The checklist contains a self-assessment, which indicates compliance with key requirements, and the action to review and update the Whistleblowing Policy. The review of this Policy is set out in Section 4 of this report.
 - **Appendix 5:** 2019/20 Fraud and Loss Risk Assessment. The Audit and Counter Fraud annual planning processes include a specific fraud and loss risk assessment to ensure that all relevant risks are identified and to support the development of a programme of proactive anti-fraud work that minimises the risk of loss to the Council. The Fraud and Loss Risk Assessment attached as Appendix 5 forms part of the 2019/20 Audit and Counter Fraud Plan.
- 3.2 Risks are identified from a number of other sources, including:
- CIPFA's Annual Counter Fraud and Corruption Tracker Survey
 - Intelligence gained from networking with other authorities via the North West Fraud Group, the North West Counter Fraud Sub Group, which is led by Oldham Council, and the Lancashire and Greater Manchester Fraud Investigators' Group.

-
- Outcomes from previous Internal Audit reviews and investigations.
 - Feedback from managers on areas where they have identified control weaknesses that may increase the risk of fraud.
- 3.3 The Council's Counter Fraud training and awareness offer is set out in Section 2.4 above, and this is supplemented with specific training sessions in key areas.
- 4. Whistleblowing Policy**
- 4.1 A cross departmental team, including colleagues from Legal Services, People Services and the Audit and Counter Fraud Team have reviewed the Council's Whistleblowing Policy. At the time of writing this report (30 August 2019), it is planned to present the revised Draft Policy to Full Council later this year, for approval. Once this has been approved, it is proposed that it is presented to the Audit Committee on 14 November 2019.
- 4.2 This action is recorded in Appendix 4: CIPFA Fighting Fraud and Corruption Locally Checklist 2016 – 2019.
- 5. Options/Alternatives**
- 5.1 The Audit Committee may approve or not approve the attached Policies and Planning documentation.
- 6. Preferred Option**
- 6.1 The Audit Committee approves the attached Policies and Planning documentation.
- 7. Consultation**
- 7.1 N/A.
- 8. Financial Implications**
- 8.1 N/A.
- 9. Legal Services Comments**
- 9.1 N/A.
- 10. Cooperative Agenda**
- 10.1 N/A.
- 11. Human Resources Comments**
- 11.1 N/A.
- 12. Risk Assessments**
- 12.1 Risk assessments are considered as part of the Annual Audit and Counter Fraud Planning process and in advance of, and during, proactive reviews and investigations. (Jane Whyatt)
- 13. IT Implications**

13.1 N/A.

14. Property Implications

14.1 N/A.

15. Procurement Implications

15.1 N/A.

16. Environmental and Health & Safety Implications

16.1 N/A.

17. Equality, community cohesion and crime implications

17.1 N/A.

18. Equality Impact Assessment Completed?

18.1 None.

19. Key Decision

19.1 N/A.

20. Forward Plan Reference

20.1 N/A.

21. Background Papers

21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref:	Background papers are included as Appendices
Officer Name:	Jane Whyatt
Contact No:	0161 770 4773

22. Appendices

22.1 **Appendix 1:** Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan, which includes corporate sanctions, except for Council Tax Reduction sanctions, which are set out in Appendix 2.

Appendix 2: Local Council Tax Reduction Scheme Sanction Policy 2019.

Appendix 3: Anti-Money Laundering Policy 2019.

Appendix 4: CIPFA Fighting Fraud and Corruption Locally Checklist 2016 – 2019.

Appendix 5: 2019-2020 Fraud and Loss Risk Assessment.

Audit and Counter Fraud Team

Counter Fraud, Anti-Bribery Strategy and
Counter Fraud Response Plan

August 2019

Version Control

Version	Version Date	Revised by	Description
1	July 2006	Janette Parkin	New Policy
2	July 2012	Andrew Bloor	Revised – Bribery Act 2010
3	July 2015	Andrew Bloor	Revised – Sanctions Policy and Counter Fraud Response Plan
4	August 2019	Andrew Bloor	Revised – Suitability of Offenders

Contents

Policy Section Header	Section Reference
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Bribery	3
Aims	4
Approach	5
Staff and Stakeholders	6
Reporting Lines	7
Whistleblowing	8
Appendix A – Summary of Fraud Act 2006	
Appendix B – Corruption and Bribery	
Appendix C – Sanctions Policy	
Appendix D – Fraud Indicators	
Appendix E – Counter Fraud Response Plan	
Appendix F – Suitability of Offenders	

Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan

1. Introduction

- 1.1 The CIPFA publication, “Fighting Fraud and Corruption Locally 2016-2019”, outlines that fraud costs local government in excess of £2.2 billion per annum. In times of austerity, preventing and detecting fraud is essential in ensuring that the Council protects the public purse, and that the funds allocated to provide the services to the communities within Oldham are used for their intended purpose.

2. Fraud

- 2.1 Fraud can be broadly described as acting dishonestly with the intention of making a gain for themselves or another, or inflicting a loss (or a risk of loss) on another; including:
- Dishonestly making a false representation
 - Dishonestly failing to disclose to another person, information which they are under a legal duty to disclose
 - Committing fraud by abuse of position, including any offence as defined in the Fraud Act 2006.

Appendix A includes a summary of the Fraud Act 2006.

3. Bribery

- 3.1 The Bribery Act 2010 defines bribery as “the inducement for an action which is illegal, unethical or a breach of trust. Inducements can take the form of gifts, loans, fees, rewards or other advantages whether monetary or otherwise”.
- 3.2 Corruption is the abuse of entrusted power for private gain. It affects everyone who depends on the integrity of people in a position of authority. The Bribery Act 2010 repealed all Corruption Acts in whole and there is now no offence of corruption; therefore, whilst corruption exists as a term, it no longer exists as an offence.
- 3.3 Section 7 of the 2010 Act created the new offence of failure by an organisation to prevent a bribe being paid for or on its behalf. It is possible to provide a defence by implementing adequate procedures to prevent bribery occurring within the organisation as outlined by the Ministry of Justice. If these cannot be demonstrated and an offence of bribery is committed within the organisation, senior officers of the Council can be held accountable.

Appendix B is an extract from the Councils Code of Conduct.

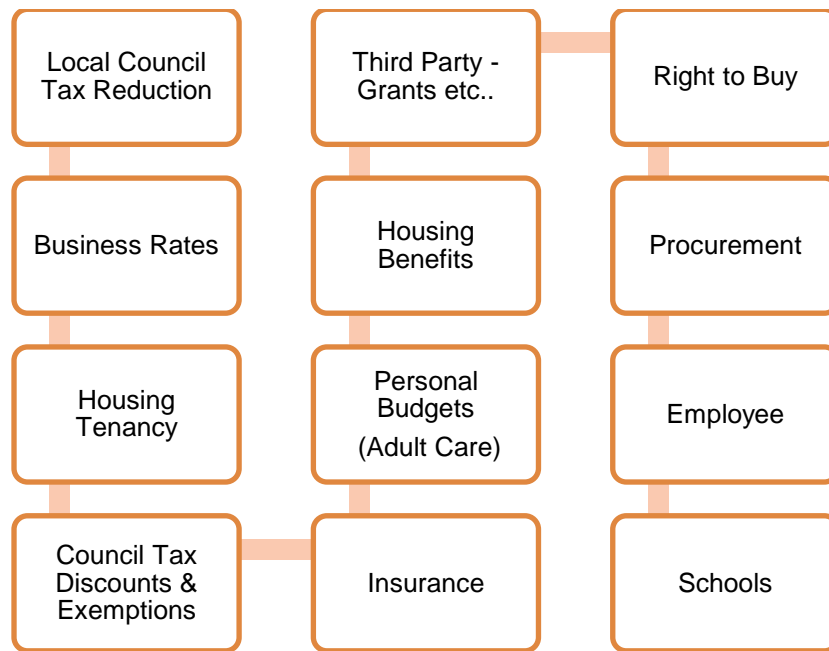
4. Aims

- 4.1 The Council has a duty to reduce fraud and bribery to an absolute minimum in order to protect its customers, whilst establishing controls that allow customers to adopt lifestyle choices for their own benefit and of their own choosing. This Strategy sets out the Council’s commitment to preventing, detecting and deterring fraud, corruption, bribery or other irregularity and takes into consideration the Council’s key principles and outcomes.

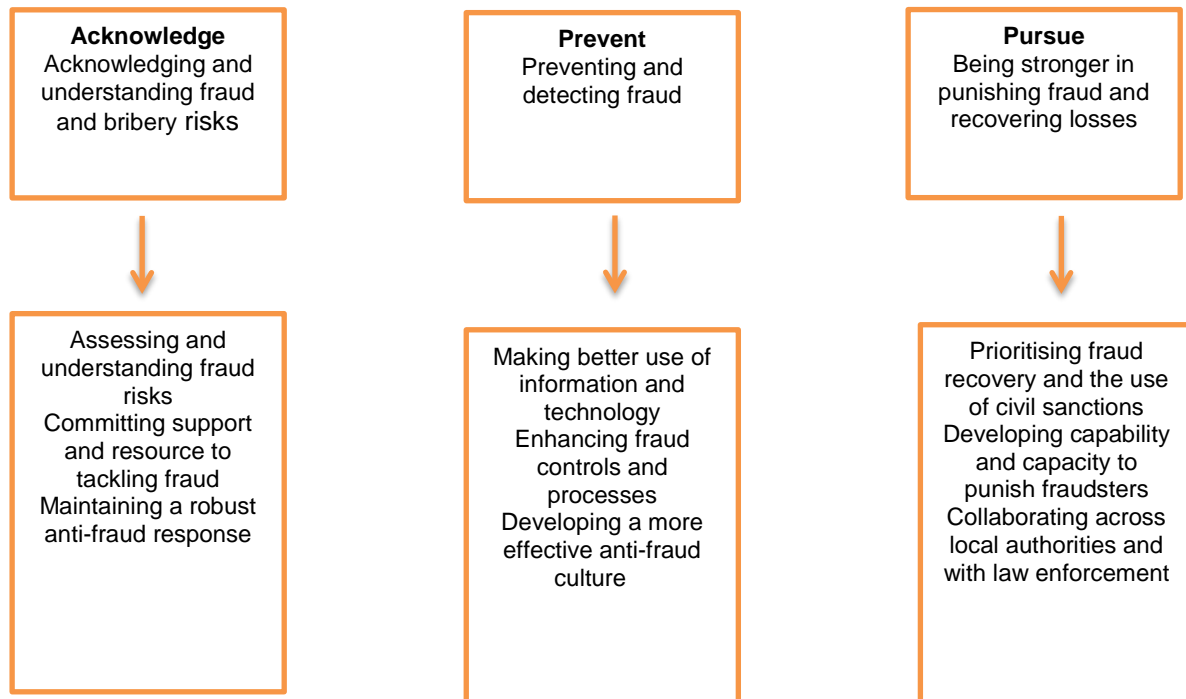
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- 4.2 By adopting the Strategy, the Council has acknowledged the fraud risk. The Strategy aims to improve the integration of fraud awareness, prevention and detection into the culture and working practices of the Council, its partnerships and contracts.
- 4.3 The Strategy requires that adequate and effective measures are put in place to correct any identified fraud or irregularity, with all perpetrators being pursued and punished.
- 4.4 The Strategy outlines the Council's stance in implementing a zero-tolerance approach towards fraud and irregularity and doing more to deter it.

5. Approach

- 5.1 The Council takes the threat of fraud and bribery seriously, in that it has the necessary dedicated and specialist resource, comprising of the Internal Audit and Counter Fraud Team. The team is focussed on coordinating the approach that Oldham Council takes in protecting its assets and finances from fraud and bribery.
- 5.2 Fraud, by its very nature is hidden, and conducted in such a manner that fraudulent actions are actively concealed. It is therefore vital to provide a strong anti-fraud culture and advocate a zero-tolerance approach. If done effectively this will not only provide a deterrence effect to potential fraudsters, but also encourage an environment where individuals feel comfortable coming forward to raise concerns.
- 5.3 In compiling the strategy, the Council's objectives have been considered and guidance and best practice of combatting fraud within local government has been incorporated, devised from a number of different sources, as follows:
- CIPFA: The Local Government Counter Fraud and Corruption Strategy 2016-19
 - CIPFA Code of Practice on Managing the Risk of Fraud and Corruption
- 5.4 The diagram below describes the nationally identified fraud risks and the three key elements approach recommended by CIPFA across local government.



Local Government will be better able to protect itself from fraud and corruption and will provide a more effective fraud response



6. Staff and Stakeholders

- 6.1 The Councils staff are the first line of defence against most acts of attempts of fraud, corruption or bribery. The Council expects and encourages them to be alert to the possibility of acts of fraud, corruption or bribery and to raise any such concerns at the earliest opportunity.
- 6.2 Staff have a duty to protect the assets of the Council, including information, as well as property. When an employee suspects that there has been fraud or corruption, they must report the matter to the Audit and Counter Fraud Team.

7. Reporting Lines - Reporting a Fraud

- 7.1 There are a number of ways that individuals may raise a concern or report suspected fraud or bribery. Employees are urged to consider the nature of the concern, whether it involves immediate management and the seriousness and sensitivity of the issues involved.
- 7.2 The Council also has a dedicated confidential fraud hotline (0161 770 4969) which is managed by Counter Fraud Officers within the Audit and Counter Fraud Team and staffed during normal office hours (an answering service operates at all other times).

There is also an email address:

investigations@oldham.gov.uk

8. Whistleblowing

- 8.1 The Council's Whistleblowing Policy encourages employees (and those of contractor and partner organisations) to report concerns that are in the public interest. The Policy outlines the process for raising concerns and the types of conduct that should be reported. For example:
- criminal offences;
 - failure to comply with legal obligations;
 - actions which endanger the health or safety of any individual;
 - actions which cause damage to the environment;
 - actions which are intended to conceal any of the above.
- 8.2 Where allegations are found to be malicious, they will also be considered for further investigation and subject to appropriate disciplinary action. All referrals are treated in the strictest confidence and callers who wish to may remain anonymous.
- 8.3 Access to the Whistleblowing Policy can be found at [Whistleblowing Policy](#)

Summary of the Fraud Act 2006

Key areas of the Fraud Act 2006

There are a number of other areas that are not included within this summary. This summary focuses on those issues that are more likely to affect counter fraud investigations in the public sector.

Section 1 – Fraud

A person is guilty of fraud if he/she is in breach of any of the Sections listed in subsection (2) (which provide for different ways of committing the offence).

The Sections are:

- Section 2 - Fraud by False Representation.
- Section 3 - Fraud by failing to disclose information.
- Section 4 - Fraud by abuse of position.
- Section 7 – Making or supplying articles for use in fraud.

Maximum penalty is imprisonment for a term up to 10 years (note: this was previously 7 years).

Section 2 - Fraud by False Representation

A person is in breach of this Section if he/she:

- Dishonestly makes a false representation; and
- Intends, by making the representation to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

Explanatory notes

- Note a gain need not have taken place, intent suffices
- ‘Gain’ includes keeping what one has, as well as a gain by getting what one does not have
- ‘Loss’ means not getting what one might get, as well as losing something that one has
- Importantly the loss can be permanent or temporary (previously the onus was on intention to permanently deprive)
- ‘Dishonest’ is defined in case law (R v Gosh 1982) and is based upon the two-tier test of whether his behaviour was regarded as being dishonest by the ordinary standards of reasonable and honest people (Clapham Omnibus) and whether the defendant was aware that his conduct was dishonest.

A representation is false if:

- It is untrue or misleading;
- The person making it knows that it is, or might be, untrue or misleading

The term ‘representation’ is defined under s.2 (3) of the Act as

“Any representation as to fact or law, including a representation as to the state of mind of the person making it, or any other person.”

Subsection (4) states the representation may be expressed or implied.

Section 3 - Fraud by failing to disclose information

A person is in breach of this Section if he/she:

- dishonestly fails to disclose to another person information which he is under a legal duty to disclose; and
- intends, by failing to disclose the information, to make a gain for himself or another, or to cause loss to another or to expose another to a risk of loss.

Explanatory notes

This section applies to all parties where a person is under a duty to disclose something and by not doing so could create some gain (e.g. not disclosing an illness for medical insurance) or where the failure to disclose causes a loss or puts another at a risk of a loss.

This may include verbal or written contracts. The Law Commission's Report of Fraud on the concept of 'legal duty' is as follows:

Section 4 - Fraud by abuse of position

A person is in breach of this Section if he/she:

- occupies a position, in which he is expected to safeguard, or not act against, the financial interests of another person;
- dishonestly abuses that position; and
- intends, by means of the abuse of that position to make a gain for himself or another, or to cause loss to another or expose another to a risk of loss.

Explanatory notes

S.4 (2) A person may be regarded having abused his position even though his conduct consisted of an omission rather than an act.

This offence focuses on those persons who are in positions of financial trust and have insight and possibly control of another's financial situation. There will be some form of relationship or agreement between both parties for the offence to operate: the relationship can be one of client, employee, family, trustee and beneficiary or simple trust. Although the offence focuses on the area of finance of the victim, it appears by the wording of the section that the actual gain to the offender may not be monetary, although it invariably will be.

The following examples are given:

- Where an employee fails to take up a contract to allow a rival company to obtain the contract at the expense of the employee's company
- Where someone is looking after elderly or vulnerable persons and has access to their bank account and abuses their position by removing money from the account.

Section 7 – Making or supplying articles* for use in frauds

Under section (1) a person is guilty of an offence if he makes, adapts, supplies or offers to supply any article:

- knowing that it is designed or adapted for use in the course of or in connection with fraud; or
- intending it to be used to commit, assist in the commission of, fraud.

* An article includes any program or data held in electronic form and can also include anything that can be used to make, alter, remove, supply or store something by electronic means in connection with fraud.

Fraud under this section may be manipulating or amending the date on a Blue Badge or photocopying a badge and supplying to another.

Corruption and Bribery (Council Code of Conduct – Section 12)

- 12.1 It is a serious criminal offence of corruption if you receive or give any gift, loan, fee, reward or advantage for doing or not doing anything or for showing favour or disfavour in the course of your work. Anyone offered an inducement (in whatever form) to undertake an action or make a decision in favour of another person, regardless of whether the same decision would have been made without the inducement, could be deemed as committing a corrupt act.
- 12.2 If inducements have been made it would be for you to demonstrate that they have not been corruptly obtained or given. In layman's terms, for this offence alone in British law, you would be presumed guilty until proved innocent.
- 12.3 Bribery is an inducement or reward offered, promised or provided to gain personal, commercial, regulatory or contractual advantage.
- 12.4 Under the Bribery Act 2010, individuals can be prosecuted for accepting bribes or offering bribes. It is an offence to offer, promise or give a bribe. It is also an offence to request, agree to receive, or accept a bribe. In this case a bribe is a financial or other advantage, which is offered or requested with the intention of inducing or rewarding the improper performance of a relevant function or activity.
- 12.5 In addition, the Council can be prosecuted for failing to prevent bribery committed to obtain or retain business advantage for the Council by an employee, other individual or organisation performing services for the Council. The Council will comply with its duty to report alleged acts of bribery to the police if it becomes aware or reasonably suspects that bribery is taking place.
- 12.6 You have an obligation to report any financial interest or relationship which could affect the decisions or policies of the Council to the Monitoring Officer. This data will be held on the E Register.
- 12.7 If involved in appointments you must decide them based on merit, as detailed in the Recruitment and Selection Policy. It is unlawful to do otherwise.
- 12.8 You must not be involved in an appointment if you are related to an applicant or have a close personal relationship outside work with him or her.
- 12.9 Similarly, you must not be involved in decisions relating to discipline, promotion or pay adjustments for any employee with whom you have a close personal relationship.
- 12.10 Cases of alleged corruption or bribery will be dealt with seriously. Failure to adhere to these rules may lead to disciplinary action being taken, which may result in dismissal.

The full version of the Council's Code of Conduct can be found at:

[Oldham Council Code of Conduct](#)

Sanctions Policy (Fraud & Bribery)**Introduction:**

Oldham Council (Oldham) is committed to delivering public services in an efficient and effective way and takes its responsibility for protecting public funds seriously. Oldham has a duty to reduce fraud and bribery to a minimum, the strategy for doing so is detailed within the Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan. The use of sanctions is governed by this policy and principles.

Objectives:

The objectives of Oldham are to ensure that:

- Sanctions are applied fairly and consistently
- Sanctions are applied in an effective and cost-effective way
- The sanction decision making process is robust, transparent and fair.

The sanction decision will have regard to Oldham's Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan and the overall impact of any decision on the individual and the wider community.

Oldham has a range of sanctions that will be considered:

- No further action
- Disciplinary action and/or referral to professional bodies
- Civil proceedings
- Criminal proceedings
- Parallel sanctions
- (i.e. combination of the above options).

No further action

Oldham may consider closing a case without taking any further action. This may be due to the following factors:

- Evidence is not robust or reliable
- The offence is minor
- The cost to pursue the case is not proportionate to the offence committed.

Disciplinary action

In the event that an allegation is made against an Oldham employee, the Internal Audit and Counter Fraud Team will consult with Human Resources, in accordance with the HR Disciplinary Policy and the relevant Head of Service. Any disciplinary action will be taken in conjunction with Human Resources, and the decision as to whether to refer the issue to any other enforcement agencies, for example, Police, HM Revenues & Customs will be a joint decision between the Director of Finance, the relevant Head of Service and a Representative of Peoples Services Team (Human Resources).

Sanctions may include warnings or dismissal.

Civil Proceedings

Where it is considered that a criminal prosecution will not be pursued, as evidence is not sufficient to prove a case beyond reasonable doubt, Oldham Council may consider civil proceedings.

For civil proceedings the standard of proof is on the balance of probabilities. Where it is evident that Oldham has been defrauded by one of its employees (or service users/customers) – the proceeds of fraud may be preserved through civil proceedings without notice to the subject, by the following measures:

- Freezing/tracing injunctions – an interim measure which restrains a person from removing or dealing with assets located within the jurisdiction.
- Search order – an interim order for the preservation of evidence.
- Recovery of money.

Regardless of whether or not any sanction action is taken, Oldham Council, will always seek to recover any overpayments or misused monies.

The Accounts Receivable Team will be consulted, and their usual procedures applied, including civil action when necessary.

Criminal proceedings

Where Oldham considers that there is sufficient evidence to indicate that a criminal act has taken place, the Internal Audit and Counter Fraud Team, under the direction of the Head of Corporate Governance, would refer the matter in the first instance to either the local Police or via the Action Fraud helpline.

The decision taken by the Police or Crown Prosecution Service will be the final decision as to whether or not to pursue the case. Before a decision is taken whether or not to prosecute, the following factors will be considered:

Evidential criteria – the evidence must be:

- Clear, reliable and admissible in court.
- Strong enough for a realistic chance of prosecution, i.e. to prove a case 'beyond reasonable doubt.'

Public interest test - will also need to be considered, i.e. the prosecutor will decide whether there are public interest factors tending against prosecution. In making this decision, the following factors will be considered:

- Seriousness &/or monetary value of the offence.
- Cost and proportionality of the prosecution.
- Age & Medical conditions.
- Other social factors.
- Vulnerability of subject.

However, Oldham is also empowered, under Section 222 of the Local Government Act, where they consider it 'expedient for the promotion or protection of the inhabitants of their area' to:

- prosecute or defend or appear in legal proceedings and, in the case of civil proceedings, institute them in their own name; and

-
- in their own name, make representations in the interests of the inhabitants at any public inquiry held by or on behalf of and Minister or public body under any enactment.'

Oldham will consider undertaking prosecution through this route if appropriate, usually in exceptional circumstances, as referral to the Police/Action Fraud is the preferred route.

Parallel Sanctions

As a matter of principle, it would be wrong to assume that any sanction(s) should be held in abeyance to wait for another to proceed to conclusion. The option of pursuing parallel sanctions may be considered.

It is preferable for the appropriate sanctions to proceed simultaneously, but it is not necessary for anyone to await the result of another before concluding. However due consideration must be given to all proceedings to ensure that one does not impact improperly upon another.

In such instances Oldham will carry out an investigation with a view to pursuing criminal prosecution whilst, simultaneously, Human Resources will coordinate an internal disciplinary investigation. The advantage of this approach is that all appropriate action is taken by Oldham at the earliest opportunity to avoid any additional costs that may be incurred e.g. continuing salary whilst subject is on suspension and/or cost of employing replacement staff in the interim.

The decision to run parallel sanctions will be determined on a case by case basis with emphasis, for the majority of cases, on a successful criminal sanction being of the highest priority. In any event advice should always be sought from the Audit and Counter Fraud Team and Human Resources Service before progressing any course of action.

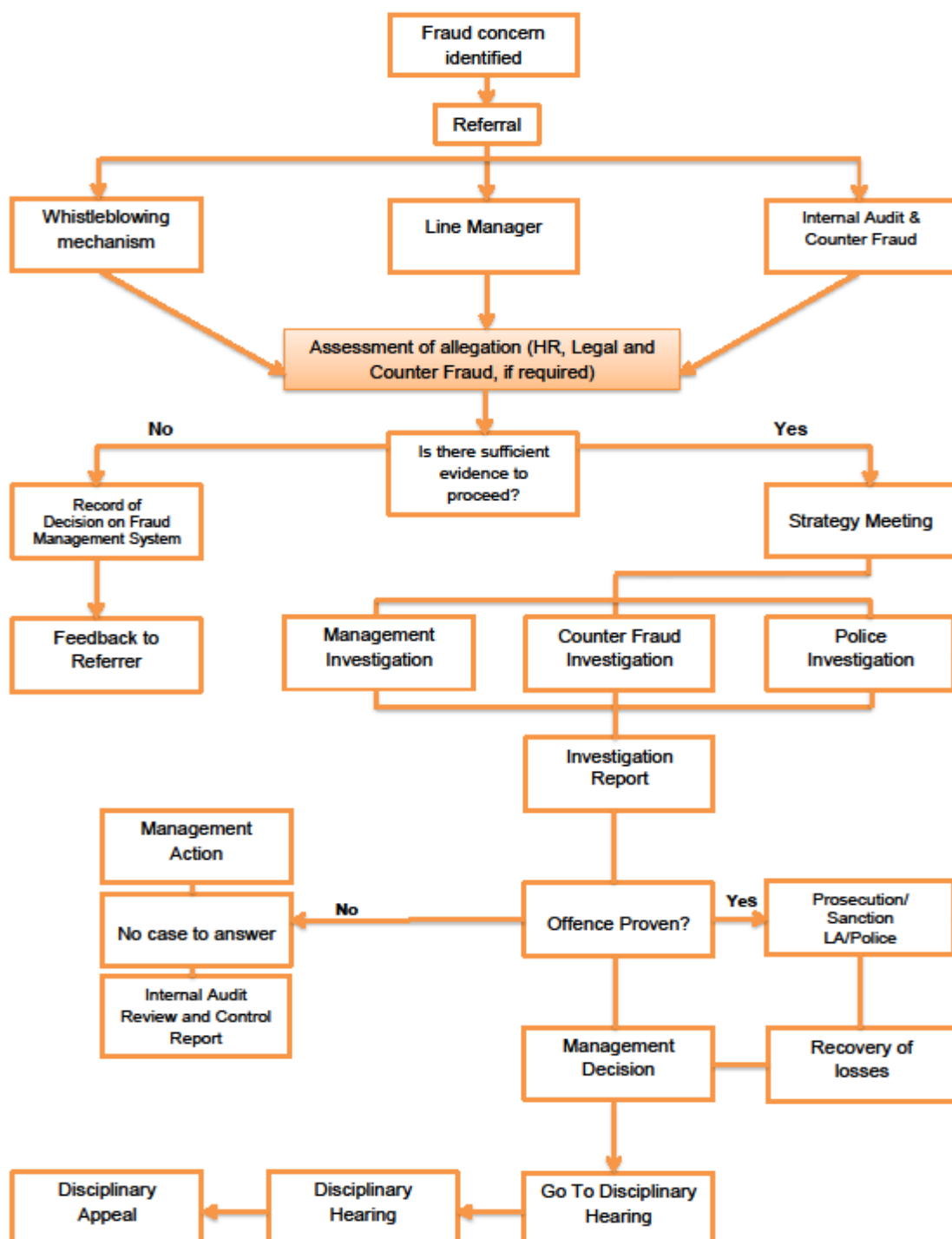
Fraud Indicators

A number of frauds can come to light because of suspicions aroused by, for instance, the behaviour of certain individuals. It is impossible to give a definitive list of fraud indicators or warning signs. The following are types of risk factors that may, either alone or cumulatively with other factors, suggest the possibility of fraud and may therefore warrant further investigation or enquiry.

- **Unusual employee behaviour:** Refusal to comply with normal rules and practices, fails to take leave, refusing promotion, managers by-passing subordinates, subordinates by-passing managers, living beyond means, regularly working long-hours, job dissatisfaction/unhappy employee, secretiveness or undue defensiveness.
- **Financial irregularities:** Key documents missing (e.g. invoices, contracts); absence of controls and audit trails; missing expenditure vouchers and official records; general ledger out of balance; bank and ledger reconciliations are not maintained or cannot be balanced; excessive movements of cash or transactions between accounts; numerous adjustments or exceptions; constant overdue pay or expense advances; duplicate payments; ghost employees on the payroll; large payments to individuals; excessive variations to budgets or contracts.
- **Bad procurement practice:** Too close a relationship with suppliers/contractors; suppliers/contractors who insist on dealing with only one particular member of staff; unjustified disqualification of any bidder; lowest tenders or quotes passed over with minimal explanation recorded; defining needs in ways that can be met only by specific contractors; single vendors; vague specifications; splitting up requirements to get under small purchase requirements or to avoid prescribed levels of review or approval.
- **Disorganisation:** Understaffing in key control areas; consistent failures to correct major weaknesses in internal control; inadequate or no segregation of duties.
- **Inadequate supervision:** Policies not being followed; lack of senior management oversight; inadequate monitoring to ensure that controls work as intended (periodic testing and evaluation); low staff morale, weak or inconsistent management.
- **Lax corporate culture:** Management frequently override internal control; climate of fear or a corporate culture; employees under stress without excessive workloads; new employees resigning quickly; crisis management coupled with a pressured business environment; high employee turnover rates in key controlling functions.
- **Poor work practices:** Lack of common-sense controls; work is left until the employee returns from leave; post office boxes as shipping addresses; documentation that is photocopies or lacking essential information; lack of rotation of duties; unauthorised changes to systems or work practices.

Counter Fraud Response Plan

Appendix E - Counter Fraud Response Plan



Suitability of Offenders for Prosecution

When considering whether it is appropriate to instigate proceedings, consideration will be given as to whether there is sufficient admissible evidence to justify bringing a prosecution and if the prosecution is in the public interest.

The following paragraphs outline factors that will be considered, to ensure consistent and equitable treatment of those accused of fraud.

Evidential Test

In making a decision to prosecute, the local authority must be satisfied that there is enough evidence to provide a 'realistic prospect of conviction'. A realistic prospect of conviction is an objective test meaning that a jury, magistrate or judge hearing a case which, is properly directed in accordance with the law, is more likely than not to convict the defendant of the alleged offence. Evidence must be able to be used in a court of law. It must have been gathered appropriately, in accordance with the law and be from a reliable source.

If a case does not pass the 'evidential test' it must not go ahead no matter how important or serious the offence seems. If the case does pass the evidential stage, then it should move on to the second stage to decide if a prosecution is appropriate in the public interest.

Public Interest Test

Oldham Council will always consider public interest judiciously and will balance the factors for and against prosecution objectively. In making the decision whether it is in the public interest to prosecute, the following factors will be considered.

Financial Limits

Careful consideration will be given to commencing a prosecution where the fraudulent activity has not resulted in 'significant financial gain' to the offender, for example the amount of the reduction or discounts overpayment is less than the cost of proceedings.

Where there is no significant financial gain a prosecution could still be considered if it is felt that the fraud was a deliberate attempt to gain (if, for example, the fraud has been discovered after a relatively short space of time and a significant financial gain has not yet occurred), or in the case of a persistent offender or any other case where prosecution would be warranted.

Physical / Mental Factors

Consideration will be given to the defendant's mental and physical condition (including age) when deciding whether to prosecute. The Counter Fraud Officer will consider whether there are significant personal or mental problems that may have contributed to the reasons for committing the offence. In addition, due consideration will be given where there is any evidence to suggest that the claimant or partner or a third party (for example a child) would be severely affected by the action.

Voluntary Disclosure

It may not be appropriate to prosecute those, whose disclosure of their own free will, has led to the identification of a fraud of which the Council was unaware. Admissions made after enquiries or an investigation had commenced do not constitute voluntary disclosure.

Previous Incidence of Fraud

Any evidence of previous benefits-related fraudulent activity would form part of the overall "prosecution assessment", regardless of whether any previous offences resulted in prosecution.

Social Factors

If it is considered that the defendant's failure to declare the correct circumstances has been caused by significant extenuating social or financial factors these would be fully evaluated. (The fact that an individual was in debt or has limited assets would not in itself meet this requirement.)

Adequacy of Evidence

Substantive evidence is essential to secure any conviction. Proceedings would not be sought if there is any doubt that the required evidence is not available. It must be clear that the fraudulent act was actually committed, that it was committed in the full knowledge of benefit regulations and that it was committed with the clear and deliberate intention to obtain property by deception. Satisfying the requirements of the Code for Crown Prosecutors Evidential Test will ensure that evidence is of the standard required by the courts.

Failure in Investigation

It should be evident on the case file that all appropriate procedures have been adhered to with regard to satisfying the requirements of the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996 and other relevant legislation. Particular consideration would also be given to any delay in the course of enquiries, which may be considered as unacceptable by the court.

Failure in Administration

Full account will be taken of poor administration or fault on the part of authority that has contributed to the processing of the fraudulent claim and subsequent award of discount or reduction in liability.

Authorisation of Prosecution

Cases being referred for prosecution will be authorised by the Audit and Counter Fraud Manager or the Head of Corporate Governance. Cases involving Council Members will be referred to the Director of Legal Services , and those involving employees will be referred to the appropriate Service Director.

Cases may also be referred to the police, where it is considered that the nature of the offence, or the procurement of evidence require them to undertake or assist in the investigation.

Audit and Counter Fraud Team

Local Council Tax Reduction Scheme Sanction Policy

June 2019

Version Control

<i>Version</i>	<i>Version Date</i>	<i>Revised by</i>	<i>Description</i>
1	April 2013	Andrew Bloor	New Policy
2	July 2015	Andrew Bloor	Introduction of Civil Penalties and the amendment to Financial Penalties
3	June 2019	Andrew Bloor	Revised Civil Penalties

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Local Council Tax Reduction Scheme Sanction Policy

1. Introduction

1. 1 This policy statement provides the agreed framework for Council officers involved in the investigation, sanction and prosecution of:

- Council Tax
- Local Council Tax Reduction (LCTR)

The Council is committed to protecting the public funds it administers:

- by making it clear that residents have a responsibility to provide; accurate and timely information about claims for reductions, discounts and /or exemptions;
- through the investigation of suspected fraudulent claims; and
- through the subsequent sanctioning and prosecution of offenders.

The sanction policy for other types of fraud can be found in the Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan.

2. Post-Investigation Considerations

- 2.1 Once the Counter Fraud Officer has completed an investigation, it will be passed to the Assistant Manager – Counter Fraud within the Audit and Counter Fraud Team, who will consider each case on its merits applying the criteria in this policy and in the Code for Crown Prosecutors and any other circumstances relevant to the case.
- 2.2 The Assistant Manager – Counter Fraud will review evidence in collaboration with the Audit and Counter Fraud Manager to provide a realistic prospect of securing a conviction and if so, whether it is in the public interest to recommend prosecution or an alternate sanction. The recommendation will be provided to the Head of Corporate Governance for consideration.
- 2.3 To ensure a consistent and equitable application of sanctions and prosecutions the following guidelines will normally apply.

3. Cautions

- 3.1 A Caution is a warning (of which a written record is made), given in certain circumstances to a person who has committed an offence.
- 3.2 A caution can only be considered when:
- there is sufficient evidence to justify instituting criminal proceedings;
 - the person has admitted the offence during an interview under caution and agrees to the caution;
 - there are no previous convictions or cautions for benefit fraud; and
 - there was no other person involved in the fraud.
- 3.3 A caution can be offered when there is no loss to public funds following the presentation of a false document. For example: a false statement on an initial claim form that was identified prior to payment being made. Although there is no loss to

funds, there may be an offence of making a false statement in an attempt to obtain a reduction in Council Tax liability.

- 3.4 However, a caution cannot be offered in cases where there is no loss to public funds following a customer's failure to declare a change of circumstances.
- 3.5 If the person refuses a caution, the Council's policy is to commence criminal proceedings. The court will be informed that proceedings have been brought because the person refused the offer of a Caution.
- 3.6 If the person is subsequently prosecuted for another benefit offence, the caution may be cited in court.

4. Financial Penalties

- 4.1 Regulation 11 of The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, allows Oldham Council to offer a person the opportunity to pay a financial penalty as an alternative to prosecution where certain conditions are satisfied. The penalty is laid down in the legislation and is 50% of the excess reduction subject to:

- A minimum of £100; and
- A maximum of £1,000.

- 4.2 In cases where an offence has been committed but the fraud was discovered before any benefit was paid the penalty as laid down in the legislation is £100.

- 4.3 The offer of a Financial Penalty may be made where there is sufficient evidence to justify the prosecution of an offence, where the offence is not so serious and where the overpayment is low enough that it would not be in the public interest to prosecute.

- 4.4 A Financial Penalty will only be considered when:

- there is sufficient evidence to justify instituting criminal proceedings;
- the person has admitted the offence during an interview under caution and agrees to the caution;
- there are no previous convictions or cautions for benefit fraud;
- there was no other person involved in the fraud'; and
- it is clear that the offender can afford to pay a penalty.

5. Civil Penalties – Incorrect Statements

- 5.1 Regulation 12 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) 2013 allows Oldham Council to impose a penalty of £70 where an incorrect statement or representation has been made.

- 5.2 The £70 penalty can only be imposed where a person has not been charged with a Local Council Tax Reduction offence or been offered a Caution or Financial Penalty under Regulation 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

6. Civil Penalties – Failure to notify change of circumstances

- 6.1 Regulation 13 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) 2013 allows Oldham Council to impose a penalty of £70 where without reasonable excuse; there is a failure to report a relevant change of circumstances promptly.
- 6.2 The £70 penalty can only be imposed where a person has not been charged with a Local Council Tax Reduction offence or been offered a Caution or Financial Penalty under Regulation 11 of the Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013.

7. Civil Penalties – Council Tax

- 7.1 Schedule 3 of the Local Government Finance Act 1992 allows Oldham Council to impose a penalty of £70 where a person fails to comply with certain requirements to the supply of information.
- 7.2 A penalty can be imposed on any person who –
- has been requested by the Council to supply information to identify the liable person for council tax and has failed to supply this information; or
 - has knowingly supplied information, with regard to identifying the liable person, which is inaccurate in a material particular; or
 - has failed, without reasonable excuse, to notify the Council that the dwelling will not be, or was no longer an exempt dwelling; or
 - has failed, without reasonable excuse, to notify the Council that the chargeable amount is not subject to a discount or is subject to a discount of a lesser amount.

8. Prosecution

- 8.1 Prosecutions relating to this policy are pursued by Oldham Council's Director of Legal Services and involve cases where someone who has committed an offence in order to receive a Local Council Tax Reduction.
- 8.2 Prosecution of an offender will take place in a Magistrates or Crown Court.

9. Suitability of Offenders for Prosecution

- 9.1 When considering whether it is appropriate to instigate proceedings, consideration will be given as to whether there is sufficient admissible evidence to justify bringing a prosecution and if the prosecution is in the public interest.
- 9.2 The following paragraphs outline factors that will be considered, to ensure consistent and equitable treatment of those accused of fraud.

Evidential Test

- 9.3 In making a decision to prosecute, the local authority must be satisfied that there is enough evidence to provide a 'realistic prospect of conviction'. A realistic prospect of conviction is an objective test meaning that a jury, magistrate or judge hearing a case which, is properly directed in accordance with the law, is more likely than not to convict the defendant of the alleged offence. Evidence must be able to be used

in a court of law. It must have been gathered appropriately, in accordance with the law and be from a reliable source.

- 9.4 If a case does not pass the 'evidential test' it must not go ahead irrespective of the potential importance or seriousness of the potential offence seems. If the case does pass the evidential stage, then it should move on to the second stage to decide if a prosecution is appropriate in the public interest.

Public Interest Test

- 9.5 Oldham Council will always consider public interest judiciously and will balance the factors for and against prosecution objectively. In making the decision whether it is in the public interest to prosecute, the following factors will be considered.

Financial Limits

- 9.6 Careful consideration will be given to commencing a prosecution where the fraudulent activity has not resulted in 'significant financial gain' to the offender, for example the amount of the reduction or discounts overpayment is less than the cost of proceedings.
- 9.7 Where there is no significant financial gain a prosecution could still be considered if it is felt that the fraud was a deliberate attempt to gain (if, for example, the fraud has been discovered after a relatively short space of time and a significant financial gain has not yet occurred), or in the case of a persistent offender or any other case where prosecution would be warranted.

Physical / Mental Factors

- 9.8 Consideration will be given to the defendant's mental and physical condition (including age) when deciding whether to prosecute. The Counter Fraud Officer will consider whether there are significant personal or mental circumstances that may have contributed to the reasons for committing the offence. In addition, due consideration will be given where there is any evidence to suggest that the claimant or partner or a third party (for example a child) would be severely affected by the action.

Voluntary Disclosure

- 9.9 It may not be appropriate to prosecute those, whose disclosure of their own free will, has led to the identification of a fraud of which the Council was unaware. Admissions made after enquiries or an investigation had commenced do not constitute voluntary disclosure.

Previous Incidence of Fraud

- 9.10 Any evidence of previous benefits-related fraudulent activity will form part of the overall "prosecution assessment", regardless of whether any previous offences resulted in prosecution.

Social Factors

- 9.11 If it is considered that the defendant's failure to declare the correct circumstances has been caused by significant extenuating social or financial factors these would

be fully evaluated. (The fact that an individual was in debt or has limited assets would not in itself meet this requirement.)

Adequacy of Evidence

- 9.12 Substantive evidence is essential to secure any conviction. Proceedings would not be sought if there is any doubt that the required evidence is not available. It must be clear that the fraudulent act was actually committed, that it was committed in the full knowledge of benefit regulations and that it was committed with the clear and deliberate intention to obtain property by deception. Satisfying the requirements of the Code for Crown Prosecutors Evidential Test will ensure that evidence is of the standard required by the courts.

Failure in Investigation

- 9.13 It should be evident on the case file that all appropriate procedures have been adhered to with regard to satisfying the requirements of the Police and Criminal Evidence Act 1984, Criminal Procedures and Investigations Act 1996 and other relevant legislation. Particular consideration would also be given to any delay in the course of enquiries, which may be considered as unacceptable by the court.

Failure in Administration

Full account will be taken of poor administration or fault on the part of authority that has contributed to the processing of the fraudulent claim and subsequent award of discount or reduction in liability.

10. Authorisation of Prosecution

- 10.1 Cases being recommended for referred for prosecution will be reviewed and authorised by the Audit and Counter Fraud Manager for discussion with the Head of Corporate Governance. Cases involving Council Members will be referred to the Director of Legal Services so that any standards issues can be addressed.
- 10.2 Cases involving members of staff will be referred to the appropriate Service Director.
- 10.3 Cases may also be referred to the police where it is considered that the nature of the offence, or the procurement of evidence require them to undertake or assist in the investigation.

11. Proceeds of Crime Act 2003

- 11.1 The Council will refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order prevents a person from dealing with specified assets. A confiscation order enables the Council's agents to seek to recover its losses from assets found to be the proceeds of crime.

12. Recovery of Debt

- 12.1 In addition to any criminal proceedings or sanction it may impose in respect of offences committed, the Council will use all methods available to vigorously recover any overpayment arising from fraud, including taking action in the civil courts, if necessary.

13. Publicity

- 13.1 Press releases will be issued in suitable cases to seek to maximise the deterrent effect and raise the level of public fraud awareness. Consideration will be given to the amounts involved, the nature of the offence, public interest and the deterrent value of publicising a particular case.

14. Review of Policy

- 14.1 In addition to an annual review, the policy will be reviewed in the light of any legislative changes; trends or other factors that impact on the effectiveness of the policy.

Audit and Counter Fraud Team

Anti-Money Laundering Policy

August 2019

Version Control

<i>Version</i>	<i>Version Date</i>	<i>Revised by</i>	<i>Description</i>
1	September 2008	Mark Stenson	New Policy
2	August 2019	Andrew Bloor	Revised – Money Laundering Guidance 2017

Policy Section

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Anti-Money Laundering Policy

1. Introduction

- 1.1 The public is entitled to expect the Council to conduct its affairs with integrity, honesty and openness and to demand the highest standards of conduct from those working for it. This Money Laundering Policy outlines the Council's commitment to creating an anti-fraud culture and maintaining high ethical standards in its administration of public funds. It also recognises its responsibilities under the legislation including the Terrorism Act 2000, Proceeds of Crime Act 2002, Money Laundering Regulations 2017 and Fraud Act 2006 and other relevant legislation ("the Money Laundering Legislation"). This should be read in conjunction with the Council's existing anti-fraud and corruption policy and its whistleblowing policy.
- 1.2 Under the Money Laundering legislation the Council needs to have appropriate systems in place to deal with the reporting of money laundering, staff training and identifying and keeping records of money laundering so as to create an anti-fraud culture and maintain its high ethical standards in its administration of public funds. This policy is intended to do that. It should be noted that some of the technical parts of the Money Laundering law, such as the Money Laundering Regulations 2017, do not apply to the Council as it is not operating within the relevant regulated sectors such as financial institutions/law firms.

2. Scope of the Policy

- 2.1 This policy applies to all employees and elected members of the Council and aims to prevent criminal activity through money laundering. It is extremely important that elected members and employees are vigilant at all times and understand the responsibilities of the Council.

3. What is Money Laundering?

- 3.1 Money laundering is a general term for any method of disguising the origin of "dirty" or criminal money. This money may be the proceeds of any criminal activity including terrorism, drugs trafficking, corruption, tax evasion and theft. The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. Unfortunately, no organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is, therefore, possible that Oldham Council will be targeted by criminals wishing to launder the proceeds of crime.
- 3.2 In addition, it is possible that the proceeds of crime may be received from individuals or organisations that do not realise that they are committing an offence. It is no defence for the payer or the recipient to claim that they did not know that they were committing an offence if they should have been aware of the origin of the funds.
- 3.3 There are two main types of offences which may be committed:
- Money laundering offences.
 - Failure to report money laundering offences.

3.4 The main types of money laundering offences are:

- Acquiring, using or possessing criminal property.
- Handling the proceeds of crimes such as theft, fraud and tax evasion.
- Being knowingly involved in any way with criminal or terrorist property.
- Entering into arrangements to facilitate laundering criminal or terrorist property.
- Investing the proceeds of crime in other financial products.
- Investing the proceeds of crimes through the acquisition of property/assets.
- Transferring criminal property.

3.5 Under the legislation if staff assist an individual to launder funds from a criminal source, they may be guilty of an offence and, if found guilty, could be subject to a fine or a prison sentence up to 14 years. It is important therefore that staff are aware of the rules and procedures that the Council has in place to ensure that they comply with the relevant legislation and approach taken by the Council as set out in this policy.

4. What are the Obligations on the Council?

4.1 Organisations conducting “relevant business” must:

- appoint a Money Laundering Reporting Officer (“MLRO”) to receive;
- disclosures from employees of money laundering activity (their own or anyone else's);
- implement a procedure to enable the reporting of suspicions of money laundering;
- maintain client identification procedures in certain circumstances; and
- maintain record keeping procedures.

5. The Money Laundering Reporting Officer

5.1 The Officer nominated to receive disclosures about money laundering activity within the Council is:

Head of Corporate Governance
Oldham Council
Level 14
Civic Centre
Oldham
OL1 1UH

6. Identification of potential money laundering situations

6.1 Criminals have various ways of concealing, moving and legitimising the proceeds of crime. Examples of signs of money laundering where suspicions should arise include:

- Use of cash where other means of payment are normal.
- Unusual transactions or ways of conducting business.
- Unwillingness to answer questions/general secretiveness.
- Use of new/shell companies.
- Payment of deposits which are subsequently requested back.
- Lack of ‘traceability’ of persons involved.
- Individuals and companies that are insolvent yet have funds.

6.2 It is not possible to give a definitive list of ways in which to identify money laundering or how to decide whether to make a report to the MLRO. The following are types of risk factors which may, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

- Payment of a substantial sum in cash (over £5,000).
- A new customer.
- A secretive customer e.g. refuses to provide requested information without a reasonable explanation.
- Concerns about the honesty, integrity, identity or location of a customer.
- Illogical third-party transaction such as unnecessary routing or receipt of funds from third parties or through third party accounts.
- Involvement of an unconnected third party without logical reason or explanation.
- Overpayments by a customer.
- Absence of an obvious legitimate source of funds.
- Movement of funds overseas, particularly to a higher risk country or tax haven.
- Transactions which are out of the line of normal expectations, without reasonable explanation.
- A transaction without obvious legitimate purpose or which appears uneconomic, inefficient or irrational.
- The cancellation or reversal of an earlier transaction.
- Requests for release of customer account details other than in the normal course of business.
- Transactions at substantially above or below fair market values.
- Poor business records or internal accounting controls.
- A previous transaction for the same customer which has been, or should have been, reported to the MLRO.

6.3 In addition to the money laundering offences, the legislation sets out further offences of failure to report suspicions of money laundering activities. Such offences are committed where, in the course of conducting relevant business in the regulated sector, you know or suspect, or have reasonable grounds to do so (even if you did not know or suspect), that another person is engaged in money laundering and you do not disclose this as soon as is practicable to the MLRO.

7. Reporting Procedure

7.1 If you know or suspect that money laundering activity is taking place, has taken place, or that your involvement in a matter may amount to a prohibited act under the legislation, this must be disclosed immediately to the MLRO. This disclosure should be within hours of the information coming to your attention, not weeks or months later. If you do not disclose information immediately, then you may be liable to criminal prosecution.

7.2 Your disclosure should be made using the form MLRO1, Money Laundering Suspicion Report Form, which is attached at Appendix A. The disclosure report must contain as much detail as possible, for example:

- Full details of the people involved (including yourself if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc.
- Full details of the nature of your and their involvement.

-
- The types of money laundering activity suspected.
 - The dates of such activities, including whether the transactions have happened, are ongoing or are imminent.
 - Where they took place.
 - How they were undertaken.
 - The (likely) amount of money/assets involved.
 - Why, exactly, you are suspicious?
- 7.3 You should also supply any other available information to enable the MLRO to make a sound judgement as to the next steps to be taken and you should enclose copies of any relevant supporting documentation.
- 7.4 If you are a legal adviser and consider that legal professional privilege may apply to the information, you should explain fully in the MLRO1 form the reasons why you contend the information is privileged. The MLRO, in consultation with the Head of Legal Services, will then decide whether the information is exempt from the requirement to report suspected money laundering to the National Crime Agency (NCA).
- 7.5 Once you have reported the matter to the MLRO you must follow any directions they may give you. You must NOT make any further enquiries into the matter yourself. Any necessary investigation will be undertaken by NCA. All employees will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.6 At no time and under no circumstances should you voice any suspicions to the person(s) whom you suspect of money laundering or to any other individual without the specific consent of the MLRO. If you do so you may commit the offence of 'tipping off'.
- 7.7 Do not make any reference on records held to the fact that you have made a report to the MLRO. If a customer exercises their right to see their record, any such note would obviously tip them off to the report having been made and may render you liable to prosecution. The MLRO will keep the appropriate records in confidential manner.
- 7.8 In all cases no further action must be taken in relation to the transaction(s) in question until either the MLRO or NCA (if applicable) has specifically given their written consent to proceed.

8. Record Keeping

- 8.1 The MLRO will retain all disclosure reports referred to them and reports made by them to the NCA for a minimum of five years.

9. Conclusion

- 9.1 The legislative requirements concerning anti-money laundering procedures are lengthy and complex. This document has been written to enable the Council to meet the legal requirements in a way that is proportionate to the low risk to the Council of contravening the legislation. Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.
- 9.2 The policy will be reviewed on an annual basis and updated/amended when new legislation/guidance is issued to ensure all information is accurate and up to date.

Date of Disclosure	
Officer making the disclosure (including job title)	
Contact details	

Subject Details	
Surname	
Forename(s)	
Date of Birth	

Or if the mater relates to a company	
Company Name	
Address	
Company Number (if known)	

Reason for Disclosure

Audit and Counter Fraud Team

**CIPFA Fighting Fraud and Corruption Locally
2016-2019 - Checklist**

August 2019

Version Control

<i>Version</i>	<i>Version Date</i>	<i>Revised by</i>	<i>Description</i>
1	May 2016	Andrew Bloor	New Report
2	May 2017	Andrew Bloor	Revised Report
3	June 2018	Andrew Bloor	Revised Report
4	August 2019	Andrew Bloor	Revised Report

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CIPFA Fighting Fraud and Corruption Locally 2016-2019 - Checklist		

CIPFA Fighting Fraud and Corruption Locally 2016-2019

1. Background

- 1.1 Representatives from Local and Central Government, with support from private sector fraud specialists, have collaborated to prepare the Fraud and Corruption Locally (FFCL) 2016-2019 Strategy. This involved a series of workshops and interviews with key stakeholders and subject matter experts.
- 1.2 The CIPFA FFCL 2016-2019 is designed to deliver a vision of Fraud and Corruption so that by 2019:
- There is a culture in which fraud and corruption is not tolerated, and everyone plays a part of eradicating them.
 - Local Authorities prevent fraudsters accessing systems and services through the use of technology.
 - Local Authorities invest in sustainable systems to tackle fraud and corruption, and there are visible results of recovery.
 - Local Authorities share data effectively and use analytical tools to prevent and detect losses.
 - Fraudsters are brought to account quickly and efficiently.
- 1.3 Local Authorities are self-regulating in respect of counter fraud. The Council aims to show that it undertakes realistic self-assessment and identifies and understands the major risks as well as acknowledging issues and putting in place plans which can demonstrate taking action with visible outcomes.

2. Findings

- 2.1 A self-assessment of the Council's work within Audit and Counter Fraud Team against CIPFA's FFCL 2016-2019 Checklist are detailed in the table overleaf.

Table: Oldham Council Self-Assessment – CIPFA Fighting Fraud and Corruption Locally 2016-2019 Checklist

	CIPFA Checklist Item	Self-Assessment Comments
1	The local authority has made a proper assessment of its fraud and corruption risks, has an action plan to deal with them and regularly reports to its Senior Board and its Members.	The Fraud and Loss Risk Assessment has been developed by Audit and Counter Fraud Team and is reported to Members at the Audit Committee. The Head of Corporate Governance reports quarterly to the Audit Committee to counter fraud progress. Audit and Counter Fraud report outcomes to the Director of Finance on a monthly basis. The Audit and Counter Fraud Team regularly tests the operation of internal controls in key areas.
2	The local authority has undertaken an assessment against the risks in Protecting the Public Purse: Fighting Fraud Against Local Government (2014) and has also undertaken horizon scanning of future potential fraud and corruption risks.	<p>These risks are considered in producing the Audit and Counter Fraud Plan. The Head of Corporate Governance presented the CIPFA Fighting Fraud and Corruption Locally 2016-2019 Checklist to the Audit Committee in December 2014; however, the document has been maintained.</p> <p>As part of the annual audit planning process, horizon scanning is undertaken to ensure that new and merging fraud risks are included within the annual Audit and Counter Fraud Plan.</p>
3	There is an annual report to the Audit Committee, or equivalent detailed assessment, to compare against Fighting Fraud and Corruption Locally 2016 and 2019 and this checklist.	The Head of Corporate Governance presents the Annual Report ,which sets out his annual Audit Opinion at the Audit Committee.
4	There is a counter fraud and corruption strategy applying all aspects of the local authority business which has been communicated throughout the local authority and acknowledged by these charges with governance.	The Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan is updated regularly. The last update was August 2019.
5	The local authority has arrangements in place that are designed to promote and ensure probity and propriety in the conduct of its business.	The Council's Financial Procedure Rules and Procedures, the Codes of Conduct for Employees and Members and through employee contract conditions set out these requirements.
6	The risks of fraud and corruption are specially considered in the in the local authority overall risk management.	Fraud and Corruption risks are considered as part of the Audit and Counter Fraud Annual Needs Assessment. The potential high-risk

	CIPFA Checklist Item	Self-Assessment Comments
		areas of Fraud and Corruption are detailed in the Annual Governance Statement.
7	Counter Fraud Staff are consulted to fraud-proof new policies, strategies and initiatives across departments and this is reported upon to the Audit Committee.	The Head of Corporate Governance is asked for risk management comments on new policies and strategies prior to approval at Committee. The Audit and Counter Fraud Team undertake fraud proofing on policies/documents where applicable.
8	Successful cases of proven fraud/corruption are routinely publicised to raise awareness.	Fraud prosecutions have always been publicised by the Council. The Audit and Counter Fraud Team will continue to work with the Council's Communications Team following successful investigations.
9	The local authority has put in place arrangements to prevent and detect fraud and corruption and a mechanism for ensuring that this is effective and is reported to the Audit Committee.	Senior Managers are responsible for ensuring that there are adequate systems in place to prevent fraud and corruption. The Audit and Counter Fraud Team assess internal controls in place and the operation of these controls. The Audit and Counter Fraud Team report any identified areas regularly to the Audit Committee.
10	The local authority has put in place arrangements for monitoring compliance with standards of conduct across the local authority covering: Codes of conduct including behaviour for counter fraud, anti-bribery and corruption, register of interests and register of gifts and hospitality.	The Council's Officers' Code of Conduct includes Appendices, which set out the requirements relating to the Principles of Private Life (Nolan Principles), Whistleblowing, Hospitality and Gifts, Access to information and IT, Financial and Non-Financial interests and Criteria for Politically Restricted Posts.
11	The local authority undertakes recruitment vetting of staff prior to employment by risk assessing posts and undertaking the checks recommended in the CIPFA Fighting Fraud and Corruption Locally 2016-2019 to prevent potentially dishonest employees from being appointed.	Standard recruitment procedures around pre-employment checks are in place prior to staff being employed by the Council. These include taking up two references, DBS checks where appropriate, verification of qualifications, declaration of interests and right to work checks. A representative of the People Services (Human Resources) Team can be requested to sit in on the interview panel if required.

	CIPFA Checklist Item	Self-Assessment Comments
12	Members of staff are aware of the need to make appropriate disclosures of gifts, hospitality and business. This is checked by auditors and reported to Audit Committee.	<p>There is a process for Officers and Members to disclose of gifts, hospitality and other business activities.</p> <p>The equivalent process for officers is included in the Staff Code of Conduct.</p>
13	There is a programme of work to ensure a strong counter fraud culture across all departments and delivery agents led by Counter Fraud experts.	The Audit and Counter Fraud Team has a planned programme of work throughout the Directorates. These areas of risk are incorporated in the annual Fraud and Loss Risk Assessment and Audit and Counter Fraud Plan.
14	There is an independent whistle-blowing policy which is monitored for take-up and can show that suspicions have been acted upon without internal pressures.	A cross departmental team, including colleagues from Legal Services, People Services and the Audit and Counter Fraud Team have reviewed the Council's Whistleblowing Policy. At the time of writing this report (30 August 2019), it is planned to present the revised Draft Policy to Full Council later this year, for approval. It is also proposed that it is presented to the Audit Committee on 14 November 2019.
15	Contractors and third parties sign up to the whistle-blowing policy and there is evidence of this. There should be no discrimination against whistle-blowers.	A cross departmental team, including colleagues from Legal Services, People Services and the Audit and Counter Fraud Team have reviewed the Council's Whistleblowing Policy. At the time of writing this report (30 August 2019), it is planned to present the revised Draft Policy to Full Council later this year, for approval. It is also proposed that it is presented to the Audit Committee on 14 November 2019.
16	Fraud resources are accessed proportionality to the risk the local authority faces and are adequately resourced.	The Audit and Counter Fraud Team was structured based on current and emerging fraud risks. Resources appear adequate at the present time but will be reviewed on an ongoing basis.

	CIPFA Checklist Item	Self-Assessment Comments
17	There is an annual fraud plan which is agreed by the Audit Committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of local authority's business and includes activities undertaken by contractors and third parties or voluntary sector activities.	The annual Audit and Counter Fraud Plan is in place and approved by the Audit Committee. The plan is based on the annual Audit Needs Assessment and the Fraud and Loss Risk Assessment.
18	Statistics are kept and reported by the fraud team which covers all areas of activity and outcomes.	The Audit and Counter Fraud Team report performance on a monthly basis to the Director of Finance and regularly to the Audit Committee on a range of key deliverables.
19	Fraud Officers have unfettered access to premises and documents for the purposes of counter fraud investigations.	Counter Fraud Officers have access to premises and documentation for the purposes of counter fraud investigations through their links with Audit. The Counter Fraud Team has access to external information through the National Anti-Fraud Network (NAFN) and powers such as the Local Government Finance Act 1992(a).
20	There is a programme to publicise fraud and corruption cases internally and externally which is positive and endorsed by the Council's Communication Team.	Prosecutable cases are reported to the local media via the Council's Communication Team. Results of counter fraud activity are published regularly to members via the Audit Committee.
21	All allegations of fraud and corruption are risk assessed.	A Counter Fraud Risk Assessment is in place and is adopted for all allegations received based on financials.
22	The fraud and corruption response plan cover all areas of counter fraud work namely prevention, detection, investigation, sanctions and redress.	The Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan covers all areas of counter fraud work namely: Aims, Approach, Acknowledge, Prevent, Pursue.
23	The fraud response plan is linked to the audit plan and is communicated to senior managers and members.	Collaboration between the Audit and Counter Fraud Team and the Departmental Management Teams ensures appropriate risks are captured in the Fraud and Loss Risk Assessment, Audit and Counter Fraud Plan and the Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan.

	CIPFA Checklist Item	Self-Assessment Comments
24	Asset recovery and civil recovery is considered in all cases.	The Counter Fraud, Anti-Bribery Strategy and Counter Fraud Response Plan notes that prioritising fraud recovery is key. The use of civil penalties, civil proceedings, criminal proceedings are all reasonable measures to recover any losses from fraudulent activity.
25	There is a zero-tolerance approach to fraud and corruption which is always reported to the Audit Committee.	A zero-tolerance approach is specified in the Counter Fraud, Ant-Bribery and Counter Fraud Response Plan. Any identified incidences are reported to the Director of Finance, Head of Corporate Governance and Audit Committee. Cases are also publicised in the local press where applicable.
26	There is a programme of proactive counter fraud work which covers risk identified in assessment.	The Audit and Counter Fraud Team undertake proactive exercises with other Council service areas and other multi agencies e.g. Licensed Hackney Carriage / Private Hire Vehicle Checks.
27	The fraud team works jointly with other enforcement agencies and encourages a corporate approach and co-location of enforcement activity.	The Audit and Counter Fraud Team work jointly with other Council services such as Social Care, Licensing and Blue Badge. The team are the Single Point of Contact (SPOC) for Greater Manchester Police Organised Crime Operations and the Department for Work and Pensions for Housing Benefit Fraud. The team are also active members of the National Anti-Fraud Network, the Local Authority Investigation Officer Group as well as working closely with all Greater Manchester authorities meeting regularly to discuss emerging fraud risks and best practice.
28	The local authority shares data across its own departments and between other enforcement agencies.	The Audit and Counter Fraud Team has a working relationship with Greater Manchester Police and acts as the Single Point of Contact (SPOC) for Police Data Protection Requests. The team also acts as the SPOC for the Housing Benefit Investigations for the Department for Work and Pensions.
29	Prevention measures and projects are undertaken using data analytics where possible.	Data analytics techniques are used where applicable. The service uses the National Fraud Initiative to undertake ad hoc data analytics on its behalf.

	CIPFA Checklist Item	Self-Assessment Comments
30	The local authority actively takes part in the National Fraud Initiative (NFI) and promptly takes action arising from it.	The Council takes part in the National Fraud Initiative on a bi-annual basis. The Council also undertakes ad hoc data matching supplied by the Cabinet Officer, including Single Person Discount and Personal Budgets matches against the date of death data. The Assistant Manager - Counter Fraud is the key contact for the NFI and the Director of Finance is the Council's Senior Responsible Officer.
31	There are professionally trained and accredited staff for counter fraud work. If auditors undertake counter fraud work, they must be trained in this area.	The Counter Fraud Officers are Accredited Counter Fraud Specialists with the PINs (Professionalism in Security) qualification accredited by the University of Portsmouth. The team has also received additional training in Tenancy Fraud and Authorised Officer Powers.
32	The counter fraud team has adequate knowledge in all areas of the local authority or is trained in these areas.	The Counter Fraud Team has adequate knowledge in all areas of the local authority. The team works side by side with Audit colleagues who are able to provide advice and guidance when required.
33	The counter fraud team has access (through partnership/other local authorities/or funds to buy in) to specialist staff for surveillance, computer forensics, asset recover and financial investigations.	Any need to specialist resources would be considered on a case by case basis. Requests in this area are rare but may be required from time to time.
34	Weaknesses revealed by instances of proven fraud and corruption are scrutinised carefully and fed back to departments to fraud proof systems.	Fraud and Corruption weaknesses are identified as part of the Audit process and reported to the Head of Corporate Governance. Outcomes of Counter Fraud work are reported to the Head of Corporate Governance and consideration is given to undertake a review of the affected area.

Audit and Counter Fraud Team

Fraud and Loss Risk Assessment

March 2019

Version Control

<i>Version</i>	<i>Version Date</i>	<i>Revised by</i>	<i>Description</i>
1	April 2012	Andrew Bloor	New Report
2	March 2013	Andrew Bloor	Revised Report
3	April 2014	Andrew Bloor	Revised Report
4	April 2015	Andrew Bloor	Revised Report
5	March 2016	Andrew Bloor	Revised Report
6	March 2017	Andrew Bloor	Revised Report
7	April 2018	Andrew Bloor	Revised Report
8	March 2019	Andrew Bloor	Revised Report

Contents

Fraud and Loss Risk Assessment

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
Grant Fraud/Misuse <div>Page 101</div>	<p>False information to secure grant funding – External parties provide false or inaccurate information in order to qualify for grants/loans for which they are not entitled to or will use for other purposes.</p> <p>Grant Collusion – An applicant colludes with a member of staff in order to obtain a grant to which they are not entitled to for personal use.</p> <p>Failure to use Grant for intended purpose – Applicant deliberately use the grant provided for purposes other than that for which it was intended.</p> <p>Council misuse of ring-fenced grants – Ring-fenced grants not used for the purpose they were intended.</p>	<p>Internal Audit to undertake a full review of the Grant Audit programme to update potential risks and give assurance on individual grant applications.</p> <p>Undertake investigations/reviews into referrals received from Whistleblowers/ the Council's Senior Management Team</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
Bribery	<p>Corporate Bribery – The Council fails to take appropriate steps to prevent bribery and is held accountable by law which can be punishable by prison sentence.</p> <p>Bribery – Officers/Members accepting bribes to act improperly in order to influence council policy, procurements, processes or procedures for the benefit of themselves or another.</p>	Internal Audit to undertake a review of compliance with ISO 37001 to provide assurance to Senior Management
Blue Badge Fraud	<p>Application – False or exaggerated information submitted in order to secure a blue badge parking permit.</p> <p>Inappropriate Usage – The use of a blue badge by those not entitled to use them and without the company of the badge holder.</p> <p>Deceased Usage – Blue badges are used or sold on after the badge holder has deceased.</p> <p>Fake or Amended – Blue badges in use are fake or have been amended (i.e. dates) in order to abuse the system.</p>	<p>Biannual Cabinet Office (National Fraud Initiative) data match against the DWP Mortality Register.</p> <p>Reacting to referrals from Whistleblowers, Council Officials and NSL Parking Services.</p> <p>Undertake a series of proactive drives with key stakeholders.</p>
Money Laundering	Money Laundering – The Council and its cash handling arrangements are abused by a third party wishing to launder money. This can include the payment of accounts in cash and then requesting a repayment because accounts have been overpaid.	<p>Annual review of the Money Laundering Policy.</p> <p>Undertake investigation as directed by the Money Laundering Officer</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
Council Tax Reduction/Council Tax/Discounts Fraud/Misuse	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>Fail to register for Council Tax – Failure to register a property that should be subject to Council Tax.</p> <p>Exemptions/Discounts – Fraudulently providing incorrect information in order to gain a reduction in Council Tax (e.g. Single Person Discount).</p> <p>No Recourse to Public Funds – Customers using false documentation to obtain benefits and discounts.</p>	<p>Cabinet Office (National Fraud Initiative), Real Time Information and Housing Benefit Matching Series – Series of data matching against numerous data sets.</p> <p>Fundamental Financial Systems Audit by Internal Audit</p> <p>Counter Fraud Team to undertake Investigations on a risk-based approach.</p> <p>Assist colleagues in the fraud proofing of Council Tax documentation issued by the Council.</p> <p>Undertake a series of proactive drives with key stakeholders and work on operations with Multi Agencies.</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
<p>Housing Benefit Fraud</p>	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>False Representation – Providing incorrect information in order to claim benefits.</p> <p>No Recourse to Public Funds – Customers using false documentation to obtain benefits and discounts.</p>	<p>Cabinet Office (National Fraud Initiative), Real Time Indicators and Housing Benefit Matching Service – Series of data matching against numerous data sets.</p> <p>Fundamental Financial Systems Audit by Internal Audit</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach</p> <p>Assist colleagues in the fraud proofing of Housing Benefit documentation issued by the Council</p> <p>Draft a Memo of Understanding with the Department for Work and Pensions to assist in the investigation of Housing Benefit fraud</p> <p>Undertake a series of proactive drives with key stakeholders and work on operations with Multi Agencies.</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
NDR Fraud	<p>Failure to report a change in circumstances – Failure to report a change in circumstance that could result in increased/continued discounts to individuals.</p> <p>Failure to Register for Business Rates – Failing to register a property for business rates payments.</p> <p>False or inaccurate claims for discounts or exemption – providing false or inaccurate information to qualify for reductions for which they are not entitled to.</p> <p>Insolvency – Businesses going to into liquidation only to set up again under a different name in order to avoid NDR liability.</p> <p>Avoidance – Avoidance of empty NDR through periods of artificial/contrived occupation (Inc. Charities).</p>	<p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Review the feasibility of working with colleagues in the Greater Manchester region via the Audit Fraud Sub Group.</p> <p>Counter Fraud Team to undertake investigation on a risk-based approach</p> <p>Commence Pilot Exercise with other GM Authorities via the Cabinet Officer (National Fraud Initiative).</p>
Bank Mandate	<p>Mandate Fraud – External parties target the Council by pretending to be from a legitimate supplier and attempt to change bank account details in order to remove funds to their own bank account.</p>	<p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Bank Mandate Fraud alerts received from the National Anti-Fraud Network and Barclays Bank Security will be forwarded to key stakeholder within the Council</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
<p>Procurement Fraud</p>	<p>Inflated Invoices – External parties inflate invoices in order to receive additional funds or charge VAT for services when they are not VAT registered.</p> <p>Duplicate Invoices – External parties submit multiple invoices for payment.</p> <p>Payment to fictitious suppliers – Staff request set up of a fictitious supplier in order to obtain funds.</p> <p>Conflict of interest – Employees fail to declare conflict of interest or gifts to award contracts to related companies for their own benefit.</p> <p>Contract splitting to avoid tender threshold – Split of contracts into smaller amounts to avoid thresholds.</p>	<p>Contract Procedure Rules.</p> <p>Channel as much procurement activity as possible through “The Chest” procurement system as estimates suggest that nearly 40% of all fraud committed against Local Authorities concerns abuse of the procurement cycle.</p> <p>Cabinet Office (National Fraud Initiative) data match reviewing Duplicate Payments, Duplicate Suppliers and Incorrect VAT payments.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p>

Oldham Council Fraud and Loss Risk Assessment
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Area of Risk	Analysis of Risk	Proposed/Established Action
<p>Sale of Land</p>	<p>Conflict of Interest – Employees fail to declare conflict of interest or gifts to award sales of land to related companies for their own benefit</p> <p>Lack of Formal Bidding Opening Process -</p> <ul style="list-style-type: none"> • Bids are not received by an independent service in the Council, exposing the Council to the risk that they are amended and/or known to Council staff and communicated to other bidders. • Bids received later than the deadline exposing the Council to the risk that the value of received bids are communicated to other parties/bidders. <p>Inflated Bids – External parties inflate bids in order to receive an advantage around other commercial opportunities led by the Council.</p>	<p>Land and Property Protocols.</p> <p>Channel as much of the process to open bids to Legal Services</p> <p>Cabinet Office (National Fraud Initiative) data match reviewing Duplicate Payments, Duplicate Suppliers and Incorrect VAT payments.</p> <p>Audit review of land sales, including compliance to the Land and Property Protocols.</p> <p>Training and Awareness to service colleagues.</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
<div>Page 108</div> Social Care Fraud	<p>Inaccurate or Incomplete financial information and hidden assets - false or inaccurate information in order to qualify for support towards care costs and residential homecare.</p> <p>Direct Payment Misuse – payments are misused by social care clients or those responsible for their finances.</p> <p>Financial Misuse – Personal Assistants and/or Family Members claiming money for time they had not worked or were spending the allocated budget inappropriately.</p>	<p>Direct Payments (DP) Audit Function will review 100% of Adult and Children’s Direct Payments on an annual basis.</p> <p>Implementation of the Adult Social Care and Counter Fraud Protocol</p> <p>Counter Fraud Team to undertake investigations on a risk based approached.</p> <p>Introduction of Fraud/Finance training for Social Care Staff</p> <p>Assist colleagues in the fraud proofing of Social Care documentation issued by the Council</p> <p>Fundamental Financial Systems Audit by Internal Audit</p>
Insurance Fraud	<p>False claim for slips and trips – Individuals or groups submit claims for compensation that did not occur or are exaggerated.</p> <p>Collusion with Accident Management Companies – Employees collude with management companies to exploit know weaknesses on roads.</p>	<p>Dedicated Risk and Insurance function.</p> <p>Cabinet Office (National Fraud Initiative) – Insurance claimants details matched to identify potential serial claimants between and within local authorities</p>

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Area of Risk	Analysis of Risk	Proposed/Established Action
Educational Fraud	<p>Placement Fraud – Families provide false information about their families and residency information in order to ensure that they get into the chosen school.</p> <p>Ghost Students/Nursery Placing – Schools and Nurseries submit inflated pupil numbers in order to artificially inflate budgets.</p> <p>Schools – Potential lack of regular scrutiny by Senior Management and Governors may lead to the poor practice with regard to the financial administration of schools.</p>	<p>Undertake a full review of the Schools and Nursery Audit programme.</p> <p>The Team collaborates with the Schools Finance Team and there is review of Financial Management Standards in Schools.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p>
Housing Fraud	<p>Subletting – Properties are illegally sublet by tenants for personal gain.</p> <p>False Succession – Succession of tenancies by persons not entitled to the property.</p> <p>False Information – Information provided by applicants when applying for social housing in order to qualify for housing that they may not be entitled to.</p> <p>Right to Buy – Individuals submit false information in order to purchase a council property or receive a right to buy discount to which they are not entitled to.</p>	<p>The Council operates two contracts with third parties as part of the Private Finance Initiative (PFI).. The Audit and Counter Team review potential risks associated with third parties as part of its annual planning and risk assessment process.</p> <p>Undertake a follow up review on the controls in place in relation to the allocation of properties by the Council.</p> <p>Review process with Legal Services in relation to “Right to Buy” cases and undertake investigations where applicable.</p> <p>Cabinet Office (National Fraud Initiative) – Housing tenant details matched to identify potential duplicate tenants between and with the local authority.</p>

Oldham Council Fraud and Loss Risk Assessment
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Area of Risk	Analysis of Risk	Proposed/Established Action
Car Parking Fraud	<p>Concessionary Parking Permits – The abuse of residential parking permits for personal gain.</p> <p>Pop Up Car Park – emerging fraud risk of unauthorised use of council land to charge car parking and illegal clamping fees.</p>	<p>Undertake investigation into abuse of residential parking permits</p> <p>National Fraud Initiative – Residential Parking permits data matched to identify potential duplicate permits between and with the local authority.</p>
Right to Work	Right to Work – False identity/right to work documentation in obtain council services or employment.	Cabinet Office (National Fraud Initiative) data match reviewing Immigration data against Housing Benefit, Council Tax, Payroll and Licensing data sets.
Cash Handling	Theft of Cash – Employees/Third parties dishonestly take monies with the intent to deprive the council.	<p>Roll out Internal Audit Self-Assessment Reviews for services dealing with cash collection.</p> <p>Rolling programme of Fundamental Financial Systems Audits by Internal Audit.</p> <p>Undertake referrals received by the Counter Fraud Team whilst working with colleagues in Human Resources including the use of CCTV where appropriate.</p> <p>Provision of training for all new staff members on Financial Procedures Rules and refresher training where necessary for existing staff.</p>

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1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
Fraud Awareness Training	Fraud Awareness Programme – Counter Fraud Training to be delivered to the appropriate staff within the Council highlighting service risks.	Roll out Fraud Awareness Training via the MeLearning Platform. Liaise with Communications Team to get the fraud awareness message out into the local authority satellite offices and schools via the Council's Team Brief.
Cyber Fraud	<p>External hosted systems – unauthorised access to council systems in order to obtain personal data/ commercially sensitive data.</p> <p>Vishing – the use of telephone systems by external parties to obtain personal or sensitive information that can be used for identity theft.</p> <p>Phising – personal information accessed by a cyber-attack for personal gain.</p> <p>Smishing – the use of SMS by external parties to obtain personal or sensitive information that can be used for identity theft.</p> <p>Malware – the introduction of malicious software via spam emails and pop up websites.</p> <p>Electronic Data theft – theft of electronic data by electronic means (i.e. key loggers).</p>	<p>Use of the service arrangement in place with the Salford Internal Audit team for the provision of IT Audit Services.</p> <p>Review of controls in place within the Information Governance Team and ICT service.</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
<p>HR/Payroll Fraud</p>	<p>Falsification – Falsification of expenses, overtime, additional hours, flexitime etc.....</p> <p>False sickness absences – working for another employer whilst on sick leave</p> <p>Ghost Employees – the creation of false employees in an attempt to exploit monies for the council</p> <p>False documentations – False identity documents, references, qualifications, right to work etc... in order to obtain employment i.e. employment vetting</p> <p>Agency/Contractor – False or exaggerated payments for agency workers by the individual or by collusion with their line manager.</p> <p>Failure to declare something of relevance – i.e. conflict of interest, criminal convictions etc.</p>	<p>Cabinet Officer (National Fraud Initiative) data match reviewing Immigration data against payroll data.</p> <p>Fundamental Financial Systems Audit by Internal Audit.</p> <p>Counter Fraud Team to undertake investigations on a risk-based approach.</p>
<p>Internal/External Data Matching</p>	<p>False information – information by customers provided in order to defraud the local authority of monies i.e. benefits, social care, housing etc.</p>	<p>High risk data sets are updated on regular basis allowing further ad hoc data matching from the Cabinet Officer.</p> <p>Review the feasibility of data matching against a host of data sets throughout the AGMA region (Audit Fraud Sub Group) and GMFIG (Greater Manchester Fraud Investigation Group) to reduce the risk of fraud and loss entering the system.</p>

Oldham Council Fraud and Loss Risk Assessment
1st April 2019 – 31st March 2020

Area of Risk	Analysis of Risk	Proposed/Established Action
Policies and Procedures	Counter Fraud Strategies - The Council has a series of fraud strategies designed to reduce the risk of fraud i.e. Whistleblowing Policy, Anti-Fraud and Corruption Strategy, Prosecution Policies etc...	Annual review of the policies and procedures in order to keep up to date with emerging fraud risk and case law.

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Report to Audit Committee

Update on Audit Committee Matters

Portfolio Holder: Cllr Abdul Jabbar MBE, Deputy Leader and Cabinet Member for Finance and Corporate Services

Officer Contact: Anne Ryans - Director of Finance

Report Author: Mark Stenson - Head of Corporate Governance

Ext. 4783

12 September 2019

Reason for Decision

This report sets out the planned timetable to:

- a) Recruit an Independent Chair to the Audit Committee.
- b) Tender for one provider of external audit for the Housing Benefit Subsidy grant claim, certification of pensions contributions for the Teachers' Pension Agency, the accounts of the Unity Partnership Ltd. and the MioCare Group Community Interest Company (CIC).

It also advises of treasury management developments in relation to the Council's borrowing strategy.

Executive Summary

The recruitment exercise for an Independent Chair of the Audit Committee, earlier in the calendar year, did not attract a suitable shortlist of candidates. It is planned to undertake a further recruitment exercise in September 2019 to determine whether it is possible to recruit an Independent Chair at this point.

At present, there are three separate External Auditors providing External Audit services to the 100% Council owned companies (Unity Partnership Ltd and MioCare Group CIC) and for the certification of the specific grant and pension contributions returns (Housing Benefit Subsidy grant claim and Teachers' Pension Agency return). During September 2019, it is planned to undertake a tender exercise to appoint one External Auditor for this work.

The report advises of recent treasury management developments with regard to a prudent approach to managing the Council's borrowing portfolio.

Recommendations

Members note:

- a) The planned approach to recruit an Independent Chair and appoint one External Auditor.
- b) The update on the Council's borrowing position.

Update on Audit Committee Matters**1 Background**

- 1.1 At present the Audit Committee is overseen by the Vice Chair, who has been appointed from amongst the Elected Members. The position of the Chair is reserved for an Independent Appointment. The previous attempt to make an independent appointment in this calendar year was not successful. It is proposed to re-advertise this role in September 2019.
- 1.2 There are three separate External Auditors appointed by the Council in respect of the 100% owned companies and specific grant and pension return audits as detailed below:
- MioCare Group CIC is audited by Grant Thornton UK LLP;
 - Unity Partnership Ltd is audited by Price Waterhouse Coopers LLP; and
 - The Housing Benefit Subsidy grant claim and pensions contributions return for the Teachers' Pension Agency are audited by KPMG LLP.
- 1.3 The appointment of the External Auditors to the two companies can continue indefinitely. However, the appointment of the Auditor for the specific grant/pensions return ended at the end of the 2018/19 financial year with the option to extend for a further year. The Council is proposing to use the end of this assignment to undertake a procurement for one External Auditor.
- 1.4 The 100% owned companies now use the Council systems to support the production of their accounts. As such it is now felt an appropriate time to appoint one External Auditor as they are effectively auditing similar systems.
- 1.5 The Audit Committee has responsibility for scrutinising the treasury management activities of the Council. As the Council has recently undertaken £20m of borrowing, the report advises of this development.

2. Recruitment of Audit Committee Chair

- 2.1 The Council has approval to appoint an Independent Chair to the Audit Committee. It is proposed in September 2019 to undertake an exercise to appoint this Chair. The previous exercise undertaken in 2019 did not attract appropriate candidates to interview. It is felt to be sensible to undertake a further exercise in September to attract appropriate applicants. Attached for information is a copy of the advertisement used previously in relation to the recruitment process (Appendix 1).

3. Tender for External Audit Services

- 3.1 The Council is proposing with the support of the Procurement Team to undertake an exercise to tender for one External Audit provider for the 100% owned companies and external grant/pensions return requiring audit. It is planned to send out the invitation to tender in September 2019 with the selection scheduled for October, so the appointment can be made by early November. This will support the audit of the MioCare Group CIC accounts which have a financial year of 1 January to 31 December.

4. Treasury Management Update

- 4.1 As the Audit Committee receives regular reports on Treasury Management and has responsibility for scrutinising treasury activities, Members will be aware that the policy of avoiding new borrowing by running down spare cash balances has served the Council well over the last few years and created savings that has aided the Council's revenue position. Members will also recall that the Council is considerably under borrowed and can therefore bring its actual borrowing up to the capital financial requirement (CFR) should this be considered appropriate. One of the factors influencing the decision to borrow is the prevailing interest rate.
- 4.2 Recently there has been downward movements in Public Works Loan Board (PWLB) interest rates. These rates are constantly reviewed to ensure that any borrowing is undertaken when interest rates are at their most optimum (lowest) to avoid incurring higher borrowing costs in the future. After careful consideration of the position by the Director of Finance, on 16 August 2019, the Council borrowed £20m from the PWLB. This decision was taken as the interest rates dropped below the interest trigger points set in conjunction with the Council's Treasury advisors, Link Asset Services, and it was considered that the rates were at the bottom of the market. The table below details the loan amount, duration of the loan and the interest rate.

Loan Amount	Duration/Years	Rate
£5m	20	1.74%
£5m	30	1.81%
£10	50	1.72%

- 4.3 It is important to note that earlier in the week commencing 12 August 2019 and throughout July 2019, the PWLB were higher than those on 16 August, meaning that the if the borrowing had been taken at an earlier stage, interest rates would have been over 2% throughout July and close to 2% in August. The average interest of the new loans was 1.76%.

5 Options/Alternatives

- 5.1 The Council can:
- a) continue with the current arrangements for the Vice Chair to oversee the Audit Committee or attempt to recruit an independent Chair
 - b) continue the appointment of different external auditors for grant claim/pensions return audits and the External Audit of external companies
 - c) note the treasury management developments

6 Preferred Option

- 6.1 The preferred option is that the Audit Committee approves the recruitment of the Independent Chair and the proposed tender for External Audit services and notes the treasury management developments.

7 Consultation

- 7.1 N/A.

8 Financial Implications

- 8.1 The cost of external audit will be met by the 100% owned companies for their audit. The grant claim and pensions return audit will be borne by the Council. The overall value of the audit is estimated to be over £60,000. It is anticipated appointing one External Auditor will result in savings. (Mark Stenson)

9 Legal Services Comments

- 9.1 N/A.

10 Cooperative Agenda

- 10.1 N/A.

11 Human Resources Comments

- 11.1 N/A.

12 Risk Assessments

- 12.1 N/A. (Jane Whyatt)

13 IT Implications

- 13.1 N/A.

14 Property Implications

- 14.1 N/A.

15 Procurement Implications

- 15.1 N/A.

16 Environmental and Health & Safety Implications

- 16.1 N/A.

17 Equality, community cohesion and crime implications

- 17.1 N/A.

18 Equality Impact Assessment Completed?

- 18.1 None.

19 Key Decision

- 19.1 N/A.

20 Forward Plan Reference

- 20.1 N/A.

21 **Background Papers**

- 21.1 The following is a list of background papers on which this report is based in accordance with the requirements of Section 100(1) of the Local Government Act 1972. It does not include documents which would disclose exempt or confidential information as defined by the Act:

File Ref: Background papers are shown at Appendix 1

Officer Name: Mark Stenson
Contact No: 0161 770 4783

22 **Appendices**

- 22.1 Appendix 1 – Advertisement for the Role of Independent Chair of the Oldham Council Audit Committee

Appointment: Independent Chair of Audit Committee Oldham Council

This is an exciting opportunity for someone to join Oldham Council's Audit Committee, as its Chair, to support the Director of Finance in discharging her statutory responsibilities and proactively promoting good governance and effective control at the Council. You would be required to attend four/five meetings a year, most of which start at 6:00pm, but occasionally during the working day. The current remuneration for which is £2,106 per annum.

The Audit Committee provides independent assurance to the Council on the effectiveness of the Council's governance, financial management, risk management and internal control arrangements. It provides a key role in providing constructive challenge across the organisation and it approves the Council's financial statements.

Therefore, the Council is seeking to recruit someone who is able to facilitate and lead meetings and promote the efficient operation of the Committee, ensure that Members work together effectively and enable the proper conduct of business.

The Chair of the Audit Committee should take particular care that all Members of the Audit Committee observe the principles of behaviour in public life (the "Nolan Principles"), which embrace selflessness, integrity, objectivity, accountability, openness, honesty and leadership.

As the Chair, you should have a financial, accountancy, risk-management or audit background and have experience in corporate governance, ideally in the public sector. The Council is specifically looking for people with skills and knowledge in the following areas:

- risk management
- treasury management
- audit governance
- strong financial literacy

You should also:

- be a proactive leader with the ability to act with independence, confidence and integrity
- be a good listener and communicator with strong facilitation skills
- have time to develop and closely monitor the Audit Committee agenda

It would be an advantage (but not essential) that you have a working knowledge of Audit Committee functions.

Applicants must be over the age of 18, be able to attend meetings at Oldham Council, and have not been Elected Members or employees of Oldham Council, or its wholly owned companies, in the last five years. Applicants must remain independent from the organisation and any political party,

To read minutes from previous meetings of the Audit Committee and to gain an understanding of what the role entails, please click:

<http://decisionrecording.oldham.gov.uk/ieListMeetings.aspx?CId=134&Year=0>

If you require further information on the role, please contact either Anne Ryans, Director of Finance on 0161 770 4902 or Mark Stenson, Head of Corporate Governance on 0161 770 4783, for an informal discussion.

If you wish to apply to join the Oldham Council Audit Committee, please submit your application explaining why you think you would be suitable for this position no later than (the agreed date)

Please note:

Recruitment normally through our website but this also links in to the Indeed Jobs website.

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

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