

NOTICE OF MEETING

Meeting: AUDIT COMMITTEE

Date and Time: FRIDAY, 29 OCTOBER 2021, AT 9.30 AM*

Place: COUNCIL CHAMBER - APPLETREE COURT, BEAULIEU ROAD, LYNDHURST, SO43 7PA

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PUBLIC PARTICIPATION:

Members of the public may watch this meeting live on the [Council's website](#).

*Members of the public may speak in accordance with the Council's public participation scheme:

- (a) immediately before the meeting starts, on items within the Audit Committee's terms of reference which are not on the public agenda; and/or
- (b) on individual items on the public agenda, when the Chairman calls that item. Speeches may not exceed three minutes.

Anyone wishing to speak should contact the name and number shown above no later than 12.00 noon on Wednesday 27 October 2021.

Colin Read
Interim Chief Executive

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This Agenda is also available on audio tape, in Braille, large print and digital format

AGENDA

Apologies

1. MINUTES

To confirm the minutes of the meetings held on 5 May 2021 and 2 July 2021 as a correct record.

2. DECLARATIONS OF INTEREST

To note any declarations of interest made by members in connection with an agenda item. The nature of the interest must also be specified.

Members are asked to discuss any possible interests with Democratic Services prior to the meeting.

3. **PUBLIC PARTICIPATION**
To note any issues raised during the public participation period.
4. **TREASURY MANAGEMENT MONITORING REPORT 2021/22** (Pages 3 - 20)
To consider the Treasury Management Monitoring Report for 2021/22.
5. **INTERNAL AUDIT PROGRESS REPORT 2021/22** (Pages 21 - 36)
To receive the Internal Audit Progress Report for 2021/22.
6. **INSURANCE UPDATE AND RENEWAL 2021/22** (Pages 37 - 40)
To receive an update on the Council's insurance arrangements.
7. **OVERVIEW OF WORKFLOW AND APPROVAL LEVELS** (Pages 41 - 44)
To receive an overview of the workflow processes and approval limits that are built into the Council's financial systems.
8. **ANTI-FRAUD BRIBERY AND CORRUPTION STRATEGY, WHISTLEBLOWING POLICY AND ANTI-MONEY LAUNDERING POLICY** (Pages 45 - 72)
To consider updated policies relating to Anti-Fraud, Bribery and Corruption Strategy, Anti-Money Laundering Policy and Whistleblowing Policy.
9. **AUDIT COMMITTEE WORK PLAN** (Pages 73 - 74)
To consider the Audit Committee's Work Plan.
10. **ANY OTHER ITEMS WHICH THE CHAIRMAN DECIDES ARE URGENT**

To:	Councillors	Councillors
	Alan O'Sullivan (Chairman) Emma Lane (Vice-Chairman) Alan Alvey Hilary Brand	Jack Davies Martyn Levitt Ann Sevier John Ward

AUDIT COMMITTEE 29 OCTOBER 2021

TREASURY MANAGEMENT MID-YEAR MONITORING REPORT 2021/22

1. RECOMMENDATIONS

Members are recommended to:

- 1.1. consider the performance of the treasury function detailed in this report.

2. PURPOSE

- 2.1. New Forest District Council has adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), last updated in 2017. The CIPFA Code requires the Council to approve a treasury management strategy before the start of the year and a semi-annual and annual treasury outturn report. The purpose of this report is therefore to meet this obligation by providing an update on the performance of the treasury management function at the mid-year point.

3. SUMMARY

- 3.1. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code and provides an update on the performance of the treasury management function at the mid-year point.
- 3.2. The Council's treasury management strategy was most recently updated and approved at a meeting of the Council in February 2021. The Council has borrowed and invested sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Council's treasury management strategy.
- 3.3. Treasury management in the context of this report is defined as:

"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks."
- 3.4. This mid-year report sets out the performance of the treasury management function for the period April – September 2021, to include the effects of the decisions taken and the transactions executed within this period.

- 3.5. Hampshire County Council's Investments & Borrowing Team has been contracted to manage the Council's treasury management balances since March 2014 but overall responsibility for treasury management remains with the Council. No treasury management activity is without risk; the effective identification and management of risk are integral to the Council's treasury management objectives.
- 3.6. All treasury activity has complied with the Council's revised Treasury Management Strategy and Investment Strategy for 2021/22, and all relevant statute, guidance and accounting standards. In addition, support in undertaking treasury management activities has been provided by the Council's treasury advisers, Arlingclose.
- 3.7. The 2017 Prudential Code includes a requirement for local authorities to provide a Capital Strategy, a summary document approved by full Council covering capital expenditure and financing, treasury management and non-treasury investments. The latest iteration of the Council's Capital Strategy, complying with CIPFA's requirement, was approved by full Council in February 2021.

4. EXTERNAL CONTEXT

- 4.1. The following sections outline the key economic themes against which investment and borrowing decisions have been made so far in 2021/22.

Economic commentary

- 4.2. The coronavirus pandemic continued to dominate the news during the period, with economic resurgence following the rapid vaccination programme.
- 4.3. The Bank of England (BoE) has held Bank Rate at 0.1% since March 2020 and has maintained its Quantitative Easing programme at £895bn since November 2020. In its September 2021 policy announcement, the BoE noted it now expected the UK economy to grow at a slower pace than was predicted in August, as the pace of the global recovery had shown signs of slowing and there were concerns inflationary pressures may be more persistent. Within the announcement, Bank expectations for GDP growth for the third (calendar) quarter were revised down to 2.1% from 2.9%, in part reflecting tighter supply conditions. CPI inflation is now expected to rise slightly above 4% in the last three months of 2021, due to higher energy prices and core goods inflation.
- 4.4. The BoE's Monetary Policy Committee (MPC) does not intend to tighten monetary policy at least until there is clear evidence that significant progress is being made in eliminating the economy's spare capacity and achieving the 2% inflation target sustainably.

Financial markets

- 4.5. Ongoing monetary and fiscal stimulus together with improving economic growth prospects and successful vaccine rollout programmes continued to boost equity markets over the period. In the UK, the FTSE 250 index continued making gains over pre-pandemic levels and the more

internationally focused FTSE 100 saw more modest gains over the period and remains below its pre-crisis peak.

- 4.6. Inflation worries continued during the period but declines in bond yields between April and June suggest bond markets may be expecting any general price increases to be less severe, or more transitory, than was previously thought. However, an increase in gas prices in the UK and European Union, supply shortages and a dearth of HGV and lorry drivers with companies willing to pay more to secure their services, has caused problems for a range of industries and, in some instance, lead to higher prices. UK government bonds remained positive over the period.

Credit review

- 4.7. Credit default swap spreads were flat over the period and are broadly in line with their pre-pandemic levels. Credit default swaps are used as an indicator of credit risk, where higher premiums indicate higher perceived risks.
- 4.8. Over the period credit ratings agencies, Fitch and Moody's, upwardly revised to stable the outlook on a number of UK banks and building societies on Arlingclose's counterparty list, recognising their improved capital positions compared to last year and better economic growth prospects in the UK.
- 4.9. The successful vaccine rollout programme is credit positive for the financial services sector in general and the improved economic outlook has meant some institutions have been able to reduce provisions for bad loans. While there is still uncertainty around the full extent of the losses banks and building societies will suffer due to the pandemic-related economic slowdown, the sector is in a generally better position now compared to earlier this year and 2020.
- 4.10. On 24 September 2021 Arlingclose published its review of its credit advice on unsecured deposits, judging that the UK has seen six months of positive GDP growth, and while forward-looking indicators suggest that economic growth has entered a slower phase as the UK heads into autumn, and the risks around both the continuing pandemic and a period of economic adjustment post government support remain, the likelihood of further significant economic fallout from the pandemic impacting on the financial viability of certain banks has diminished. As a result Arlingclose has updated its treasury management advice, allowing maximum durations of 100 days for unsecured investments with some UK banks on their list of recommended counterparties.

5. LOCAL CONTEXT

- 5.1. At 31 March 2021 the Council's underlying need to borrow for capital purposes as measured by the Capital Financing Requirement (CFR) was £141.9m, while usable reserves and working capital which are the underlying resources available for investment were £49.9m (principal invested plus gains on investments with a variable net asset value). These factors are summarised in Table 1.

Table 1: Capital Financing Summary

	31/03/21 Balance £m
General Fund CFR	9.6
Housing Revenue Account CFR	6.0
HRA Settlement	126.3
Total CFR	141.9
Financed By:	
External Borrowing	126.9
Internal Borrowing	15.0
Total Borrowing	141.9

- 5.2. The Council's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, to reduce risk and keep interest costs low. The treasury management position at 30 September 2021 and the change during the year is shown in Table 2.

Table 2: Treasury Management Summary

	31/03/21 Balance £m	Movement £m	30/09/21 Balance £m	30/09/21 Rate %
Long-term borrowing	(122.6)	0.1	(122.5)	3.3
Short-term borrowing	(4.3)	0.0	(4.3)	2.4
Total borrowing	(126.9)	0.1	(126.8)	3.3
Long-term investments	16.5	7.6	24.1	2.8
Short-term investments	25.1	9.3	34.4	0.1
Cash and cash equivalents	8.3	10.9	19.2	0.0
Total investments	49.9	27.8	77.7	0.9
Net borrowing	(77.0)	27.9	(49.1)	

Note: the figures in Table 2 at 31 March 2021 are from the balance sheet in the Council's statement of accounts adjusted to exclude operational cash.

- 5.3. The reduction in net borrowing of £27.9m shown in Table 2 reflects an increase in investment balances of £27.8m as well as a repayment at maturity of borrowing of £0.1m in line with the Council's policy on internal borrowing. Further details are provided in the Borrowing Activity and Treasury Investments Activity sections of this report.

6. BORROWING UPDATE

- 6.1. Local authorities can borrow from the Public Works Loan Board (PWLB) provided they have not purchased an investment asset primarily for yield since 26 November 2020 and can confirm they are not planning to do so in the current or next two financial years, with confirmation of the purpose of capital expenditure from the Section 151 / Section 95 Officer. Authorities that are purchasing or intending to purchase investment assets primarily for yield will not be able to access the PWLB except to refinance existing loans or externalise internal borrowing.

- 6.2. Acceptable use of PWLB borrowing includes service delivery, housing, regeneration, preventative action, refinancing and treasury management.
- 6.3. Competitive market alternatives may be available for authorities with or without access to the PWLB. However, the financial strength of the individual authority and borrowing purpose will be scrutinised by commercial lenders.
- 6.4. The Council is not planning to purchase any investment assets primarily for yield within the next three years and so is able to fully access the PWLB if required. The Council may have a need for borrowing based on the current investment plans supporting the New Forest economy and employment, and in it's aspiration to increase housing numbers.
- 6.5. CIPFA has recently released a further consultation on its Prudential Code (more information provided at section 11 of this report) ahead of the new Code being released in December 2021. The consultation documents include the guidance that authorities 'must not borrow to invest for the primary purpose of financial return', and the sector was concerned that the documentation also seemed to read that those authorities who were invested in pooled funds would not be able to access borrowing from the PWLB. However CIPFA have subsequently published early guidance on not borrowing to invest which covers existing commercial investments:
- 6.6. "The Code's statement that authorities 'must not borrow to invest for the primary purpose of financial return' is not intended to require the forced sale of existing commercial investments, whether commercial properties or financial investments. Selling these investments and using the proceeds to net down debt does, however, reduce treasury risks on both sides of the balance sheet and is therefore an option which should be kept under review, especially if new long term borrowing is being considered."
- 6.7. Responses to this consultation are expected by 16 November 2021 before the final Code is released in December 2021, and the Council as well as its adviser, Arlingclose, intends to respond to this consultation.

Revised PWLB Guidance

- 6.8. HM Treasury published further guidance on PWLB borrowing in August 2021 providing additional detail and clarifications predominantly around the definition of an 'investment asset primarily for yield'. The principal aspects of the new guidance are:
 - Capital expenditure incurred or committed to before 26th November 2020 is allowable even for an 'investment asset primarily for yield'.
 - Capital plans should be submitted by local authorities via a DELTA return. These open for the new financial year on 1st March and remain open all year. Returns must be updated if there is a change of more than 10%.
 - An asset held primarily to generate yield that serves no direct policy purpose should not be categorised as service delivery.

- Further detail on how local authorities purchasing investment assets primarily for yield can access the PWLB for the purposes of refinancing existing loans or externalising internal borrowing.
- Additional detail on the sanctions which can be imposed for inappropriate use of the PWLB loan. These can include a request to cancel projects, restrictions to accessing the PLWB and requests for information on further plans.

Changes to PWLB Terms and Conditions from 8 September 2021

6.9. The settlement time for a PWLB loan has been extended from two working days (T+2) to five working days (T+5). In a move to protect the PWLB against negative interest rates, the minimum interest rate for PWLB loans has also been set at 0.01% and the interest charged on late repayments will be the higher of Bank of England Base Rate or 0.1%.

7. BORROWING ACTIVITY

7.1. At 30 September 2021 the Council held £126.8m of loans, a decrease of £0.1m since 31 March 2021 which was a repayment of borrowing in line with maturity. The vast majority of the outstanding loans are in relation to the resettlement of the HRA in 2012/13. The borrowing position as at 30 September 2021 and movement since 31 March 2021 change are summarised in Table 3.

Table 3: Borrowing Position

	31/03/21 Balance £m	Movement £m	30/09/21 Balance £m	30/09/21 Rate %	30/09/21 WAM* years
Public Works Loan Board	(126.9)	0.1	(126.8)	3.3	15.4
Total borrowing	(126.9)	0.1	(126.8)	3.3	15.4

* Weighted average maturity

- 7.2. The Council's chief objective when borrowing has been to strike an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.
- 7.3. Short-term interest rates have remained much lower than long-term rates and the Council has therefore considered it to be more cost effective in the near term to use internal resources than to use additional borrowing. In line with this strategy no new borrowing was undertaken during the period and £0.1m of PWLB loans was allowed to mature without refinancing.
- 7.4. This borrowing strategy has been monitored by Arlingclose and has enabled the Council to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk.

8. TREASURY INVESTMENT ACTIVITY

8.1. The Council holds invested funds, representing income received in advance of expenditure plus balances and reserves held. During the six month period from 1 April to 30 September 2021, the Council's investment balance ranged between £50.4m and £97.0m due to timing differences between income and expenditure.

8.2. Table 4 shows investment activity for the Council as at 30 September 2021 in comparison to the reported activity as at 31 March 2021. The increase in total investments since 31 March 2021 reflects the fact that the balance at 31 March is typically the lowest of the year.

Table 4: Treasury investment position

Investments	31/03/2021 Balance £m	Net movement £m	30/09/2021 Balance £m	30/09/21 Income return %	30/09/21 WAM* years
Short term Investments					
Banks and Building Societies:					
- Unsecured	9.1	4.7	13.8	0.05	0.0
- Secured	-	17.8	17.8	0.10	0.7
Money Market Funds	5.2	10.1	15.3	0.01	0.0
Government:					
- Local Authorities	17.0	(12.5)	4.5	0.09	0.7
- Supranational banks	-	3.0	3.0	0.08	0.5
Cash Plus Funds	2.0	0.0	2.0	0.75	0.0
	33.3	23.1	56.4	0.34	0.4
Long term investments					
Banks and Building Societies:					
- Secured	3.0	0.0	3.0	0.45	1.4
Government:					
- Supranational banks	-	3.9	3.9	0.14	1.2
	3.0	3.9	6.9	0.20	1.3
High yield investments					
Pooled Property Funds**	7.6	0.0	7.6	4.05	N/A
Pooled Equity Funds**	3.0	0.0	3.0	5.83	N/A
Pooled Multi-Asset Funds**	3.0	0.0	3.0	4.61	N/A
	13.6	0.0	13.6	4.58	N/A
TOTAL INVESTMENTS	49.9	27.0	76.9	0.89	0.4

* Weighted average maturity, excluding pooled funds

** The rates provided for pooled fund investments are reflective of annualised income returns over the year to 30 September 2021 based on the market value 12 months earlier.

Note: the figures in Table 4 at 31 March 2021 are from the balance sheet in the Council's statement of accounts but adjusted to exclude operational cash, market value adjustments and accrued interest. The 30 September 2021 position differs from that shown in Table 2 as Table 4 removes the effect of market value and other accounting adjustments to show the principal balance.

- 8.3. Investment balances have increased since 31 March 2021 in line with previous years due to 31 March typically holding the lowest balances, and the mid year position reflects the higher balances typically seen at this time of year, due to the difference in timing between income and expenditure
- 8.4. The CIPFA Code and Government guidance both require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum rate of return, or yield. The Council's objective when investing money is therefore to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults against the risk of receiving unsuitably low investment income. The Council's Treasury Management Strategy Statement (TMSS) sets out how it will manage and mitigate these risks.
- 8.5. The security of investments has been maintained by following the Council's counterparty policy and investment limits within the TMSS, taking advice from Arlingclose on changes in counterparty credit worthiness, and making use of secured investment products that provide collateral. The Council invests in liquid investments to ensure money is available when required to meet its financial obligations, spreading these investments across a number of counterparties to mitigate operational risk.
- 8.6. In delivering investment returns, the Council has operated against a backdrop in which the UK Bank Rate was cut to 0.10% in March 2020 in response to the coronavirus pandemic. UK Bank Rate has remained at this rate throughout the year, having an impact on rates across the market. Returns have been at or around +0.01% for liquid investment options such as Money Market Funds (MMFs), bank call accounts and the UK Government's Debt Management Account Deposit Facility (DMADF) and have not been significantly higher for other short-term options like fixed duration loans to other local authorities and bank notice accounts. Investment income has therefore largely come from investments arranged at fixed rates of interest prior to the pandemic and through the Council's investments in pooled funds.
- 8.7. The Council benchmarks the performance of its internally managed investments against that of other Arlingclose clients. Internally managed investments include all investments except externally managed pooled funds but do include MMFs. The performance of these investments against relevant measures of security, liquidity and yield are shown in Table 5, providing data as at 30 June 2021 and at 31 March 2021 for comparison. The Council's data as at 30 September 2021 is available and is shown in Table 5, however unfortunately the comparative benchmarking data was not available at the publishing date.

Table 5: Investment benchmarking (excluding pooled funds)

	Credit rating	Bail-in exposure	Weighted average maturity (days)	Rate of return
31.03.2021	AA-	42%	106	0.22%
30.06.2021	AA-	67%	101	0.06%
Similar LAs	A+	68%	41	0.12%
All LAs	A+	67%	12	0.11%
30.09.2021	AA	47%	160	0.16%

- 8.8. Table 5 shows the average credit rating of the portfolio increased over the first half of the financial year, and bail-in exposure rose and then fell again (as a function of the total balances for investment), settling at a low level, both measures reflecting a greater investment balance in secured investments, which are not subject to bail-in risk as they provide collateral. The weighted average maturity of investments increased over the period as longer term high quality investments in supranational banks were made. The average rate of return (0.16%) was lower than at 31 March 2020, which is reflective of returns at or close to 0% for many investments across the market. The Council compared favourably with the other local authorities included in the benchmarking exercise at 30 June 2021 across most metrics. Although it is difficult to know the exact reason why the rate of return was lower than the average of the other local authorities as at 30 June 2021, it is most likely due to the large liquid investment balance that was held at that point, which continues to be invested in short and long term appropriate options as they become available.

Externally managed pooled funds

- 8.9. In order to minimise the risk of receiving unsuitably low investment income, the Council has continued to invest a proportion of steady core balances in externally managed pooled funds as part of its higher yielding strategy.
- 8.10. The CIPFA Code requires the Council to invest its funds prudently and to have regard to the security and liquidity of its investments before seeking the highest yield. As a result, the Council's investments targeting higher yields have been made from its most stable balances and with the intention that they will be held for at least the medium term. This means that the initial costs of any investment and any periods of falling capital values can be overcome and mitigates the risk of having to sell an asset for liquidity purposes, helping to ensure the long-term security of the Council's investments.
- 8.11. The Council's investments in pooled funds fell considerably in value when the coronavirus pandemic hit world markets but have since recovered well. This recovery means these investments are now worth marginally more in aggregate than the initial sums invested, as shown in Table 6, demonstrating the importance of taking a longer term approach and being

able to ride out periods of market volatility, ensuring the Council is not a forced seller at the bottom of the market.

Table 6: Higher yielding investments – market value performance

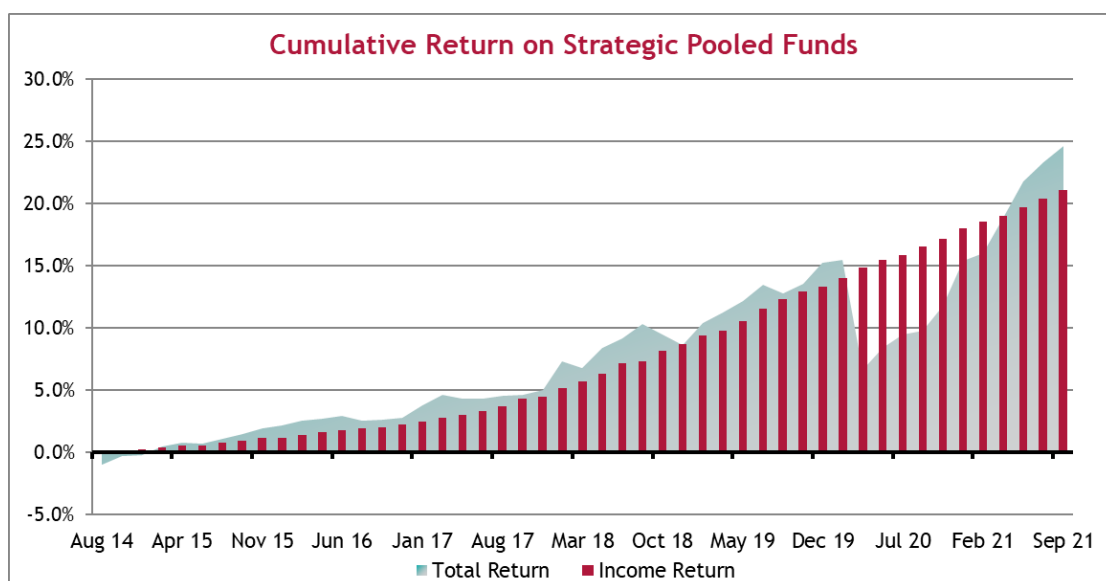
	Amount invested	Market value at 30/09/21	Gain / (fall) in capital value	
			Since purchase	One year
	£m	£m	£m	£m
Pooled property funds	7.60	7.88	0.28	0.65
Pooled equity funds	3.00	3.24	0.24	0.73
Pooled multi-asset funds	3.00	2.91	(0.09)	0.09
Total	13.60	14.03	0.43	1.47

8.12. The Council's investments in pooled funds target long-term price stability and regular revenue income and bring significant benefits to the revenue budget. As shown in Table 7 the annualised income returns have averaged 4.21% pa (per annum) since purchase, contributing to a total return of 24.60% over their life.

Table 7: Higher yielding investments – income and total returns since purchase

	Annualised income return	Total return
	%	%
Pooled property funds	4.07	26.39
Pooled equity funds	4.71	31.01
Pooled multi-asset funds	4.08	13.69
Total	4.21	24.60

8.13. The Council's pooled fund investments continue to deliver income returns far in excess of what could be generated from cash investments. The cumulative total return from the Council's investments in pooled equity, property and multi-asset funds since purchase is shown in the following graph. This highlights that the Council has benefited from strong and steady income returns over time and the way that capital values have recovered since March 2020.



8.14. The IFRS 9 accounting standard that was introduced in 2018/19 means that annual movements in the capital values of investments need to be reflected in the revenue account on an annual basis, although a five year statutory override was put in place for local authorities that exempts them from complying with this requirement.

8.15. Pooled fund investments have no defined maturity date but are available for withdrawal after a notice period and their performance and continued suitability in meeting the Council's investment objectives is monitored regularly and discussed with Arlingclose.

9. NON-TREASURY INVESTMENTS

9.1. The definition of investments in CIPFA's revised Treasury Management Code now covers all the financial assets of the Council as well as other non-financial assets which the Council holds primarily for financial return. This is replicated in the Ministry for Housing, Communities and Local Government's Investment Guidance, in which the definition of investments is further broadened to also include all such assets held partially for financial return.

9.2. This could include service investments for operational and/or regeneration reasons as well as commercial investments which are made mainly for financial reasons.

9.3. The Council's existing non-treasury investments are listed in Table 8.

	30/09/21 Asset value £m	30/09/21 Annual rate of return
Hythe Marina	2.54	4.57%
Saxon Inn Calmore	0.18	6.89%
Meeting House Lane	0.14	-

New Milton Health Centre	2.54	5.40%
Ampress Car Park	2.12	4.85%
Employment Land at Crow Lane	2.01	-
The Parade Salisbury Road Totton	1.43	7.66%
1-3 Queensway New Milton	0.88	8.21%
Unit 1 Nova Business Park	0.54	6.51%
Total investment properties	12.38	4.73%
Lymington Town Hall	3.45	2.88%
Hardley Industrial Estate	3.86	6.27%
Total income earning properties	7.31	4.67%
Grand total	19.69	4.71%

9.4. Council has agreed to the allocation of £8.445m in funding from internally held cash in the first instance to develop the land at Crow Lane, Ringwood into single-storey industrial units and two-storey office units as well as associated external works and parking areas.

9.5. The development looks to contribute to the Council's visions as stated in its adopted 2020 Corporate Plan "*to secure a vibrant and prosperous New Forest*" by seeking to "*maintain a vibrant local economy that brings opportunities to the area*". It is estimated that this development could sustain around 150-200 new jobs once fully let as well as supporting several more during the twelve-month construction period.

9.6. In addition to providing employment for local people, it is predicted that this development will achieve an investment yield of just over 5%.

9.7. After a period of additional survey work and detailed design it is expected that the contractor shall mobilise to site by the end 2021, and making an allowance for unforeseen delays, it is anticipated that construction of the development shall be complete before the end of 2022, with some units completed ahead of the ultimate completion date.

10. COMPLIANCE REPORT

10.1. The Council confirms compliance of all treasury management activities undertaken during the period covered by this report with the CIPFA Code of Practice and the Council's approved Treasury Management Strategy.

10.2. Compliance with the authorised limit and operational boundary for external debt, is demonstrated in Table 9.

Table 9: Debt limits

	2021/22 Maximum £m	30/09/21 Actual £m	2021/22 Operational Boundary £m	2021/22 Authorised Limit £m	Complied
Total debt	130.8	130.8	188.9	206.3	✓

- 10.3. The total actual debt as measured by the debt limits was £130.8m on 30 September 2021 which represents the use of £4m of the Council's overdraft facility in addition to the £126.8m PWLB debt. On 30 September 2021 £4m principal was due to be returned to the Council on maturity of a secured bond, however in error it was not released due to counterparty error and so the Council was forced to use its overdraft facility with Lloyds, who decided to waive the interest charge in this instance. This issue is currently being looked into by the custodian to understand why this event occurred.
- 10.4. Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

11. TREASURY MANAGEMENT INDICATORS

- 11.1. The Council measures and manages its exposures to treasury management risks using the following indicators.

Interest rate exposures

- 11.2. The following indicator shows the sensitivity of the Council's current investments and borrowing to a change in interest rates.

Table 10 – Interest Rate Risk Indicator

	30/09/21 Actual	Impact of +/- 1% interest rate change
Sums subject to variable interest rates		
Investment	£62.4m	+/- £0.6m
Borrowing	£0m	N/A

- 11.3. Fixed rate investments and borrowings are those where the rate of interest is fixed for the whole financial year. Instruments that mature during the financial year are classed as variable rate.

Maturity structure of borrowing

- 11.4. This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits show the maximum and minimum maturity exposure to fixed rate borrowing as agreed in the Treasury Management Strategy Statement.

Table 11: Refinancing rate risk indicator

	30/09/21 Actual	Upper Limit	Lower Limit	Complied
Under 12 months	3%	25%	0%	✓
12 months and within 24 months	3%	25%	0%	✓
24 months and within 5 years	10%	25%	0%	✓

5 years and within 10 years	16%	25%	0%	✓
10 years and above	68%	100%	0%	✓

Principal sums invested for periods longer than a year

11.5. The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The limits on the total principal sum invested to final maturities beyond the period end were:

Table 12: Price risk indicator

	2021/22	2022/23	2023/24
Actual principal invested beyond a year	£23.5m	£13.6m	£13.6m
Limit on principal invested beyond a year	£40m	£30m	£25m
Complied	✓	✓	✓

11.6. The table includes investments in strategic pooled funds of £13.6m as although these can usually be redeemed at short notice, the Council intends to hold these investments for at least the medium-term.

12. OTHER

Revisions to CIPFA Codes

12.1. In February 2021 CIPFA launched two consultations on changes to its Prudential Code and Treasury Management Code of Practice. These followed the Public Accounts Committee's recommendation that the prudential framework should be further tightened following continued borrowing by some authorities for investment purposes. In June, CIPFA provided feedback from this consultation.

12.2. In September CIPFA issued the revised Codes and Guidance Notes in draft form and opened the latest consultation process on their proposed changes. The changes include:

- Clarification that (a) local authorities must not borrow to invest primarily for financial return (b) it is not prudent for authorities to make any investment or spending decision that will increase the Capital Financing Requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the authority.
- Categorising investments as those (a) for treasury management purposes, (b) for service purposes and (c) for commercial purposes.
- Defining acceptable reasons to borrow money: (i) financing capital expenditure primarily related to delivering a local authority's functions, (ii) temporary management of cash flow within the context of a balanced budget, (iii) securing affordability by removing exposure to

future interest rate rises and (iv) refinancing current borrowing, including replacing internal borrowing.

- For service and commercial investments, in addition to assessments of affordability and prudence, an assessment of proportionality in respect of the authority's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets or reserves without unmanageable detriment to local services).
- Prudential Indicators
 - New indicator for net income from commercial and service investments to the budgeted net revenue stream.
 - Inclusion of the liability benchmark as a mandatory treasury management prudential indicator. CIPFA recommends this is presented as a chart of four balances – existing loan debt outstanding; loans CFR, net loans requirement, liability benchmark – over at least 10 years and ideally cover the authority's full debt maturity profile.
 - Excluding investment income from the definition of financing costs.
- Incorporating ESG issues as a consideration within TMP 1 Risk Management.
- Additional focus on the knowledge and skills of officers and elected members involved in decision making

MHCLG Improvements to the Capital Finance Framework

12.3. Ministry of Housing, Communities & Local Government (MHCLG – now known as Department for Levelling Up, Housing and Communities) published a brief policy paper in July outlining the ways it feels that the current framework is failing and potential changes that could be made. The paper found that “while many authorities are compliant with the framework, there remain some authorities that continue to engage in practices that push the bounds of compliance and expose themselves to excessive risk”.

12.4. The actions announced include greater scrutiny of local authorities and particularly those engaged in commercial practices; an assessment of governance and training; a consideration of statutory caps on borrowing; further regulations around Minimum Revenue Provision (MRP) and ensuring that MHCLG regulations enforce guidance from CIPFA and the new PWLB lending arrangements.

12.5. A further consultation on these matters is expected soon.

Arlingclose's outlook for the remainder of 2021/22

	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24	Jun-24	Sep-24	Dec-24
Official Bank Rate													
Upside risk	0.00	0.15	0.00	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25	0.25
Arlingclose Central Case	0.10	0.10	0.25	0.25	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Downside risk	0.00	0.00	0.15	0.15	0.15	0.40	0.40	0.40	0.40	0.40	0.40	0.40	0.40

- 12.6. Arlingclose expects Bank Rate to rise in Quarter 2 2022. We believe this is driven as much by the Bank of England's desire to move from emergency levels as by fears of inflationary pressure.
- 12.7. Investors have priced in multiple rises in Bank Rate to 1% by 2024. While Arlingclose believes Bank Rate will rise, it is by a lesser extent than expected by markets.
- 12.8. The global economy continues to recover from the pandemic but has entered a more challenging phase. The resurgence of demand has led to the expected rise in inflationary pressure, but disrupted factors of supply are amplifying the effects, increasing the likelihood of lower growth rates ahead. This is particularly apparent in the UK due to the impact of Brexit.
- 12.9. While Quarter 2 UK GDP expanded more quickly than initially thought, the 'pingdemic' and more latterly supply disruption will leave Quarter 3 GDP broadly stagnant. The outlook also appears weaker. Household spending, the driver of the recovery to date, is under pressure from a combination of retail energy price rises, the end of government support programmes and soon, tax rises. Government spending, the other driver of recovery, will slow considerably as the economy is taken off life support.
- 12.10. Inflation rose to 3.2% in August 2021. A combination of factors will drive this to over 4% in the near term. While the transitory factors affecting inflation, including the low base effect of 2020, are expected to unwind over time, the MPC has recently communicated fears that these transitory factors will feed longer-term inflation expectations that require tighter monetary policy to control. This has driven interest rate expectations substantially higher.
- 12.11. The supply imbalances are apparent in the labour market. While wage growth is currently elevated due to compositional and base factors, stories abound of higher wages for certain sectors, driving inflation expectations. It is uncertain whether a broad-based increased in wages is possible given the pressures on businesses.
- 12.12. Government bond yields increased sharply following the September Federal Open Market Committee (FOMC) and MPC minutes, in which both central banks communicated a lower tolerance for higher inflation than previously thought. The MPC in particular has doubled down on these signals in spite of softer economic data. Bond investors expect higher near-term interest rates but are also clearly uncertain about central bank policy.
- 12.13. The MPC appears to be playing both sides, but has made clear its intentions to tighten policy, possibly driven by a desire to move away from emergency levels. While the economic outlook will be challenging, the

signals from policymakers suggest Bank Rate will rise unless data indicates a more severe slowdown.

13. CRIME AND DISORDER AND ENVIRONMENTAL IMPLICATIONS

13.1. None arising directly from this report.

Further information	Background papers
<p>Please contact:</p> <p>Gemma Farley Principal Accountant Investments & Borrowing Hampshire County Council gemma.farley@hants.gov.uk</p> <p>Alan Bethune Executive Head of Financial (S151) and Corporate Services New Forest District Council alan.bethune@nfdc.gov.uk</p>	<p>The Prudential Code, CIPFA Guidance Notes and ODPM Investment Guidance</p> <p>Local Government Act 2003</p> <p>SI 2003/3146 Local Authorities (Capital Finance and Accounting) (England) Regulations 2003</p> <p>Treasury Management Mid-Year Monitoring Report 2020/21 Audit Committee – 23 October 2020</p> <p>Treasury Management Strategy Report 2021/22 Audit Committee – 29 January 2021 Council – 25 February 2021</p> <p>Treasury Management Annual Outturn Report 2020/21 Audit Committee – 2 July 2021</p>

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EMT – 12 OCTOBER 2021
AUDIT COMMITTEE – 29 OCTOBER 2021

INTERNAL AUDIT PROGRESS REPORT 2021-22 – OCTOBER 2021

1. RECOMMENDATION

- 1.1. The Audit Committee note the content of the progress report, attached as Appendix A.

2. INTRODUCTION

- 2.1. The purpose of this report is to provide the Audit Committee with an overview of internal audit activity completed in accordance with the approved audit plan and to provide an overview of the status of 'live' reports.

3. SUMMARY

- 3.1. Under the Accounts and Audit (England) Regulations 2015, the Council is responsible for:

- ensuring that its financial management is adequate and effective and that it has a sound system of internal control which facilitates the effective exercise of functions and includes arrangements for the management of risk; and
- undertaking an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control.

- 3.2. In accordance with the Public Sector Internal Audit Standards and the Council's Internal Audit Charter, the Chief Internal Auditor is required to provide a written status report to the Audit Committee, summarising:

'communications on the internal audit activity's performance relative to its plan.'

- 3.3. Appendix A summarises the performance of Internal Audit for 2021-22 to 15 October 2021.

4. FINANCIAL IMPLICATIONS

- 4.1. The audit plan consists of 470 audit days including 18 audit days provided to the New Forest National Park Authority under the current Service Level Agreement. The Council's budget for 2021-22 reflects these arrangements.

5. CRIME AND DISORDER IMPLICATIONS

- 5.1. There are no crime and disorder implications arising directly from this report, however inadequate audit coverage may result in areas of control weakness,

unacceptable risks or governance failings as well as the increased potential for error and fraud.

6. ENVIRONMENTAL MATTERS & EQUALITY AND DIVERSITY IMPLICATIONS

6.1. There are no matters arising directly from this report.

For Further Information Please Contact:

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Background Papers:

Internal Audit Plan 21-22

Internal Audit Progress Report 2021-22

October 2021

New Forest District Council



**Southern Internal
Audit Partnership**

Assurance through excellence
and innovation

Contents:

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1. Role of Internal Audit

The requirement for an internal audit function in local government is detailed within the Accounts and Audit (England) Regulations 2015, which states that a relevant body must:

‘Undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance.’

The standards for ‘proper practices’ are laid down in the Public Sector Internal Audit Standards [the Standards – updated 2017].

The role of internal audit is best summarised through its definition within the Standards, as an:

‘Independent, objective assurance and consulting activity designed to add value and improve an organisations’ operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes’.

New Forest District Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. Internal audit plays a vital role in advising the Council that these arrangements are in place and operating effectively.

The Council’s response to internal audit activity should lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisations’ objectives.

2. Purpose of report

In accordance with proper internal audit practices (Public Sector Internal Audit Standards), and the Internal Audit Charter the Chief Internal Auditor is required to provide a written status report to ‘Senior Management’ and ‘the Board’, summarising:

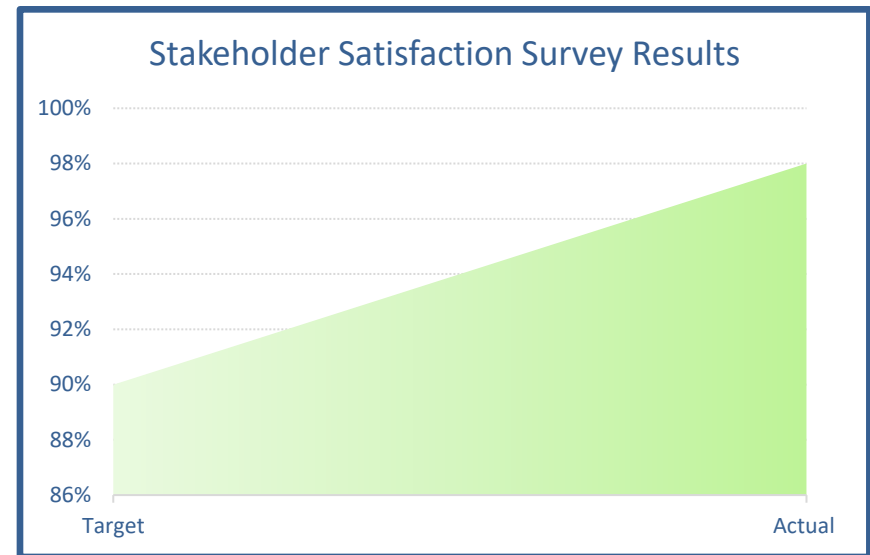
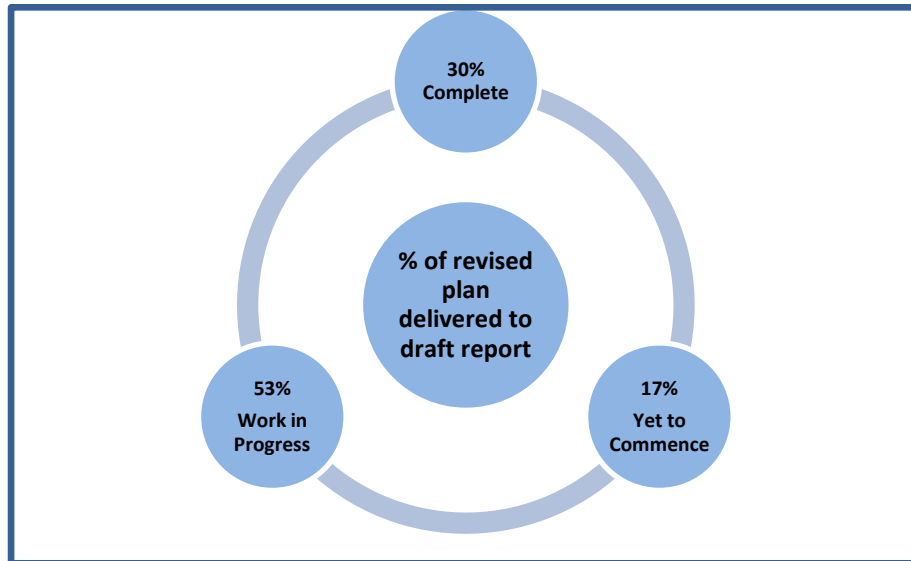
- The status of ‘live’ internal audit reports;
- an update on progress against the annual audit plan;
- a summary of internal audit performance, planning and resourcing issues; and
- a summary of significant issues that impact on the Chief Internal Auditor’s annual opinion.

Internal audit reviews culminate in an opinion on the assurance that can be placed on the effectiveness of the framework of risk management, control and governance designed to support the achievement of management objectives of the service area under review. The assurance opinions are categorised as follows:

Substantial	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

** Some reports listed within this progress report (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to adoption of the CIPFA standard definitions, reference is provided at Annex 2.*

3. Performance dashboard



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Compliance with Public Sector Internal Audit Standards

An External Quality Assessment of the Southern Internal Audit Partnership was undertaken by the Institute of Internal Auditors (IIA) in September 2020. The report concluded:

'The mandatory elements of the International Professional Practices Framework (IPPF) include the Definition of Internal Auditing, Code of Ethics, Core Principles and International Standards. There are 64 fundamental principles to achieve with 118 points of recommended practice. We assess against the principles.

It is our view that the Southern Internal Audit Partnership conforms to all 64 of these principles.

We have also reviewed SIAP conformance with the Public Sector Internal Audit Standards (PSIAS) and Local Government Application Note (LGAN).

We are pleased to report that SIAP conform with all relevant, associated elements.'

4. Analysis of 'Live' audit reviews

There are 14 outstanding actions (including four high priority actions) relating to two audits completed by the in-house team prior to the move to SIAP (unchanged from the previous reported position). The current progress to resolve the actions is:-

- Payment Card Industry Data Security Standards (PCI DSS) Compliance. The Council continue to work towards PCI DSS compliance however issues remain with telephone payments in particular. The Council are currently exploring options to address the issues.
- Business Continuity. The HR Service Manager has been tasked with developing a revised business continuity framework and working with each service to assess and document their arrangements. Internal Audit are providing a 'critical friend role' whilst the revised framework it is being developed and will review the arrangements once implemented and embedded.

There are four overdue high priority actions relating to audit reviews completed since the move to SIAP. The status of these actions are:-

- Programme and Project Management. The three high priority actions relate to updating the programme / project management framework and promoting a consistent approach across the Council. Due to responding to the COVID-19, progress with updating and implementing the revised framework has not progressed within the originally intended timescales. This will be followed up by Internal Audit once implemented and embedded.
- Community Safety/CCTV. The overdue high priority action relates to updating policies and operational procedures which has slipped due to prioritising essential, front line activities during the pandemic.

Audit Review	Report Date	Audit Sponsor	Assurance Opinion	Total Management Action(s)	Not Yet Due	Complete	Overdue		
							L	M	H
Risk Management *	Mar 19	SM (E&BI)	Adequate **	1	0	1			
Main Accounting *	Mar 19	EHF&CS	Substantial **	4	0	4			
Income Collection *	May 19	SM (E&BI)	Adequate **	1	0	1			
Programme and Project Management	Nov 19	EHF&CS	Adequate **	9	0	6			3
Parking and Enforcement *	Nov 19	SM (S)	Adequate **	6	0	6			
P-Card Taxation (VAT) *	May 20	EHF&CS	Adequate **	2	0	2			
Fleet Management *	May 20	SM (W&T)	Limited **	18	0	18			
Main Accounting *	May 20	EHF&CS	Adequate **	5	0	5			
Community Safety - CCTV	Jun 20	SM (EM&S)	Adequate **	4	0	3			1
Health & Safety	Jul 20	SM (E&R)	Adequate **	6	0	0	6		
Disabled Facilities Grants *	Jan 21	SM (HO)	Reasonable	2	0	2			
Housing Finance Management – Tenancies	Feb 21	SM (HO)	Reasonable	7	0	5		2	
Information Governance (FOI & SAR) *	Feb 21	SM (L&P)	Reasonable	5	0	5			
Northgate Application Review	Mar 21	SM (ICT)	Reasonable	4	2	2			
NNDR *	Apr 21	SM (R&B)	Reasonable	2	0	2			
Accounts Receivable and Debt Management	May 21	SM (R&B)	Reasonable	5	1	4			
Contract Management	May 21	SM (L&P)	Reasonable	5	4	1			
Accounts Payable	May 21	SM (R&B)	Reasonable	2	1	1			
Health and Safety (COVID-19)	Jun 21	SM (E&R)	Reasonable	2	1	1			
Income Collection and Banking	Jun 21	SM (R&B)	Reasonable	4	2	1		1	
Travel, Expenses and Overtime *	Jun 21	SM (HR)	Reasonable	2	0	2			

Payroll Increments	Jun 21	SM (HR)	Limited	13	2	11			
Procurement	Jun 21	SM (L&P)	Reasonable	6	1	5			
Main Accounting and Reconciliations	Jun 21	SM (R&B)	Reasonable	3	3	0			
Cyber Security	Jul 21	SM (ICT)	Reasonable	8	6	2			
Housing Asset Management – Supply Chain Arrangements *	Jul 21	SM (HMAC)	Reasonable	12	0	12			
Development Management	Aug 21	EHPR&E	Reasonable	10	1	9			
Additional Restrictions Grants	Sep 21	EHPR&E	Substantial	1	1	0			
Coastal Management and Protection	Oct 21	SM (C&PF)	Reasonable	2	2	0			
Total							6	3	4

* Denotes audits where all actions have been completed since the last progress report

** The reports listed (pre 2020-21 audit plan) refer to categorisations used by SIAP prior to the adoption of the CIPFA standard definitions, reference is provided at Annex 2.

Audit Sponsor		Audit Sponsor	
Service Manager (Elections & Business Improvement)	SM (E&BI)	Service Manager (Housing Maintenance - Operations)	SM (HMO)
Service Manager (Estates & Valuation)	SM (E&V)	Service Manager (Housing Maintenance – Asset and Compliance)	SM (HMAC)
Service Manager (Human Resources)	SM (HR)	Service Manager (Environmental & Regulation)	SM (E&R)
Service Manager (Legal & Procurement)	SM (L&P)	Service Manager (Health & Leisure)	SM (H&L)
Service Manager (Democratic Services & Member Support)	SM (DS&MS)	Service Manager (Waste & Transport)	SM (W&T)
Service Manager (Estate Management & Support)	SM (EM&S)	Service Manager (Coastal & Public Facilities)	SM (C&PF)
Service Manager (Revenues & Benefits)	SM (R&B)	Service Manager (Open Spaces)	SM (OS)
Service Manager (ICT)	SM (ICT)	Service Manager (Planning Management Development)	SM (PMD)
Service Manager (Housing Development Strategy)	SM (HDS)	Service Manager (StreetScene)	SM (S)
Executive Head for Planning, Regeneration and the Economy	EHPR&E	Service Manager (Estates, Valuation & Investment Property)	SM (EV&IP)
Executive Head of Partnership and Operations	EHP&O	Executive Head of Financial and Corporate Services (S151 Officer)	EHF&CS

5. Executive Summaries of reports published concluding a ‘Limited’ or ‘No’ assurance opinion

There have been no ‘Limited’ or ‘No’ assurance opinion reports issued during 2021-22.

6. Planning & Resourcing

The Internal Audit Plan for 2021-22 was agreed by EMT and approved by the Audit Committee in March 2021. The audit plan remains fluid to provide a responsive service that reacts to the changing needs of the Council. Progress against the plan is detailed within section 7.

7. Rolling Work Programme

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Carry Forward – Included within 2020-21 Annual report and opinion								
Cyber Security	SM (ICT)	✓	✓	✓	Jun 21	Jul 21	Reasonable	20.21 Opinion
Housing Asset Management – Supply Chain Arrangements	SM (HMAC)	✓	✓	✓	Jun 21	Jul 21	Reasonable	20.21 Opinion
Coastal Management and Protection	SM (C&PF)	✓	✓	✓	Jun 21	Oct 21	Reasonable	20.21 Opinion
2021-22								
Corporate / Governance Framework								
Corporate Plan / Performance Management	SM (E&BI)	✓						
Energy Management / Climate Emergency / Green Agenda	EHP&E	✓						
Programme & Project Management	EHF&CS							Q3-4
Fraud Framework	SM (R&B)	n/a	n/a	✓				
Business Continuity & Emergency Planning	SM (HR)	✓	n/a	✓				Advisory role

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Risk Management	SM (HR)	✓						
Data Breach Investigation *	SM (HR)	✓	✓	✓	n/a	Jun 21	n/a	
Human Resources								
HR – Performance Management	SM (HR)	✓	✓	✓				
HR – Use of Agency Staff	SM (HR)							Q4
HR – Leisure Centre Staff Transfer - due diligence checks *	SM (HR)	✓	✓	✓				
Core Financial Systems								
Financial Stability – Budget Management/Monitoring	EHF&CS	✓	✓	✓				
Housing Benefits	SM (R&B)	✓	✓	✓	Oct 21			
Payroll	SM (HR)	✓						
Treasury Management	EHF&CS	✓	✓	✓				
Financial Systems – follow-up	SM (R&B)	n/a	n/a	✓				
Grant Certifications								
Additional Restrictions Grants *	EHP&E	✓	n/a	✓	Jul 21	Sep 21	Substantial	
LG Income Compensation Scheme	EHF&CS	n/a	n/a	✓	n/a		n/a	Certification work in phases. Final claim due by end of October
Information Technology								
Data Management – Meridio to SharePoint Migration	SM (ICT)	✓	✓	✓	Oct 21			
Information Security – Website Phase 2	SM (ICT)	✓						
IT Disaster Recovery Planning & Business Continuity	SM (ICT)	✓	✓	✓	Oct 21			
PCI DSS Advice	EHF&CS	n/a	n/a	✓				Advisory role

Audit Review	Sponsor	Scoping	Audit Outline	Fieldwork	Draft Report	Final Report	Assurance Opinion	Comment
Portfolio Themes								
Housing Rents *	SM (HO)	✓	✓	✓	Sep 21			
Housing Management	SM (HDS)	✓						
Building Control	EHPR&E	✓						
Regeneration / Economic Development	EHPR&E							Q3-4
Health and Leisure (Mobilisation)	EHP&O	✓	✓	✓	Jul 21	Sep 21	Substantial	
Tree management	EHP&O	✓	✓	✓				
Fleet Management (follow-up phase 2)	SM (W&T)							Q4
Environmental Services	SM (W&T)							Q4
Development Management *	EHPR&E	✓	✓	✓	Jul 21	Aug 21	Reasonable	

* Denotes proposed plan additions

Annex 1 - Adjustments to the plan

Audit reviews added to the plan (included in rolling work programme above)	Comment
Additional Restrictions Grants *	To provide assurance that appropriate due diligence checks are completed prior to awarding discretionary grants to businesses in line with the published eligibility criteria and amounts. NB unable to undertake in 20-21 therefore carried forward to 21-22 audit plan.
Development Management *	To provide assurance on the end to end planning application process and development management system. NB unable to complete in 20-21 therefore carried forward to 21-22 audit plan.
Housing Rents *	To provide assurance on the systems in place which ensure the Council maximises rental income due from the billing, collection and recovery of rent for Council Housing. NB unable to undertake in 20-21 therefore carried forward to 21-22 audit plan.
Data Breach Investigation *	To provide an independent investigation into two data breaches incurred when responding to two FOI requests in 2018.
HR – Leisure Centre Staff Transfer - due diligence checks *	To provide assurance on the due diligence checks to ensure all necessary information was provided when transferring staff to the new Leisure Centre provider.

Proposed November 2021 *

Audit reviews removed from the plan (excluded from rolling work programme)	Comment
Universal Credit	Originally included within the three year audit plan in anticipation this could have an impact upon the Council however there is minimal risk in this area as Universal Credit is administered by the DWP.
Alternative Delivery Methods / Partnership Working	Removed from the plan as there has been sufficient coverage of alternative delivery methods / significant partnerships in previous years.

Proposed November 2021 *

Annex 2 - Assurance opinions and definitions used by SIAP prior to adoption of the CIPFA standard definitions

As from April 2020 CIPFA guidance recommends a standard set of assurance opinions and supporting definitions for internal audit service providers across the public sector.

To ensure SIAP continue to conform to the best practice principles, the standard definitions were adopted for our 2020-21 work and moving forwards.

There remain some residual reviews detailed within Section 4 of this report that refer to SIAPs former assurance ratings which are detail below.

Substantial	A sound framework of internal control is in place and operating effectively. No risks to the achievement of system objectives have been identified
Adequate	Basically a sound framework of internal control with opportunities to improve controls and / or compliance with the control framework. No significant risks to the achievement of system objectives have been identified
Limited	Significant weakness identified in the framework of internal control and / or compliance with the control framework which could place the achievement of system objectives at risk
No	Fundamental weaknesses identified in the framework of internal control or the framework is ineffective or absent with significant risk to the achievement of system objectives.

Audit Committee – 29 October 2021

INSURANCE UPDATE AND RENEWAL 2021/22

1. 1. RECOMMENDATIONS

- 1.1 It is Recommended that Audit Committee note the contents of this report

2. INTRODUCTION AND PURPOSE

- 2.1 The Council operates a large insurance portfolio covering a wide range of insurable risks. The principal risks covered are Property, Combined Liability, Terrorism, Motor Fleet, Cyber Package, Personal Accident, Travel, Crime, Engineering and Inspection which are placed with the market via the Council's insurance broker, Aon Ltd and directly with Zurich Municipal.
- 2.2 This report updates the Audit Committee on the outcome of the 2021/22 renewal terms and gives an update on claims from 1st April 2020 to 31st August 2021.

3. BACKGROUND

- 3.1 The Council's insurance arrangements are subject to Long Term Agreements (LTAs) whereby an insurer offers a discount in return for a guarantee to renew with them for a fixed number of years. The current LTAs are with effect from 1st April 2020 to offer annually for 3 years with the option to extend.
- 3.2 We have seen the capacity drain out of the UK insurance market and the balance has tipped in favour of the insurer rather than the buyer with demand for insurance higher than its supply. There are several key factors influencing this including new solvency standards for insurers, the cost of global natural catastrophes, Covid-19 having a negative impact on insurers' financial performance, reinsurance rates rising and investment losses with interest rates at an all-time low.

4. 2021/22 RENEWAL TERMS

- 4.1 The renewal process started in October 2020. It was led by the Council's broker, Aon, with an aim to achieve the best outcome for the forthcoming insurance period, taking into account market conditions, the existing LTAs, and the Councils' claims experience. The renewal terms were presented to Hampshire Insurance Forum members (HIF) in March 2021.
- 4.2 With the exception of the Liability and Cyber, renewal terms have been offered for all policies listed in accordance with the LTA with unaltered rates. Other increases listed are attributable to amendments in our sums insured.

- 4.3 Renewal terms for the Combined Liability policy has not been offered in accordance with the LTA, insurers have acted and applied a premium rate increase of 12% in this class of insurance. Renewal terms for the cyber policy is based on increased rates and amendments to data figures and revenue. This increase has been applied to all HIF members; the increase potentially could have been more if NFDC were not members of the HIF, which demonstrates the importance of collaborative working. The Cover types and renewal prices are shown in the following table:

Cover	Current Insurer	NFDC Premium 20/21	NFDC Premium 21/22
Property Damage & Business Interruption & Property Owners	Protector	£163,518	£166,269
Right To Buy	Protector	Included in above	Included in above
Crime	ZM	£5,890	£5,890
Combined Liability	Protector	£210,716	£236,002
Motor	Protector	£189,674	£144,567
Engineering & Inspection	ZM	£33,091	£35,720
Personal Accident/Travel	ZM	£3,006	£3,204
Terrorism	RMP	£11,200	£11,316
Cyber Package	Beazley	£36,268	£44,073
Total		£653,363	£647,041

5. INSURANCE BROKER

- 5.1 In May 2021 the HIF undertook a broker tender, as the existing contract with Aon was due to expire in July 2021. Following a successful tender exercise a new broker, Arthur J Gallagher, has been appointed on a 3-year contract. The new broker fees with AJG result in a saving of approx. £2,000 per annum to the Council.

6. INSURANCE CLAIMS

- 6.1 The Council continues to work with insurers to manage each claim to determine liability and minimise claim costs where possible.
- 6.2 Motor claims data shows a trend of reversing and manoeuvring claims. NFDC is currently undertaking a slow speed manoeuvring review with our insurers and the aim is to minimise the frequency of claims in this area.
- 6.3 Employee liability claims are low in frequency and outstanding claims are in the process of being settled on best terms. Claim trends for Public Liability covers property damage and slip and trips. NFDC is currently working with Health and Safety and insurers to deliver training for the Accident Investigation process. This will help identify the root causes of these type of claims.
- 6.4 Property claims are low in frequency, the type of losses is mainly due to fire and escape of water.

7. FINANCIAL IMPLICATIONS

- 7.1 The budgets for 2021/22 were uplifted to assume increases in premiums above the LTA. As demonstrated within the table at 4.3, premiums in totality have marginally reduced, resulting in a small saving to the Council.

8. ENVIRONMENTAL MATTERS AND EQUALITY & DIVERSITY IMPLICATIONS

- 8.1 There are no direct environmental or equality and diversity implications arising from this report.

For further information

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AUDIT COMMITTEE – 29/10/2021

OVERVIEW OF WORKFLOW APPROVAL WITHIN THE COUNCIL

1. Recommendations

1.1 That the Audit Committee note the contents of this report.

2. Purpose of the report

2.1 This report gives the Audit Committee members an overview of the workflow processes and approval limits that are built into the Council's Finance System.

3. Workflow Processes and Approval Limits

3.1 The term 'workflow' describes the journey a requisition, purchase order (the ordering of works / goods / services) or an invoice takes to ensure it is approved at the appropriate level, by the appropriate officer before orders are confirmed, or payments are made.

3.2 In the financial year covering 2020/21, the Council incurred third party spend in the region of £25M categorised as goods / works / services. The Council uses the following coding structure when incurring expenditure;

Cost Centre

Expenditure at a service level or to represent an individual building. Examples of cost centre include;

- Appletree Court
- Community Alarms
- Ringwood Health and Leisure Centre
- Legal

Every Cost Centre will have a defined BROAdmin*, BRO*, Service Manager* and Executive Head set up against it within the finance system (*see detail in para 2.3).

Account Code

A cost centre will have several account codes set up against it. Examples of account codes include;

- Electricity
- Annual Service Contracts
- Planned Maintenance
- Stationery

Certain account codes have a defined BROAdmin, BRO and Service Manager. For those that do, this is because the expenditure is 'specialist' and so goes to a named officer, who may be a different officer to the defined approver under the cost centre. For example, all electricity invoices, regardless of the cost centre go to the Council's Energy Monitoring Officer for recording and approval.

Workorder

A single cost centre and account code may have several sub-details that sit below it. For example, the Asset Maintenance programme at Appletree Court will all sit under the Appletree Court cost centre, and all under the Planned Maintenance account code, but there may be 4 or 5 specific projects that are monitored at an individual level on a workorder.

A workflow for the purposes of requisition and invoice approval can also sit on a workorder when the approval routing needs to be different to the cost centre that the workorder sits beneath and writes back to. This means a specific officer can be the BROAdmin / BRO / Service Manager for a specific project. For example, a designated Building Surveyor may be the BRO for a planned maintenance project taking place at Appletree Court, but isn't the BRO for the overall Appletree Court cost centre.

- 3.3 Within the financial system, there are 6 approval levels. These approval levels are assigned to every cost centre, to specific account codes and to specific workorders, as outlined in 2.2;

Purchase Coordinator

- There are c80 across the authority
- Typically admin officers supporting several cost centres
- Deal with low level purchasing on their Government Procurement Cards
- Responsible for ensuring appropriate invoices/receipts are received
- Will also raise requisitions through the system for larger value items that then feed through the workflow process

BROAdmin (where BRO = Budget Responsible Officer)

- There are 22 across the authority
- Typically non-managerial officers
- Will raise requisitions through the system that then feed through the workflow process
- Have a designated approval limit of up to and including £10,000 for an individual order / payment

BRO

- There are 35 across the authority
- Typically managers or senior officers
- Have a designated approval limit of up to and including £50,000 for an individual order / payment

Service Manager

- There are 19 across the authority
- Have a designated approval limit of up to and including £240,000 for an individual order / payment

Executive Head

- There are 4 within the authority
- Any order exceeding £240k gets pushed to the relevant executive head
- Have a designated approval limit of up to and including £1m for an individual order / payment

Chief Executive

- The Chief Executive has an unlimited approval limit
- In the absence of the Chief Executive, the Section 151 Officer takes on approvals above £1m

3.4 When officers included in workflows are absent from work due to leave or sickness, substitute approvers are nominated by the absentee (or in the instance by sickness, nominated by the relevant Service Manager).

4. Safeguards built into the Workflow Process

- 4.1 The procure-to-pay (P2P) workflow process works on the basis of a “three-way match”, whereby 1) an approved Purchase Order with 2) confirmation of goods or service delivery, matches 3) a correctly submitted Invoice quoting the relevant Purchase Order number. Each of these stages requires input from a different person in the organisation. This is to ensure that no single officer can instigate, approve and sign off a single order and payment, without another officer being involved at a particular stage in the process.
- 4.2 The workflow process will not allow a Purchase Coordinator to authorise their own requisition (>£500) and will instead escalate it to their manager.
- 4.2 All requests to add a new supplier to the system must have Service Manager approval and be subject to a check by the Procurement team before being set up.
- 4.3 Officers who are ‘Budget Responsible’ have this written into their Job Descriptions, and it is the responsibility of the relevant Service Manager to ensure that they are aware of their responsibility to ensure value for money is achieved in every purchase, and to protect the public purse against fraud or misuse.
- 4.4 Internal Audit have a standing ‘Accounts Payable’ item included within the annual audit plan and cover workflow testing as part of their annual coverage. The last review was completed in May 2021 (pending final report) and a ‘reasonable’ level of assurance was given.

- 4.5 All officers who are budget responsible must also work within the Council's standing orders. This document sets out the various procurement thresholds that must be adhered to. Compliance is monitored by the Council's centre-led Procurement Team. Procurement Contract Standing Orders were last reviewed in April 2018 and were recommended for approval by this committee to run until March 2022. The Audit Committee receives an annual report on CSO waivers.

5. Exceptions to the Workflow Process

- 5.1 In some instances, invoices are received, or payments are necessary without the complete electronic P2P process having been followed. Examples commonly include utility bills and faster payments for emergency accommodation needs.
- 5.2 In the instances of Faster Payment requests, there is a separate process which includes an independent verification of the request and a secondary approver, as equivalent to the necessary level as per the cost centre being used for the payment coding.
- 5.3 Following the instigation of the new finance system and a period of 'bedding down' of new processes, a new policy has been instigated recently whereby Accounts Payable will only register an invoice for payment if it is supported with a Purchase Order number (subject to a few exceptions such as utility bills, insurance matters and transactional banking charges). This ensures the 3-way matching principal as outlined at 3.1 is always followed.

6. Crime & Disorder / Equality & Diversity / Environmental Implications

- 6.1 Workflow rules must strike an appropriate balance between the Council being able to fulfil its daily functions, and assist in the prevention and detection of fraudulent activities.
- 6.2 There are no equality & diversity or environmental implications associated with this report.

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AUDIT COMMITTEE 29 OCTOBER 2021

REVIEW OF: ANTI-FRAUD, BRIBERY & CORRUPTION STRATEGY, WHISTELBLOWING POLICY AND ANTI-MONEY LAUNDERING POLICY

1. RECOMMENDATION

- 1.2 That the Committee support the updated policies and recommend to the Council that the updated policies be approved to take effect from 1 April 2022.

2. PURPOSE

- 2.1 The existing Anti-Fraud, Bribery and Corruption Policy, Whistleblowing Policy, and Anti-Money Laundering Policy were approved in 2018, and although remain fit for purpose, it is good practice to review these policies every three years. The reviewed policies include some minor amendments, e.g. definitions and simplified wording.
- 2.2 The revised policies are attached as follows:
- Appendix 1 – Anti-Fraud, Bribery and Corruption Strategy
 - Appendix 2 – Whistleblowing Policy
 - Appendix 3 – Anti-Money Laundering Policy

Further information:

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ANTI FRAUD, BRIBERY AND CORRUPTION STRATEGY

2021-2024

DATE POLICY IN FORCE - Version	DEPARTMENT	REVIEW
January 2018	Revenues & Benefits	July 2021

1. Introduction

- 1.1 New Forest District Council recognises that public trust and confidence in the way it conducts its business is vital in preserving its reputation as an organisation that operates with integrity and high standards. Public confidence will be weakened if fraud, bribery or corruption occur and will be strengthened if positive action is taken to prevent, detect, and deal with fraudulent acts.
- 1.2 It is acknowledged that even with strong preventative measures, motivated fraudsters will still succeed so we must have a robust enforcement response to pursue fraudsters and to deter others.
- 1.3 To help local government recognise and address their fraud risks, the Chartered Institute of Public Finance & Accountancy (CIPFA) produced “Fighting Fraud & Corruption Locally -The Local Government Counter Fraud and Corruption Strategy 2016-2019” and a “Code of Practice on Managing the Risk of Fraud and Corruption”. This strategy has been constructed utilising this central guidance.
- 1.4 **The Council is committed to the fight against fraud, bribery and corruption and will not tolerate these acts in the administration of its responsibilities, whether from inside or outside the Council. It will deal openly and forcefully with anyone who acts dishonestly.**

Definitions

Fraud is: “Any intentional false representation, including failure to declare information or abuse of position that is carried out to make gain, cause loss or expose another to the risk of loss”

As a crime ‘Fraud’ is defined by the Fraud Act 2006 as:

- o Fraud by false representation.
- o Fraud by failing to disclose information.
- o Fraud by abuse of position.

In addition, the Fraud Act deals with offences relating to the possession of articles for use in fraud, making or supplying articles for use in frauds, participation by a sole trader in fraudulent business and obtaining services dishonestly, either personally or for another.

Corruption is the deliberate misuse of your position for direct or indirect person gain. Corruption includes offering, giving, requesting or accepting a bribe or reward, which influences your actions or the actions of someone else. The Bribery Act 2010 makes it possible for senior officers to be convicted here they are deemed to have given their consent or tacit approval in giving or receiving a bribe.

Bribery (as summarised from the offences set out in the Bribery Act 2010)

Bribing another person:

The offering, promising or giving of a reward to induce a person to perform a relevant function or activity improperly. It is also an offence when the person making the bribe knows or believes that the acceptance of the reward offered, promised or given, in itself constitutes the improper performance of a relevant function or activity.

Being bribed:

The accepting of, agreeing to accept or requesting of a reward in return for improperly performing a relevant activity.

Bribing a foreign public official:

This is a specific offence of directly or indirectly offering or promising or giving a bribe to a foreign public official with the intention of influencing the actions of the foreign public official in order to obtain or retain business (or an advantage in the conduct of business) in a situation where the public official was not permitted or required by law to be influenced.

Failure to prevent bribery:

This – the 'corporate offence' – occurs when an organisation fails to stop people who are operating on its behalf from being involved in bribery. A relevant commercial organisation is guilty of an offence if any person associated with it bribes another person, intending to obtain or retain business or an advantage in the conduct of a business for the commercial organisation. The Act includes a defence if the organisation can demonstrate on the balance of probability that despite a particular case of bribery, it nevertheless had adequate procedures in place to prevent the bribe. This Strategy, the Codes of Conduct for staff and members and the Whistleblowing Policy are designed to meet that requirement.

2. Responsibilities

- 2.1 The Council expects the highest standards of conduct and integrity from all who deals with it and everyone has a duty to assist the Council in the fight against fraud, bribery or corruption.
- 2.2 The Section 151 Officer has a statutory responsibility under section 151 of the Local Government Act 1972 to ensure the proper arrangements for the Council's financial affairs. Therefore leadership for the delivery of the Anti-Fraud, Bribery and Corruption Strategy resides with the Head of Finance as the Council's Section 151 Officer.
- 2.3 Managers are responsible for maintaining internal control systems and ensuring that the Council's resources and activities are properly applied in the manner intended. They should identify the risks to systems and procedures and ensure all suspected or reported irregularities are dealt with promptly.

- 2.4 All staff are responsible for their own conduct and are required to comply with Council policies and procedures. They must act properly in the use of Council resources and consider whether they should raise a concern under the Whistleblowing Policy if there is reason to believe there has been fraud, bribery or corrupt activity within the Council.
- 2.5 Any information concerning suspected fraud, bribery or corruption involving an Elected Member will be referred to the Monitoring Officer, who will decide upon the most appropriate method of investigation.

3. Approach to Countering Fraud

- 3.1 New Forest District Council is committed to making sure that the opportunity for fraud, bribery and corruption is reduced to the lowest possible risk. Therefore, we will complete work in each of the following areas:
- 3.2 **Acknowledge:** The Council will promote and develop a strong Counter-fraud culture, raise awareness and provide information on all aspects of counter fraud. This includes dedicated fraud web pages and a fraud e-learning tool. Fraud referrals will be thoroughly investigated and the recovery of any losses due to fraud will be sought.

Acknowledge
<ul style="list-style-type: none"> • Assessing and understanding fraud risks • Committing support and resource to tackling fraud • Maintaining a robust anti-fraud response

- 3.3 **Prevention:** Prevention is often the most efficient way to ensure losses from fraud are kept to an absolute minimum. The ongoing development of the strategy will be based upon comprehensive assessments in all areas of council activity to reduce losses from fraud, bribery and corruption to an absolute minimum. This will include council wide assessments of fraud and corruption risks and identifying risk owners to then feed into the Corporate Fraud Risk Register. The Council will actively participate in relevant data matching opportunities, such as the National Fraud Initiative run by the Cabinet Office and proactively seek opportunities to improve.

Prevent
<ul style="list-style-type: none"> • Developing a more effective anti-fraud culture • Making use of information and technology • Enhancing fraud controls and reviewing processes

- 3.4 **Pursue:** The Council maintains a log of all fraud referrals and this log helps to establish areas within the Council that are most vulnerable to the risk of fraud. The Council will look at all allegations of fraud or corruption and use the appropriate

skills to investigate any allegations when appropriate. The Council will actively use sanctions available, prioritise fraud recovery and publicise results.

Pursue
<ul style="list-style-type: none">• Taking robust action when fraud or corruption is identified• Prioritising fraud recovery and the use of civil actions• Collaborating across local authorities and with law enforcement & publicise results

These principles are reinforced by ensuring the Council acknowledges the threat of fraud through appropriate risk assessments and creates a greater emphasis on prevention and the recovery of any losses. A robust enforcement response will be used to pursue fraudsters and deter others. The Council will actively work with relevant partners when required.

The Council relies on employees, Councillors and the public to be alert to fraud and to report any suspicions of fraud or corruption.

3.5 Investigation: Any information concerning suspected fraud, bribery or corruption involving employees, customers, clients or contractors will be examined by the Corporate Fraud Officer and an investigation may be carried out where necessary. When information relating to potential fraud, bribery or corruption is obtained, it will be reviewed and subject to a risk assessment.

Not all referrals warrant an investigation, some may require a full investigation whilst others may be better dealt with as management issues. Where necessary the Council will ensure that all allegations are properly investigated and any evidence that needs to be obtained will be done in accordance with any relevant legislative requirements.

3.6 Sanctions: All sanction decisions will be consistent, balanced and fair and relate to the degree and nature of the offence. In coming to any decision many factors will be taken into account including the seriousness of the offence, the value of any overpayment, the length of the fraud, the vulnerability of the individual, and the health and age of the individual.

There are a number of sanctions available to the Council and can include prosecution, administration penalties, civil penalties, warnings and disciplinary action.

4 Specific Areas of Fraud Risk

4.1 Local authorities are susceptible to a wide range of fraud risks including for example:

4.2 Internal Fraud

Types of employee fraud are wide-ranging, from the manipulation of financial and payroll systems, fraudulent claims for allowances and expenses to the misuse of time, resources or goods including failure to declare conflict of interests or the

acceptance of gifts (above a de minimus value) and hospitality. It also includes staff pre-employment fraud, where false information is given in order to gain employment.

Defences against employee and internal fraud are to ensure proper and adequate vetting and include a strong management-led anti-fraud culture to deter employees from committing fraud in the first place.

4.3 **Housing**

Housing fraud can include submitting an application for housing that contains false or misleading information, false applications for succession, key selling, unlawful subletting or non-residency and fraudulent applications under the right to buy scheme.

Defences against this type of fraud are to ensure applications are thoroughly verified, to ensure sufficient identity checks are undertaken, visits, and to complete periodic tenancy audits.

4.4 **Council Tax Fraud**

Council tax fraud occurs when an individual intentionally gives incorrect or misleading information in order to pay less or no council tax.

Defences against this type of fraud are to ensure applications are thoroughly verified, undertake site visits and to complete periodic reviews and data matching.

4.5 **Council Tax Reduction Scheme**

In April 2013 local authorities introduced the first of their own council tax support schemes which provide those on low incomes with a reduction on their council tax.

Council tax reduction scheme fraud can start from the outset if a person making an application for council tax reduction provides false information or deliberately withholds relevant information required to assess a claim for a reduction. Fraud can also happen after the claim has been made where an individual does not inform the Council of a change of circumstance that may affect their entitlement to a reduction.

Defences against this type of fraud are to ensure applications are thoroughly verified with supporting evidence and to complete periodic reviews and data matching.

4.6 **National Non Domestic Rates (NNDR)**

Non domestic rates are also known as business rates. Areas of risk for fraud and evasion in this area can include: empty properties, rates exemptions and ineligible reliefs and discounts claimed. Under business rates retention arrangements introduced in April 2013 the local authority, county council and fire department get to keep a proportion of business rates paid locally.

Defences against this type of fraud are to ensure thorough checks on applications are undertaken, use internal information held, data matching where appropriate and site visits.

4.7 **Housing Benefit**

The council has a duty to administer Housing Benefits to those who qualify, however Housing Benefit fraud can occur if claimants are not truthful in their applications. Fraud can start from the outset if a person making an application for Housing Benefit provides false information or deliberately withholds relevant information required. Fraud can also happen after the claim has been made where an individual does not inform the Council of a change of circumstance that may affect their entitlement to a reduction.

For example this can occur if they do not declare all of their income, property or capital. Or can occur if a claimant does not declare their partner or all those resident in their household.

Defences of this type of fraud are to ensure applications are thoroughly verified with supporting evidence, utilise internal information held, visits, reviews, and complete data matching exercises.

4.8 **Procurement**

Procurement relates to the purchasing of goods and services. It can be complex and can also encompass a range of areas spanning the whole period from agreeing to a project to contract monitoring, extensions and re-letting.

Procurement fraud is a deliberate deception intended to influence any stage of the procure-to-pay lifecycle in order to make a financial gain or cause a loss.

Procurement fraud is particularly complex, hidden and difficult to detect and measure. It can be perpetrated by those inside or outside an organisation and is rarely reported.

Defences against this type of fraud can be by way of contract monitoring, ensuring sufficient segregation of duties, adhering to procurement rules (such as the Council's own Contract Standing Orders) and contract payment certificate checks, including the completion of a final accounts audit.

4.9 **Grants**

A grant is an award of financial assistance paid to eligible recipients for a specified purpose. There are different types of public sector grants paid out to individuals, businesses, charities and not-for-profit organisations.

Defences against this type of fraud are to ensure thorough checks on applications are undertaken, ensure processes in place are adhered to and where applicable authorisation is sought from the relevant persons and or panel.

5 Further Information

5.1 Further information can be found in the following documents.

- The Constitution
- Codes of Conduct
- Whistle Blowing Policy
- Gifts and Hospitality
- Money Laundering Policy
- ICT Security policy
- Council Tax Support Scheme Prosecutions and Penalties Policy

TRAINING / CONTINUING AWARENESS

We recognises that the success of the Anti-fraud, Bribery and Corruption Strategy will, to a degree, depend on the effectiveness of programmed training and continuing awareness of people throughout the Council and of facilitating people's ability to be responsive regarding fraud and bribery issues.

To facilitate the raising of awareness of this Strategy, the Council supports the concept of induction training for all Members and officers of the Council. Support is also given to any awareness training that is subsequently deemed to be required with a view to ensuring everyone is aware of their responsibilities and duties regarding fraud and bribery and that such responsibilities and duties are reinforced from time to time. To this end consideration will be given to the most effective ways of increasing Member and employee awareness of this policy and their associated responsibilities in complying with it, including any e-learning training / awareness packages that may be available to the Council.

Conclusions

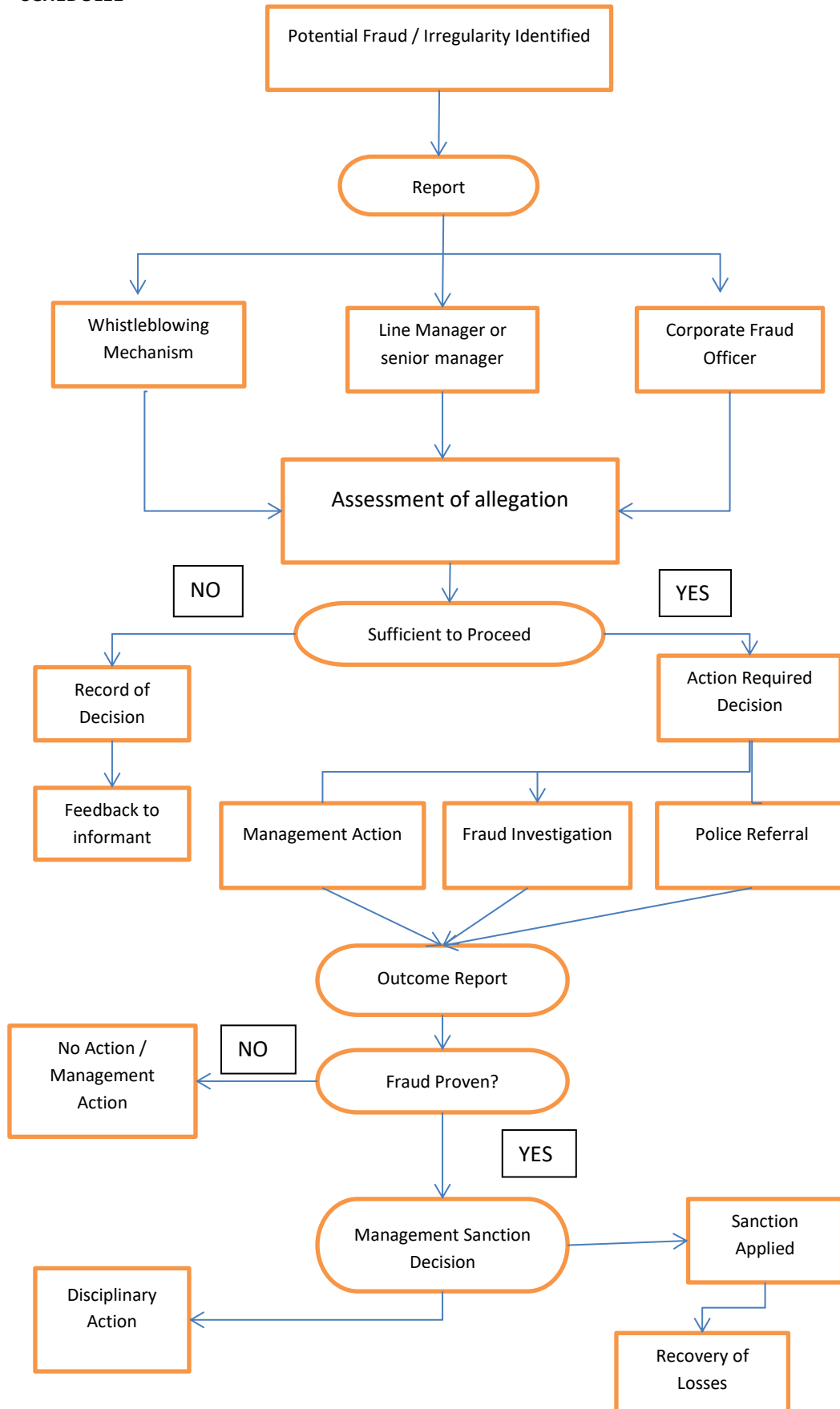
We have in place a robust network of systems and procedures to assist it in the fight against fraud, corruption and bribery. It is determined that these arrangements will keep pace with any future developments, in both preventative and detective techniques regarding fraudulent acts or bribes that may affect Council operations or related responsibilities. To this end, the Council will maintain a continuous overview of such arrangements.

This Strategy provides a comprehensive framework for dealing with fraudulent acts, bribes and other wrongdoing against the Council or which could adversely impact on the Council. It is imperative that managers put in place arrangements for disseminating the Strategy and promoting fraud awareness, throughout their service areas.

5.2 Schedule 1 provides employees with a flow chart to follow from the outset of an irregularity, through to the eventual actions and decisions required of management.

Schedule 2 highlights the responsibilities of those who work for and with the Council.

SCHEDULE1



SCHEDULE 2

The primary responsibility for the prevention and detection of fraud, bribery and corruption rests with management. However we are all responsible for the implementation of this policy. In the context of this policy:

The Section 151 Officer has been designated with the statutory responsibilities as defined by s151 of the Local Government Act 1972. These responsibilities outline that every local authority in England & Wales should:

- make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has the responsibility for the administration of those affairs

The Section 151 Officer's role encompasses all aspects of local authority financial management including:

- Compliance with the statutory requirements for accounting and internal audit and ensuring the Authority's responsibility for ensuring proper administration of its financial affairs
- The proper exercise of a wide range of delegated powers both formal and informal
- The responsibility for managing the financial affairs of the local authority in all its dealings
- The recognition of the fiduciary responsibility owed to local taxpayers.

Monitoring Officer:

The Council's Monitoring Officer is a statutorily appointed officer who has duties, inter alia, under the probity and ethical framework concerning Elected Members.

If a Member is suspected of committing an act of Bribery or Fraud this should be immediately brought to the attention of the Monitoring Officer and Chief Executive. Any subsequent investigation will be carried out by the most appropriate Officer and could involve other agencies.

Managers are responsible for:

- Maintaining internal control systems and ensuring that the Council's resources and activities are properly applied in the manner intended
- Identifying the risks to systems and procedures
- Developing and maintaining effective controls to prevent and detect fraud, bribery and corruption
- Ensuring that controls are complied with
- Responding to suspected cases of fraud and dishonesty pertaining to users of services within their area.

You are responsible for:

- Your own conduct
- Contributing towards the maintenance of corporate standards
- Acting properly in the use of the Council's resources and in the handling and use of corporate funds
- Reporting a concern if you believe you have good reason for thinking that there has been fraud, bribery, corruption or dishonest dealing with the Council.

Internal Audit is responsible for:

- The independent appraisal of control systems and their operation

External Audit is responsible for:

- Reviewing the stewardship of public money
- Review the Council's arrangements for preventing and detecting fraud and irregularities within financial statements, and arrangements designed to limit the opportunity for bribery.

Each Councillor and Independent Member is responsible for:

- Their own conduct
- Contributing to the maintenance of corporate standards.

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WHISTLEBLOWING POLICY

Date Policy in Force	Department	Review Date
February 2018	Revenue & Benefits	July 2021

WHISTLEBLOWING POLICY

1. POLICY

- 1.1 New Forest District Council (the Council) is committed to the highest standards of corporate governance and to full accountability for all of its services. It expects all staff to maintain high standards and is also committed to the prevention, deterrence, detection and investigation of all forms of fraud, corruption, malpractice and unethical conduct.
- 1.2 The Council considers that a culture of openness and accountability is essential in order to prevent such situations occurring and to address them when they do occur.
- 1.3 The aims of this policy are:
- (a) To encourage staff to report suspected wrongdoing as soon as possible, in the knowledge that their concerns will be taken seriously and investigated as appropriate, and that their confidentiality will be respected.
 - (b) To provide staff with guidance as to how to raise those concerns.
 - (c) To reassure staff that they should be able to raise genuine concerns without fear of reprisals, even if they turn out to be mistaken and they will not be subject to any detriment, e.g. dismissed, denied promotion, ostracised or transferred to another department.
- 1.4 This policy takes account of the Whistleblowing Arrangements Code of Practice issued by the British Standards Institute and Protect. It does not form part of any employee's contract of employment and may be amended at any time.

2. INDIVIDUALS AFFECTED

- 2.1 All employees, contractors, volunteers, casual staff and agency staff of New Forest District Council.

3 DEFINITION

- 3.1 Whistleblowing is the disclosure of information which relates to suspected wrongdoing or dangers at work. This may include;
- (a) criminal activity;
 - (b) failure to comply with any legal or professional obligation or regulatory requirements;
 - (c) miscarriages of justice;
 - (d) danger to health and safety;
 - (e) damage to the environment;
 - (f) bribery;
 - (g) financial fraud or mismanagement;
 - (h) breach of internal policies and procedures
 - (i) conduct likely to damage the Council's reputation or financial wellbeing;
 - (j) unauthorised disclosure of confidential information;
 - (k) negligence;
 - (l) the deliberate concealment of any of the above matters

3.2 To be covered by whistleblowing law, an employee who makes a disclosure, to an appropriate person, of a genuine concern, must reasonably believe two things; the first is that they are acting in the public interest. This means in particular that personal grievances and complaints are not usually covered by whistleblowing law. The second thing that an employee must reasonably believe is that the disclosure tends to show past, present or likely future wrongdoing falling into one or more of the following categories:

- Danger to the health and safety of any individuals
- Criminal Offence
- Damage to the environment
- Unauthorised use of public funds
- Misappropriation of public funds
- Breach of regulatory, administrative or common law
- Failure to follow financial and contractual procedures
- Abuse of those living within our sheltered housing schemes or other Council controlled premises.
- Fraud and Corruption or any criminal offence that has or is likely to take place.
- Breach of contract
- Negligence
- Attempting to conceal any of the above, including omission to document any issues of concern or preventing persons from reporting such concerns.
- Showing undue favour to a contractor or job applicant

4. AIMS AND SCOPE OF THE POLICY

- 4.1 The Council's employees are an important element in its stance against fraud, corruption or any form of malpractice and are positively encouraged to raise any concerns that they may have on these issues where they are associated with the Council's activity. Employees can do this in the knowledge that such concerns will be treated in confidence, where at all possible, properly investigated and dealt with fairly.
- 4.2 The policy is aimed at encouraging employees to feel confident in raising serious concerns, on an anonymous basis if necessary, and to have confidence that those concerns will be dealt with appropriately. It will also reassure employees that they will be protected from possible reprisals or victimisation.
- 4.3 This policy should not be used for complaints relating to an employee's own personal circumstance, such as miss-treatment at work. In those cases, the employee should use the Grievance Policy and Procedure.
- 4.4 This policy is intended to supplement, rather than replace, the existing complaints procedures whereby Council employees, Members & Members of the public may already raise complaints or matters of genuine concern with the Council. Members of the public will always be referred in the first instance to the Council's Corporate Complaints Procedures.
- 4.5 This policy gives clear guidance to employees for bringing attention to any wrongdoing, which they feel is harmful to individuals or could affect the reputation of the Council.

- 4.6 If a Member is concerned about any aspect of an employee's conduct (including conduct which would be covered by this policy), they should follow the procedure set out in the Local Code for Member/Officer Relations i.e. the matter should be reported to the relevant Service Managers. Alternatively, if an employee is concerned about the conduct of any Member then their Service Manager, Executive Head, the Chief Executive or the Monitoring Officer should be informed. The matter will be taken seriously. Members are under an obligation to comply with a statutory Code of Conduct as well as the Council's policies.

5. EMPLOYEE RESPONSIBILITIES

- 5.1 Employees are expected to maintain the highest levels of honesty and integrity as defined by the Council's Employee Code of Conduct as well as any code of conduct related to, or required by, their professional institute or association.

6. HOW TO RAISE A CONCERN

- 6.1 Employees are urged to raise concerns, often before problems have a chance of becoming serious, with their line manager or Service Manager. Employees have the right to engage the services of their Trade Union if they so wish. They may in any circumstance raise it directly with any of the following officers:
- Chief Executive
 - Executive Head
 - Service Managers
 - The Council's Monitoring Officer
 - The Council's S151 Officer

NOTE: It is a specific requirement of the Council's Financial Regulations that all matters of fraud, misappropriation or other financial irregularity are referred immediately, by the employee raising a concern or the officer to whom they have initially reported, to the Council's Section 151 Officer.

- 6.2 Concerns can be raised verbally or in writing. If written, the concern should be addressed to one of the officers as above and sent marked 'Personal, Private and Confidential'. If the concern is of an extremely serious nature, a letter should be hand delivered to the person to whom the matter is being reported.
- 6.3 The Council hopes that staff will feel able to voice whistleblowing concerns openly under this policy. However, if an employee does want to raise a concern confidentially, the Council will make every effort to keep the identity of the employee secret. If it is necessary for anyone investigating your concern to know your identity, this will be discussed with the employee.
- 6.4 The Council does not encourage staff to make disclosures anonymously. Proper investigation may be more difficult or impossible if we cannot obtain further information. It is also more difficult to establish whether any allegations are credible. Whistleblowers who are concerned about possible reprisals if their identity is revealed should come forward to one of the contact points listed in Paragraph 6.1 and appropriate measures can then be taken to preserve confidentiality. If in any doubt, the employee can seek advice from Protect, the independent whistleblowing charity, who offer a confidential helpline. Their contact details are set out at paragraph 6.7 below.

NOTE: If, having taken into account paragraph 6.4 the employee wishes to still remain anonymous, they may use the Council's secure email using

whistleblowing@nfdc.gov.uk or speak to the Corporate Fraud Officer in total confidence.

- 6.5 Whistleblowers must not suffer any detrimental treatment as a result of raising a concern, If an employee believes they have suffered any such treatment, they should inform the Section 151 Officer if the matter is not remedied and the employee should raise it formally using the Council's Grievance Procedure.
- 6.6 Whistleblowers must not be threatened or retaliated against in any way. Anyone involved in such conduct may be subject to disciplinary action.
- 6.7 If employees still have reason to feel unable to report their concern as outlined above, they may report their concern to a prescribed organisation such as: -
- Protect (previously Public Concern at Work) – www.protect-advice.org.uk
Tel: 020 7404 6609 Email: whistle@protect-advice.org.uk
 - Hampshire Police: Tel: 0845 045 4545
 - Ernst & Young (Council's external auditors: Tel: 023 8038 2000
www.ey.com/uk/en/home
 - Health & Safety Executive Tel: 0345 300 9923 www.hse.gov.uk

7. INVESTIGATING A CONCERN

- 7.1 For all matters concerning allegations of fraud, corruption and financial malpractice on the part of an employee, the Council's Corporate Fraud Officer will conduct a thorough investigation and refer the matter to the Police if appropriate. It is critical that complainants and/or line managers do not instigate their own investigation in these circumstances as this may frustrate the ability to proceed with criminal action.
- 7.2 In all other cases where there is no prima facie breach of regulation or legislation and/or abuse of persons which could give cause for legal action the relevant line manager will fully investigate the matter, in consultation with appropriate service professionals. The Council aims to keep any whistleblower informed of the progress of the investigation, its likely timescale and the general outcome of the investigation. However, sometimes the need for confidentiality may prevent the giving of specific details of the investigation or any disciplinary action taken as a result. Any detailed information about the investigation must be treated as confidential.
- 7.3 If the whistleblower feels that the investigation has failed to resolve the matter to their satisfaction, they should ask for a confidential meeting with their Service Manager or the Corporate Fraud Officer.
- 7.4 The law recognises that in some circumstances it may be appropriate for an employee to report their concerns to an external body such as a regulator. It will very rarely, if ever, be appropriate to alert the media. The Council strongly encourages employees to seek advice before reporting a concern to any external organisation. The independent whistleblowing charity, Protect, operates a confidential helpline. They also have a list of prescribed regulators for reporting certain types of concern. Their contact details are at paragraph 6.7 above.
- 7.5 Whistleblowing concerns usually relate to the conduct of Council staff, but they may sometimes relate to the actions of a third party, such as a customer, partner agency or contractor. In some circumstances the law will protect you if you raise the matter with the third party directly. However, the Council encourages employees to report

such concerns internally first. Contact should be made with the relevant Service Manager or one of the other individuals set out in Paragraph 6.1. for guidance.

- 7.6 New Forest District Council is proud of its reputation as a Council with the highest standards of probity and will ensure that any whistleblowing disclosures received are properly investigated. However any false or malicious allegations that are received will be viewed very seriously and the making of such allegations by an employee of the Council will be regarded as a disciplinary issue which will be dealt with under the Council's Disciplinary Policy and Procedure. False or malicious allegations by a Councillor may be dealt with as a potential breach of the Code of Conduct for Members.
- 7.7 Whistleblowing Disclosures made against Members will be conducted in accordance with the procedures adopted by the Council.

8. LEGISLATION

- 8.1 Public Interest Disclosure Act 1998: The Act protects employees who expose serious wrongdoing in the workplace and prohibits any recrimination by employers or individuals against employees who raise concerns of malpractice, unethical conduct or serious wrongdoing.
- 8.2 Employment Rights Act 1996: This brings together many of the individual employment rights found amongst a number of different statutes. It repeals in their entirety the Employment Protection (Consolidation) Act 1978 and the Wages Act 1986. It requires employers to provide employees with information about their rights and entitlements and to treat them fairly.
- 8.3 Health and Safety at Work Etc. Act 1974: An employer has responsibilities to establish and maintain a safe and healthy workplace

9. REVIEW

- 9.1 This policy will be reviewed every 3 years.



ANTI - MONEY LAUNDERING POLICY

Date Policy in Force	Department	Review Date
April 2018	Revenue & Benefits	July 2021

ANTI MONEY LAUNDERING POLICY

1. INTRODUCTION

- 1.1 Legislation concerning money laundering, namely the Money Laundering, Terrorist Financing & Transfer of Funds Regulations 2017, the Proceeds of Crime Act 2002 and the Terrorism Act 2000 broadened the definition of money laundering and increased the range of activities caught by the statutory framework. As a result, the obligations impact on areas of local authority business and they require local authorities to establish internal procedures to prevent the use of their services for money laundering or terrorist financing.

2. SCOPE OF THE POLICY

- 2.1 This Policy applies to all employees, contractors, suppliers and agency staff of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing the Council from being exposed to criminal activity through money laundering. The Policy sets out the procedures which must be followed.
- 2.2 Further information is set out in the accompanying **Procedure Note**. Both the Policy and the Procedure Note sit alongside the Council's Whistle blowing Policy.
- 2.3 Failure by a member of staff to comply with the procedures set out in this Policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council's Disciplinary Policy and Procedures.

3.0 WHAT IS MONEY LAUNDERING?

- 3.1 The Council defines money laundering as "the process by which the proceeds of crime and the true ownership of these proceeds are changed so that the proceeds appear to come from a legitimate source."
- 3.2 The main money laundering offences are:
- Concealing, disguising, converting, transferring or removing criminal property from the UK (section 327 of the Proceeds of Crime Act 2002)
 - Entering into or becoming involved in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by, or on behalf of, another person (section 328)
 - Acquiring, using or possessing criminal property (section 329)
 - failure to disclose one of the offences listed to the designated Money Laundering Reporting Officer (MLRO) as soon as is practicable, where there are reasonable grounds for knowledge or suspicion
 - an MLRO fails to disclose to the National Crime Agency as soon as practicable that they know or suspect, or have reasonable grounds to know or suspect, as a result of information disclosed to them, that a person may be engaging in money laundering activities.
 - Tipping Off: If a person knows or suspects that another person's suspected involvement with money laundering is under investigation or in contemplation of investigation and discloses that an investigation into a money laundering offence is being contemplated and that disclosure is likely to prejudice any investigation which might be conducted.

- Prejudicing the investigation: A person knows or suspects that a money laundering investigation has or is about to be commenced in respect of another and he makes a material disclosure to any other person which is likely to prejudice the investigation, or interferes with relevant material.

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 suspected money laundering activity (their own or anyone else’s) and where appropriate, make reports to the National Crime Agency (NCA);
- Implement a procedure to enable the reporting of suspicions of money laundering;
- apply customer due diligence measures in certain circumstances
- maintain a record of incidents that have been reported to the MLRO
- To provide training for relevant staff on how to identify the signs of potential money laundering transactions

4.2 Not all of the Council’s business is “relevant” for the purposes of the legislation. It is mainly, the carrying on of statutory audit work, the provision to other persons of accountancy services by way of business, the provision of advice about the tax affairs of other persons by way of business or the participation in financial or real property transactions. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council; therefore, all staff are required to comply with the reporting procedure set out in Section 8.

5. WHAT IS THE IMPACT ON THE COUNCIL?

5.1 Potentially any member of staff could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way and/or do nothing about it. The **Procedure Note** gives practical advice and this Policy sets out how any concerns should be raised.

5.2 Whilst the risk of the Council contravening the legislation is very low, the consequences are extremely serious; therefore ***it is extremely important that all employees are familiar with their legal responsibilities: serious criminal sanctions may be imposed for breaches of the legislation.***

6. MONEY LAUNDERING REPORTING OFFICER

6.1 The officer nominated to receive disclosures about potential money laundering activity within the Council is the Council’s Finance & Audit Service Manager and Section 151 Officer, who can be contacted as follows:

Alan Bethune
Executive Head Finance & Section 151 Officer
New Forest District Council
Appletree Court
Beaulieu Road
Lyndhurst

SO43 7PA
Telephone: 02380 285000
Alan.bethune@nfdc.gov.uk

In the absence of the MLRO, please contact the Executive Head for Governance and Regulation, Grainne O'Rourke on 02380 285000, grainne.orourke@nfdc.gov.uk.

7. **DISCLOSURE PROCEDURE - Reporting to the Money Laundering Reporting Officer**
- 7.1 All payments to the Council accepted in cash that exceed £4,000 should be reported to the MLRO using the Money Laundering Report Form. Evidence of the customer's identity should also be taken.
- 7.2 Where you know or suspect that money laundering activity is taking or has taken place, or you become concerned that your involvement in a matter may amount to a prohibited act under the legislation, you must disclose this as soon as practicable to the MLRO by using the Money Laundering Report Form. **The disclosure should be within "hours" i.e. at the earliest opportunity of the information coming to your attention, not weeks or months later. Should you not do so, then you may be liable to prosecution or subject to internal disciplinary procedures.**
- 7.3 Your disclosure should be made to the MLRO using the instructions in the attached **Procedure Note and Money Laundering Reporting Form**. The report must include as much detail as possible, for example:
- full details of the people involved (including yourself, if relevant), e.g. name, date of birth, address, company names, directorships, phone numbers, etc
 - full details of the property involved and its whereabouts (if known)
 - full details of the nature of their/your involvement
 - if any suspicions have been discussed with anyone else
 - the types of money laundering activity involved:
 - the dates of such activities, including:
 - whether the transactions have happened, are ongoing or are imminent
 - where they took place
 - how they were undertaken
 - the (likely) amount of money/assets involved
 - why, exactly, you are suspicious – the MLRO will require full reasons along with any other available information to enable them to make a sound judgment as to whether there are reasonable grounds for knowledge or suspicion of money laundering. This will enable them to prepare their report to National Crime Agency, where appropriate and you should also enclose copies of any relevant supporting documentation
- 7.4 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 National Crime Agency. All members of staff will be required to co-operate with the MLRO and the authorities during any subsequent money laundering investigation.
- 7.5 Similarly, **at no time and under no circumstances should you voice any suspicions** to the person(s) whom you suspect of money laundering, even if National Crime Agency has given consent to a particular transaction proceeding,

without the specific consent of the NCA or MLRO; otherwise you may commit a criminal offence of “tipping off”.

- 7.6 Do not, therefore, make any reference on a customer’s file to a report having been made to the MLRO – should the customer exercise their right to see the file, then such a note may tip them off to the report having been made and may render you liable to prosecution or disciplinary action. The MLRO will keep the appropriate records in a confidential manner.

CONSIDERATION OF THE DISCLOSURE BY THE MONEY LAUNDERING REPORTING OFFICER

- 7.7 The MLRO will send a report to the National Crime Agency (NCA) if there are sufficient grounds of suspicion or knowledge of money laundering.
- 7.8 The MLRO will evaluate the report and any other available internal information they think relevant. They must consider the following when determining reasonable grounds:
- does the reported conduct fall within that which is potentially criminal?
 - Is the reported individual suspected of having gained proceeds of money laundering?
 - what factors and information led to the suspicion or knowledge of money laundering?
 - review other transaction patterns and volumes
 - the length of any business relationship involved
 - the number of any one-off transactions and linked one-off transactions
 - any due diligence information held and undertake such other reasonable inquiries they think appropriate in order to ensure that all available information is taken into account in deciding whether a report to NCA is required.
- 7.9 Once the MLRO has evaluated the disclosure report and any other relevant information, they must make a timely determination as to whether, there is actual or suspected money laundering taking place, or there are reasonable grounds to know or suspect that is the case.
- 7.10 Where the MLRO does so conclude, then they must disclose the matter as soon as practicable to the NCA in the prescribed manner.
- 7.11 In cases where legal professional privilege may apply, the MLRO must liaise with the legal adviser to decide whether there is a reasonable excuse for not reporting the matter to the NCA.
- 7.12 Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then they shall mark their report accordingly and give their consent for any ongoing or imminent transaction(s) to proceed.

8. CUSTOMER DUE DILIGENCE PROCEDURE

- 8.1 Where the Council is carrying out certain ‘regulated activities’, (regulated activity is defined as the provision ‘by way of business’ of: advice about tax affairs; accounting services; treasury management, investment or other financial services; audit services; legal services or estate) then extra care needs to be taken to check the identity of the customer or client – this is known as carrying out ‘Customer Due

Diligence'. The situations where Customer Due Diligence is required are outlined below. Customer Due Diligence consists of:

- identifying the client and verifying the client's identity on the basis of documents, data or information obtained from a reliable and independent source
- identifying the beneficial owner (where they are not the client) so that we are satisfied that we know who the beneficial owner is, including, in the case of a legal person, trust or similar legal arrangement, measures to understand the ownership and control structure of the person, trust or arrangement, and
- obtaining information on the purpose and intended nature of the business relationship.

8.2 Where customer due diligence is required, staff in the relevant Service/Unit of the Council must obtain satisfactory evidence of the identity of the prospective client, and full details of the purpose and intended nature of the relationship/transaction, as soon as practicable after instructions are received. The Regulations regarding customer due diligence are detailed and complex, but there are some simple questions that will help you decide if it is necessary:

- Is the service a regulated activity (see above)
- Is the Council charging for the service i.e. is it 'by way of business'?
- Is the service being provided to a customer other than a UK public authority?

If the answer to any of these questions is 'no' then you do not need to carry out customer due diligence.

Please note that unlike the reporting procedure, the Customer Due Diligence Procedure is restricted to those employees undertaking regulated activities (e.g. Finance and Legal Services).

8.3 If the answer to all these questions is 'yes' then you must carry out customer due diligence before any business is undertaken for that client. If you are unsure whether you need to carry out customer due diligence then you should contact the MLRO. Where you need to carry out customer due diligence then you must seek evidence of identity, for example:

- Checking with the customer's website to confirm their business address;
- Conducting an on-line search via Companies House to confirm the nature and business of the customer and confirm the identities of any directors;
- Seeking evidence from the key contact of their personal identity, for example their passport, and position within the organisation.

The requirement for customer due diligence applies immediately for new customers and should be applied on a risk sensitive basis for existing customers. In the Council, details of proposed transactions are usually, as a matter of good case management practice, recorded in writing in any event and proposed ongoing business relationships are usually the subject of Agreements (legally binding agreements entered into between the Council and third parties) or other written record which will record the necessary details.

8.4 There is also an ongoing legal obligation to check the identity of existing clients and the nature and purpose of the business relationship with them at appropriate times. Opportunities to do this will differ, however one option is to review these matters as part of the ongoing monitoring of the business arrangements, as is usually provided

for in the Agreement or other written record. The opportunity should also be taken at these times to scrutinise the transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure they are consistent with your knowledge of the client, its business and risk profile. Particular scrutiny should be given to the following:

- complex or unusually large transactions;
- unusual patterns of transactions which have no apparent economic or visible lawful purpose; and
- any other activity particularly likely by its nature to be related to money laundering or terrorist financing.

8.5 ***If satisfactory evidence of identity is not obtained at the outset of the matter then generally the business relationship or one off transaction(s) cannot proceed any further and any existing business relationship with that client must be terminated.***

9. ONGOING MONITORING AND RECORD KEEPING PROCEDURES

9.1 Each Service Unit of the Council conducting regulated business must monitor, on an ongoing basis, their business relationships in terms of scrutinising transactions undertaken throughout the course of the relationship (including, where necessary, the source of funds) to ensure that the transactions are consistent with their knowledge of the customer, its business and risk profile.

9.2 We must also maintain records of:

- customer identification/verification evidence obtained (or references to it), and
- details of all regulated business transactions carried out for customers for at least five years from the end of the transaction/relationship. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering.

9.3 The precise nature of the records is not prescribed by law however they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the customer and the relevant transaction and recording the source of, and in what form, any funds were received or paid. In practice, the Service Units of the Council will be routinely making records of work carried out for customers in the course of normal business and these should suffice in this regard.

9.4 All disclosure reports referred to the MLRO and reports made to the NCA must be retained by the MLRO in a confidential file kept for that purpose, for a minimum of five years.

10. TRAINING

10.1 The Council will take appropriate measures to ensure that all employees are made aware of the law relating to money laundering and will arrange targeted, ongoing, training to key individuals most likely to be affected by the legislation.

11. RISK MANAGEMENT AND INTERNAL CONTROL

11.1 The risk to the Council of contravening the anti-money laundering legislation will be assessed on a periodic basis and the adequacy and effectiveness of the Anti-Money

Laundering Policy, Guidance and procedures will be reviewed in light of such assessments.

- 11.2 The adequacy and effectiveness of, promotion of, and compliance by employees with, the documentation and procedures will also be monitored through the Head of Legal Services.

12. CONCLUSION

- 12.1 The legislative requirements concerning anti-money laundering procedures are lengthy, technical and complex. This Policy has been written so as to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk of the Council contravening the legislation.
- 12.2 Should you have any concerns whatsoever regarding any transactions then you should contact the MLRO.

13. REVIEW OF THE POLICY

- 13.1 The Policy will be subject to review every three years.

Audit Committee Work Plan 2021/22

DATE	WORK / REPORTS
17 Dec 2021	Audit Results Report 2021 Audit opinions and completion certificates Auditor's Annual Report Information on the Redmond Review Final Annual Governance Statement 2021 Final Annual Financial Report 2021 Housing Benefit Audit Results Report
28 Jan 2022	Annual Audit Letter for the year ended 31 March 2021 Internal Audit Progress Report 2021/22 Treasury Management Strategy 2022/23 Investment Strategy 2022/23 Risk Management and Insurance Update Regulation of Investigatory Powers Act 2000 (RIPA) Appointment of External Auditor from 2023/24
25 March 2022	Internal Audit Progress Report 2021/22 Internal Audit Charter 2022/23 Internal Audit Plan 2022/23 Annual Financial Report and External Audit Cycle 2021/22 and 2022/23

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