



NOTTINGHAM CITY COUNCIL
AUDIT COMMITTEE

Date: Friday, 27 November 2015

Time: 10.30 am

Place: LB31 Loxley House, Station Street, Nottingham, NG2 3NG

Councillors are requested to attend the above meeting to transact the following business

Corporate Director for Resilience

Governance Officer: Catherine Ziane-Pryor **Direct Dial:** 0115 8764298

AGENDA

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IF YOU NEED ANY ADVICE ON DECLARING AN INTEREST IN ANY ITEM ON THE AGENDA, PLEASE CONTACT THE GOVERNANCE OFFICER SHOWN ABOVE, IF POSSIBLE BEFORE THE DAY OF THE MEETING

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CITIZENS ARE ADVISED THAT THIS MEETING MAY BE RECORDED BY MEMBERS OF THE PUBLIC. ANY RECORDING OR REPORTING ON THIS MEETING SHOULD TAKE PLACE IN ACCORDANCE WITH THE COUNCIL'S POLICY ON RECORDING AND REPORTING ON PUBLIC MEETINGS, WHICH IS AVAILABLE AT WWW.NOTTINGHAMCITY.GOV.UK. INDIVIDUALS INTENDING TO RECORD THE MEETING ARE ASKED TO NOTIFY THE GOVERNANCE OFFICER SHOWN ABOVE IN ADVANCE.

NOTTINGHAM CITY COUNCIL

AUDIT COMMITTEE

MINUTES of the meeting held at Loxley House, Station Street, Nottingham, NG2 3NG on 18 September 2015 from 10.32 am - 11.51 am

Membership

Present

Councillor Sarah Piper (Chair)
Councillor Steve Young (Vice-Chair)
Councillor Michael Edwards
Councillor John Hartshorne
Councillor Anne Peach
Councillor Andrew Rule

Absent

Councillor Toby Neal
Councillor Malcolm Wood

Colleagues, partners and others in attendance:

Barry Dryden - Senior Finance Manager
Sue Risdall - Finance Analyst
Shail Shah - Head of Internal Audit
Sue Sunderland - KPMG
Richard Walton - KPMG
Laura Wilson - Governance Officer

22 APOLOGIES FOR ABSENCE

Councillor Malcolm Wood – other Council business

23 DECLARATIONS OF INTERESTS

None

24 MINUTES

The Committee confirmed the minutes of the meeting held on 7 August 2015 as a correct record and they were signed by the Chair.

25 STATEMENT OF ACCOUNTS

Barry Dryden, Senior Finance Manager, introduced the Director of Strategic Finance's report detailing the Statement of Accounts for 2014/15 for approval by the Committee and highlighted the following points:

- (a) the Statement of Accounts are not produced directly from Oracle but there are a significant number of checks to ensure the details are accurate;
- (b) from 2017 the draft accounts will have to be produced by the end of May;
- (c) a revaluation of the Housing Revenue Account has resulted in an increase of £41 million;

- (d) some amendments have been made to the accounts following the audit review as authorisation limits on payments have been breached. This has resulted in raising awareness within teams, more checks being undertaken and investigating to see whether automatic checks can be built into the system.

Sue Sunderland, Director of KPMG, introduced her report on the audit work carried out on the Statement of Accounts and highlighted the following points:

- (e) KPMG anticipate issuing an unqualified audit opinion on the Statement by 30 September 2015;
- (f) the authority is well placed to address the budget pressures that it faces;
- (g) there are some control issues over transactions administered by East Midlands Shared Services (EMSS) which has led to recommendations being made to improve the control on authorisation limits and introducing checks at EMSS before money is released.

The following comments were made:

- (h) if possible, Internal Audit should take 25 more samples of payments in three months' time to test if the new controls put in place have resolved the issue of authorisation limits being breached;
- (i) limits are standard across the organisation so it may be more appropriate to vary them;
- (j) it would be helpful to see a breakdown of why properties receive discounted Council Tax.

RESOLVED to

- (1) note the external auditors' report to those charged with governance, detailed in Appendix B of the report;**
- (2) approve the Statement of Accounts (detailed in Appendix C of the report) for signature by the Chair of the Committee;**
- (3) approve the Draft Management Representation Letter (detailed in Appendix D of the report) for signature by the Chair of the Committee;**
- (4) request that Internal Audit take 25 more samples of payments in three months' time to test if the new controls put in place have resolved the issue of authorisation limits being breached;**
- (5) request that a breakdown of why properties receive discounted Council Tax is submitted to the next meeting;**
- (6) thank Sue Sunderland, KPMG, for her support.**

26 ANNUAL GOVERNANCE STATEMENT 2014/15

Shail Shah, Head of Internal Audit, introduced the Director of Strategic Finance's report detailing the Annual Governance Statement 2014/15 for approval by the Committee, which is required by the Accounts and Audit Regulations 2015.

RESOLVED to approve the Annual Governance Statement 2014/15, as detailed in Appendix 1 of the report.

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External audit progress report and technical update

Nottingham City Council

November 2015

This report provides the audit committee with an overview on progress in delivering our responsibilities as your external auditors.

The report also highlights the main technical issues which are currently having an impact in local government.

If you require any additional information regarding the issues included within this report, please contact a member of the audit team.

We have flagged the articles that we believe will have an impact at the Authority and given our perspective on the issue:

- High impact
- Medium impact
- Low impact
- For info

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This document provides the audit committee with a high level overview on progress in delivering our responsibilities as your external auditors.

At the end of each stage of the audit we issue certain deliverables, including reports and opinions. A summary of progress against these deliverable is provided in Appendix 1 of this report.

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Area of responsibility	Commentary
Financial statements & Value for Money	<p><i>We completed our 2014/15 audit in September 2015 and met all statutory deadlines.</i></p> <p><i>We have begun planning for our 2015/16 audit and held initial discussions with your finance team in regard to emerging risk areas such as Infrastructure Assets. The National Audit Office (NAO) has recently issued the 2015/16 guidance and we will discuss it with officers. Our full External Audit Plan will be presented to the next Audit Committee.</i></p> <p><i>Our audit team has been changed for the 2015/16 audit. Tony Crawley has taken over as engagement lead and Tom Tandy and Oliver Stidwell have joined the team as Manager and Incharge respectively. The majority of the team has experience of working on the audit before and also bring a variety of audit experience from other Local Government clients.</i></p>
Certification of claims and returns	<p><i>We are well progressed in our work in relation to the Housing Benefit Subsidy claim certification and are on track to meet the November deadline.</i></p> <p><i>We have also delivered audit related assurance work in regard to the Teachers' Pension Agency data return, the Decent Homes Backlog Grant statement and the Pooling of Housing Capital Receipts return. Each of these pieces of work fall outside of the main audit contract and so the scope of the work has been agreed with the relevant government department.</i></p>

Area	Comments
<p>KPMG publication titled: Value of Audit – Perspectives for Government</p>	<p>What does this report address?</p> <p>This report builds on the <i>Global Audit campaign – Value of Audit: Shaping the future of Corporate Reporting</i> – to look more closely at the issue of public trust in national governments and how the audit profession needs to adapt to rebuild this trust. Our objective is to articulate a clear opinion on the challenges and concepts critical to the value of audit in government today and in the future and how governments must respond in order to succeed.</p> <p>Through interviews with KPMG partners from nine countries (Australia, Canada, France, Germany, Japan, the Netherlands, South Africa, the UK and the US) as well as some of our senior government audit clients from Canada, the Netherlands and the US, we have identified a number of challenges and concepts that are critical to the value of audit in government today and in the future.</p> <p>What are the key issues?</p> <ul style="list-style-type: none"> ■ The lack of consistent accounting standards around the world and the impacts on the usefulness of government financial statements. ■ The importance of trust and independence of government across different markets. ■ How government audits can provide accountability thereby enhancing the government’s controls and instigating decision-making. ■ The importance of technology integration and the issues that need to be addressed for successful implementation ■ The degree of reliance on government financial reports as a result of differing approaches to conducting government audits <p>The <i>Value of Audit: Perspectives for Government</i> report can be found on the KPMG website at https://home.kpmg.com/xx/en/home/insights.html</p> <p>The <i>Value of Audit: Shaping the Future of Corporate Reporting</i> can be found on the KPMG website at www.kpmg.com/sg/en/topics/value-of-audit/Pages/default.aspx</p>

Area	Level of impact	Comments	KPMG perspective
New local audit framework	● Medium	<p>The Local Audit and Accountability Act 2014 included transitional arrangements covering the audit contracts originally let by the Audit Commission in 2012 and 2014. These contracts covered the audit of accounts up to 2016/17, and gave the Department for Communities and Local Government (DCLG) the power to extend these contracts to 2019/20.</p> <p>DCLG have now announced that the audit contracts for large local government bodies (including district, unitary and county councils, police and fire bodies, transport bodies, combined authorities and national parks) will be extended to include the audit of the 2017/18 financial statements. From 2018/19, local government bodies will need to appoint their own auditors; it is not yet clear whether there will be a sector-led body that is able to undertake this role on behalf of bodies.</p> <p>NHS and smaller local government bodies (town and parish councils, and internal drainage boards), will not have their contracts extended, and will have to appoint their own auditors for 2017/18, one year earlier than for larger local government bodies such as North Kesteven District Council.</p>	<p><i>We understand guidance is being prepared by CIPFA on the request of the NAO.</i></p> <p><i>We will also be preparing a briefing note for clients.</i></p>
CIPFA survey on infrastructure assets	● Medium	<p>On 26 August CIPFA sent a letter to Treasurers' Societies and Directors' of Finance groups for onward circulation to authorities drawing attention to CIPFA's survey to assess the readiness of bodies for the introduction of depreciated replacement cost (DRC) for highways infrastructure assets in 2016/17.</p> <p>The letter from CIPFA's Chief Executive is available here: www.cipfa.org/~media/files/policy%20and%20guidance/local%20authority%20transport%20infrastructure/150826-tia-survey-letter-signed-rw.pdf?la=en</p> <p>The online survey tool can be found here: www.surveymonkey.com/r/NGC8MXH</p> <p>CIPFA is encouraging responses from both accountants and highways engineers, either jointly or separately. The letter has also been sent to the Highways Asset Management and Financial Information Group (HAMFIG) to bring this to the attention of relevant authorities' highways engineers.</p>	<p><i>The Committee may wish to enquire of officers whether the online survey has been completed and any gaps be amended in the project plan</i></p>

Area	Level of impact	Comments	KPMG perspective
<p>Reporting developments – Infrastructure assets</p>	<p>● Medium</p>	<p>CIPFA/LASAAC, the group that produce the <i>Code of Practice for Local Authority Accounting</i>, have confirmed that transport infrastructure assets owned by local authorities will be required to be included in the accounts from 2016/17. This would require prior period adjustments for 2015/16, including the opening position at 1 April 2015.</p> <p>The changes require local authorities to recognise the value of all transport infrastructure assets using the depreciated replacement cost method, i.e. the cost required to replace the asset with a new replacement depreciated over the life of the existing asset. Transport infrastructure assets include:</p> <ul style="list-style-type: none"> ■ roads, bridges, roundabouts and traffic calming measures; ■ footways, footpaths and cycle tracks; ■ tunnels and underpasses; and ■ water supplies and drainage systems, as they support the assets identified above. <p>Even non-highway authorities will be affected to the extent that footways etc are material to their accounts. Railway assets are not currently included in the proposals, although it is possible that these may be included in subsequent periods.</p> <p>CIPFA have issued a <i>Code of Practice on Transport Infrastructure Assets</i> which contains the requirements to be included in the Local Authority Code. This is available to purchase from the CIPFA website.</p> <p>Local authorities should have developed a project plan to identify all of the relevant transport infrastructure they own and a timetable for valuing these. CIPFA expects authorities to have undertaken the 1 April 2015 valuations by 31 December 2015.</p> <p>The Whole of Government Accounts submission includes unaudited data on transport infrastructure assets. 2013/14 data indicates assets of over £400 billion will be accounted for on local authority balance sheets. However, only 93% of authorities provided this information, and of these less than 70% used actual inventory data to complete the return. This indicates that the sector faces a significant challenge in accurately identifying the assets it owns and will have to account for.</p>	<p><i>The Committee may wish to enquire of officers whether a project plan has been developed to address the requirements and review progress against this on a regular basis.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>NAO report – Care Act first-phase reforms</p>	<p style="text-align: center;">● Low</p>	<p>The NAO’s report examines the first phase of the Department of Health’s new approach to adult social care, finding that it has been implemented well, but places new responsibilities on local authorities whose core funding is being significantly reduced. This could result in their having to delay or reduce services in the short term if demand for care exceeds expectations, presenting a risk to VFM which needs to be managed.</p> <p>Key findings within the report include:</p> <ul style="list-style-type: none"> ■ The <i>Care Act</i> will increase demand for assessments and services at a time when local authority provision has been falling and the number of people in need is rising. ■ The Department’s innovative joint governance with the sector has provided support to implement this challenging legislation. It has provided guidance materials and will give extra support to local authorities. ■ The Department’s tight time frame for the sector to act on final guidance and funding allocations has inhibited local implementation planning in some areas. ■ Despite the challenging timetable, of local authorities with adult social care responsibilities, 99% were confident that they would be able to carry out the Care Act reforms from April 2015. However, it will take longer to change the culture. ■ The Department might have underestimated the demand for assessments and services for carers. ■ The Department has learned from the problems it encountered in modelling the cost of Phase 1 and has improved its approach for Phase 2. ■ There is variation in the extent to which individual councils might have been over or underfunded. ■ A significant proportion of the funding which the Department is providing for the Care Act’s new burdens is not new money. The Department assumes that £174 million (40%) of Care Act funding will come through the Better Care Fund, from money previously allocated to clinical commissioning group budgets and existing local authority capital grants. ■ If costs exceed expectations, pressures will fall first on individual local authorities. The Department may not have sufficient information and does not have a contingency fund to avoid impacts on services. <p>The full report is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms/</p>	<p><i>The Committee may wish to seek assurances the issues raised in the report are understood and plans in place address the likely impact at their Authority.</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015</p>	<p style="text-align: center;">● Low</p>	<p>With effect from 1 April 2015, certain provisions of the <i>Local Audit and Accountability Act 2014</i> (LAAA 2014) came into force and are applicable to auditors’ work for the year 2015/16. Whilst the <i>Audit Commission Act 1998</i> is transitionally saved for audit work on 2014/15, insofar as auditors are engaged in planning work for 2015/16, or possibly considering public interest reports (PIRs) to be made during 2015/16, they need to be aware of the provisions of LAAA 2014 that are already in force.</p> <p>Provisions affecting auditors’ work with effect from 1 April 2015 are:</p> <p>1) New duty to publish PIRs on audited bodies’ websites</p> <p>Under the new audit regime, there is an emphasis on the publication of relevant information on the relevant authority’s website. The following provisions are relevant to auditors carrying out work on 2015/16 if they decide to issue a public interest report during the audit.</p> <p>Under Schedule 7 LAAA 2014, the following matters must be published on the relevant authority’s website (if it has one):</p> <ul style="list-style-type: none"> ■ PIRs (relating to the relevant authority or a connected entity); ■ notice of a meeting to consider a PIR/written recommendation; and ■ notice summarising those decisions approved by the auditor as a result of consideration of the PIR/recommendation. <p>Where the relevant authority does not have a website, it is instead generally required to make the relevant publication “in such manner as it thinks is likely to bring the notice or report to the attention of persons who live in its area”. This could be, for example, in a local newspaper (as was required in certain cases under the previous legislation).</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)</p>	<p>● Low</p>	<p>2) Prohibition on disclosure</p> <p>The prohibition against disclosure that was previously to be found in section 49 of the <i>Audit Commission Act 1998</i> has been repealed and replaced by provisions in Schedule 11 of LAAA 2014. This change has not been transitionally introduced and auditors and local authority bodies need to be aware that this applies to all audits, irrespective of the year. Thus, any reference to the prohibition against disclosure needs to be to Schedule 11 and not section 49. There are no material differences between the two sets of provisions.</p> <p>3) Connected entities</p> <p>LAAA 2014 introduces a new concept into the audit regime, “connected entities”. Connected entities are bodies that are separate to the relevant authority, but are associated with the authority in such a manner that requires the authority to record financial information relating to the entity in its accounts.</p> <p>The full definition of “connect entities” is set out in paragraph 8 of Schedule 4 LAAA 2014.</p> <p>For the purposes of this Act, an entity (“E”) is connected with a relevant authority at any time if E is an entity other than the relevant authority and the relevant authority considers that, in accordance with proper practices in force at that time:</p> <ul style="list-style-type: none"> ■ the financial transactions, reserves, assets and liabilities of E are to be consolidated into the relevant authority's statement of accounts¹ for the financial year in which that time falls; ■ the relevant authority's share of the financial transactions, reserves, assets and liabilities of E is to be consolidated into the relevant authority's statement of accounts for that financial year; or ■ the relevant authority's share of the net assets or net liabilities of E, and of the profit or loss of E, are to be brought into the relevant authority's statement of accounts for that financial year. 	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)	<p style="text-align: center;">●</p> <p style="text-align: center;">Low</p>	<p>3) Connected entities (continued)</p> <p>Authorities have a number of duties in relation to their connected entities under LAAA 2014 beyond those which are expanded on below:</p> <ul style="list-style-type: none"> ■ Auditors have a right to access documents (at all reasonable times) relating to connected entities, as well as those relating to the “parent” relevant authority. The auditor can inspect, copy or take away documents. The auditor can also require people who are in possession or are accountable for the document (or have been in the past) to provide the auditor with any information or explanation that may be needed, and can require a meeting with such persons. Where a document is stored electronically, the auditor can require assistance from the relevant person at the connected entity or relevant authority in accessing the document. The connected entity must provide the auditor with such facilities and information as are reasonably required to carry out the audit functions. ■ The right to information and explanation, or to require a meeting, extends in relation to connected entities to: <ul style="list-style-type: none"> – any persons elected or appointed to an entity; – any employee of the entity; and – an auditor of the accounts of the entity. <p>Many of the provisions on PIRs and written recommendations in Schedule 7 apply to connected entities. Accordingly, auditors must consider whether a PIR should be made on any matter coming to their attention during the audit and relating to the authority and/or a connected entity. Similarly, an auditor may make a written recommendation to a relevant authority relating to a connected entity.</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
Local Audit and Accountability Act 2014 – provisions affecting auditors’ work from 1 April 2015 (continued)	<p style="text-align: center;">●</p> <p style="text-align: center;">Low</p>	<p>4) Power to call for information: exception for legally professionally privileged information</p> <p>Section 22(12) LAAA 2014 clarifies that the auditor’s right to information and documents cannot be used to compel disclosure of legally privileged information. If a person would be entitled to refuse to produce documents in legal proceedings in reliance on the doctrine of legal professional privilege, they are equally entitled to refuse to provide the relevant information or documents to the auditor. This is a notable new provision and auditors will need to bear this in mind in requesting sight of an audited body’s own legal advice. Any provision of such will be voluntary and cannot be compelled.</p>	<p><i>The Committee need to be aware of the provisions that are in place from 1 April 2015</i></p>

Area	Level of Impact	Comments	KPMG perspective
<p>The Local Government Association's 2015 Spending Review submission</p>	<p>● Medium</p>	<p>In June 2015, the Local Government Association (LGA) set out proposals for the Government to consider as part of the Spending Review, aimed at streamlining public services, growth generating investment and social care and health – all while saving the public purse almost £2 billion a year by the end of the Parliament.</p> <p>The submission focusses on five core issues originally highlighted in A Shared Commitment, published in early 2015. The LGA hopes that local government can work with central government to balance the nation's books while improving public services and the local economic environment by delivering new, transformed and high-quality local services while at the same time reducing costs to the public sector.</p> <p>The LGA believes the Spending Review should:</p> <ul style="list-style-type: none"> ■ enable wider integration of social care and health services to deliver savings and improve outcomes This requires the annual £700 million funding gap in social care services to be closed and a transformation fund worth £2 billion in each year of the Spending Review period be created to allow new ways of working to become commonplace. The Spending Review should also implement a single place-based budget for delivering all local services through a Local Public Services Fund as part of at least five devolution deals; ■ promote growth and productivity by accepting the case for further devolution of powers and funding that stretches beyond 25 November. The LGA is calling for devolution of, or local influence over, more than £60 billion of growth, skills and infrastructure funding over the Spending Review period, including: <ul style="list-style-type: none"> – the components for an ambitious and effective Local Growth Fund with agreed settlements in devolution deals that last until 2020/21 – a central-local partnership to deliver effective and targeted skills and employment initiatives – unlocking the ability of councils to contribute to the Government's target of 275,000 affordable homes built over the lifetime of the Parliament. ■ help councils adequately resource and deliver high quality public services by transforming the business rate mechanism and providing a four year local government finance settlement; and ■ help councils focus on driving efficiency and value for money through an assessment of the impact of unfunded cost burdens that core council budgets are going to face over the Spending Review period. 	<p><i>The Committee may wish to seek assurances that the impact for their Authority is understood.</i></p>

Area	Level of Impact	Comments	KPMG perspective
NAO report – Devolving responsibilities to cities in England: Wave 1 City Deals	<p style="text-align: center;">● Low</p>	<p>Wave 1 City Deals encouraged cities to develop capacity to manage devolved funding and increased responsibility. The report finds it is too early to tell whether the deals will have any overall impact on growth, and that the government and the cities could have worked together in a more structured way to agree a consistent approach to evaluating the deals' impact. There have been early impacts from some of the individual programmes agreed in the deals. It has, however, taken longer for cities and departments to implement some of the programmes that required more innovative funding or assurance mechanisms.</p> <p>The government has set out its ambition to continue devolving responsibility for local growth to cities and other local places. The report highlights that both the government and local places can learn from the experience of Wave 1 City Deals to manage devolution to local places effectively.</p> <p>The report is available on the NAO website www.nao.org.uk/report/devolving-responsibilities-to-cities-in-england-wave-1-city-deals/</p>	<p><i>The Committee may wish to seek assurances how their Authority fit into the emerging City Deals.</i></p>

Area	Level of Impact	Comments
Care Act first-phase reforms – local experience of implementation	<p style="text-align: center;">●</p> For Information	<p>This report has been published by the National Audit Office and complements its earlier report on central government’s approach to the Care Act first-phase reforms.</p> <p>This further report provides examples from local case study areas which show how different authorities are addressing risks arising from uncertainty in demand from carers and self-funders.</p> <p>The report was published on 3 August and is available from the NAO website at www.nao.org.uk/report/care-act-first-phase-reforms-local-experience-of-implementation/</p>

Area	Level of Impact	Comments
<p>Proposed changes to business rates and core grant</p>	<p>● For Information</p>	<p>The Chancellor of the Exchequer has proposed some radical reforms of local government finance. The proposals are that by the end of the decade, councils will retain all locally raised business rates but will cease to receive core grant from Whitehall.</p> <p>The Chancellor set out the landmark changes in a speech to the Conservative party conference in Manchester, saying it was time to face up to the fact that “the way this country is run is broken”.</p> <p>Under the proposals, authorities will be able to keep all the business rates that they collect from local businesses, meaning that power over £26 billion of revenue from business rates will be devolved, he said</p> <p>The uniform national business rate will be abolished, although only to allow all authorities the power to cut rates. Cities that choose to move to systems of combined authorities with directly elected city wide mayors will be able to increase rates for specific major infrastructure projects, up to a cap, likely to be set at 2p on the rate.</p> <p>The system of tariffs and top-ups designed to support areas with lower levels of business activity will be maintained in its present state.</p>

Appendix 1 – 2015/16 Audit deliverables

Deliverable	Purpose	Timing	Status
Planning			
Fee letter	Communicate indicative fee for the audit year	March/April 2015	Complete
External audit plan	Outline our audit strategy and planned approach Identify areas of audit focus and planned procedures	January 2016	TBC
Substantive procedures			
Report to those charged with governance (ISA+260 report)	Details the resolution of key audit issues. Communication of adjusted and unadjusted audit differences. Performance improvement recommendations identified during our audit. Commentary on the Council's value for money arrangements.	September 2016	TBC
Completion			
Auditor's report	Providing an opinion on your accounts (including the Annual Governance Statement). Concluding on the arrangements in place for securing economy, efficiency and effectiveness in your use of resources (the VFM conclusion).	September 2016	TBC
WGA	Concluding on the Whole of Government Accounts consolidation pack in accordance with guidance issued by the National Audit Office.	September 2016	TBC
Annual audit letter	Summarise the outcomes and the key issues arising from our audit work for the year.	November 2016	TBC
Certification of claims and returns			
Certification of claims and returns report	Summarise the outcomes of certification work on your claims and returns for Government departments.	December 2016	TBC



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Annual Audit Letter 2014/15

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Nottingham City Council

October 2015

Agenda Item 5

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Appendices

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This report is addressed to the Authority and has been prepared for the sole use of the Authority. We take no responsibility to any member of staff acting in their individual capacities, or to third parties. The Audit Commission issued a document entitled *Statement of Responsibilities of Auditors and Audited Bodies* summarising where the responsibilities of auditors begin and end and what is expected from audited bodies. We draw your attention to this document which is available on Public Sector Audit Appointment's website (www.psa.co.uk).

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact **Sue Sunderland**, the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with your response please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Trevor Rees (on 0161 246 4000, or by email to trevor.rees@kpmg.co.uk). After this, if you are still dissatisfied with how your complaint has been handled you can access PSAA's complaints procedure by emailing generalenquiries@psaa.co.uk, by telephoning 020 7072 7445 or by writing to Public Sector Audit Appointments Limited, 3rd Floor, Local Government House, Smith Square, London, SW1P 3HZ.

This report summarises the key findings from our 2014/15 audit of Nottingham City Council (the Authority).

Although this letter is addressed to the Members of the Authority, it is also intended to communicate these issues to key external stakeholders, including members of the public.

Our audit covers the audit of the Authority's 2014/15 financial statements and the 2014/15 VFM conclusion.

VFM conclusion	<p>We issued an unqualified conclusion on the Authority's arrangements to secure value for money (VFM conclusion) for 2014/15 on 30 September 2015. This means we are satisfied that that Authority had proper arrangements for securing financial resilience and challenging how it secures economy, efficiency and effectiveness.</p> <p>To arrive at our conclusion we looked at the Authority's financial governance, financial planning and financial control processes, as well as the arrangements for prioritising resources.</p>
VFM risk areas	<p>We undertook a risk assessment as part of our VFM audit work to identify the key areas impacting on our VFM conclusion and considered the arrangements you have put in place to mitigate these risks.</p> <p>Our initial risk assessment work at the planning stage of the audit identified the following significant matter:</p> <ul style="list-style-type: none"> ■ Challenges linked to the ongoing need to deliver savings and cost reductions to maintain financial resilience. <p>We critically assessed the controls the Authority has in place to ensure a sound financial standing and reviewed how the Authority is planning and managing its savings plans. We concluded that we did not need to carry out additional work for this risk as there was sufficient relevant work that had been completed by the Authority in relation to this risk area.</p> <p>We concluded that adequate arrangements are in place to manage the Authority's finances, in particular, the new 'Strategic Choices' service based cost reduction approach involving front line staff has worked well and underpins the budget plans for 2015/16. However, we noted that the Authority faces on-going financial challenges including:</p> <ul style="list-style-type: none"> ■ managing a £2m in year reduction in Public Health funding ■ the need to make further substantial financial savings and cost reduction to close the predicted gap between funding and demand for services in future years ■ the need to adjust housing business plans to reflect the impact of the annual 1% rent reduction over the next 4 years.
Audit opinion	<p>We issued an unqualified opinion on the Authority's financial statements on 30 September 2015. This means that we believe the financial statements give a true and fair view of the financial position of the Authority and of its expenditure and income for the year.</p>
Financial statements audit	<p>We identified one material misstatement in the course of the audit which was corrected by officers.</p> <p>Our initial risk assessment at the planning stage of the audit identified a number of significant risk areas.</p> <ul style="list-style-type: none"> ■ Controls over transactions administered by EMSS ■ HRA – valuation of council housing ■ NET2 and its status ■ Accounting for Schools, following LAAP Bulletin 101 ■ New Company for administration of Revenues and Benefits; and

All the issues in this Annual Audit Letter have been previously reported. The detailed findings are contained in the reports we have listed in Appendix 2.

Financial statements audit	<ul style="list-style-type: none"> ■ New banking arrangements <p>We have tested each of these areas as part of the audit and apart from the controls over transactions administered by EMSS we have no issues to report.</p> <p>Our initial testing of controls over transactions administered by EMSS focused on checking the progress on implementing Internal Audit's recommendations in respect of the shared service as well as testing key controls. Whilst we identified some improvements, we identified two specific control weaknesses, in relation to non pay expenditure. As a consequence we had to undertake additional substantive testing to provide sufficient assurance that these weaknesses had not led to a material misstatement in the accounts.</p> <p>We received the accounts on 29 June 2015. The majority of working papers were received by us on the same day which was the first day of the audit site visit.</p> <p>On the whole, officers dealt with audit queries quickly and the majority of the audit process was completed within the planned timescales. Some key staff were absent during part of our site visit which delayed our review of pensions, payroll and property, plant and equipment. We did experience a delay with queries raised with EMSS initially but after discussion, with the finance team, the majority of these were resolved promptly.</p>
Annual Governance Statement	<p>We reviewed your <i>Annual Governance Statement</i> and concluded that it was consistent with our understanding.</p>
Whole of Government Accounts	<p>The Authority prepares a consolidation pack to support the production of Whole of Government Accounts by HM Treasury. We reported that the Authority's pack was consistent with the audited financial statements. Although it did not prove possible to complete the work required and submit the pack until 1 October this was still before the 2 October deadline.</p>
High priority recommendations	<p>We raised three high priority recommendations as a result of our 2014/15 audit work all of which are linked to improving the effectiveness of controls. These are summarised in Appendix 1.</p>
Certificate	<p>We issued our certificate on 1 October 2015 following completion of our work on the Whole of Government Accounts. The certificate confirms that we have concluded the audit for 2014/15 in accordance with the requirements of the <i>Audit Commission Act 1998</i> and the Audit Commission's <i>Code of Audit Practice</i>.</p>
Audit fee	<p>Our fee for 2014/15 was £234,665, excluding VAT. Further detail is contained in Appendix 3.</p>

Appendix 1: Key issues and recommendations

This appendix summarises the high priority recommendations that we identified during our 2014/15 audit, along with your responses to them.

Lower priority recommendations are contained, as appropriate, in our other reports, which are listed in Appendix 2.

We held a debrief meeting with officers to discuss the learning points from this year's audit, including minor issues that we have not formally reported.

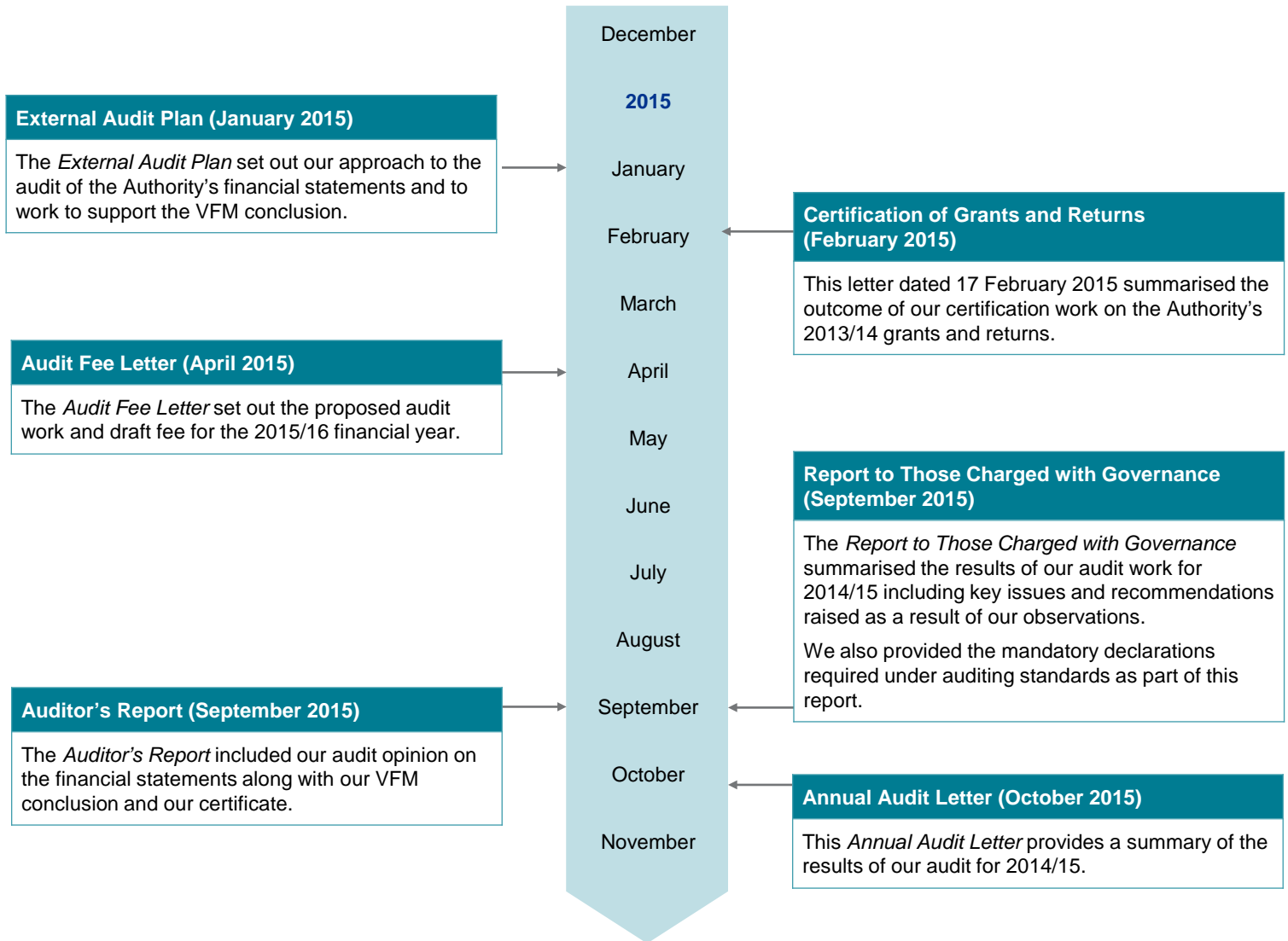
No.	Issue and recommendation	Management response / responsible officer / due date
1	<p><u>Authorisation of expenditure</u></p> <p>As part of our controls testing in respect of non-pay expenditure, we tested 75 items; 25 of each type of payment - purchase order invoice, non-purchase order invoice, request for payment. We identified two items that had not been authorised appropriately:</p> <ul style="list-style-type: none"> • A request for payment totalling £117,000 had been authorised by an employee with an authorisation limit of £100,000. The expenditure was legitimate. Additional testing identified four further examples of authorisation levels being exceeded although in each case we confirmed that the expenditure was legitimate. • The second item was a non-purchase order invoice where no authority was provided in workflow despite the item being redirected to several individuals with increasing levels of seniority. The item was paid as it is possible to override the workflow function. We did not identify any other examples of this. <p>It is worth noting that taking all our testing together we are satisfied that we have sufficient assurance that these weaknesses have not led to a material misstatement in the accounts.</p> <p><u>Recommendation</u></p> <p>The Council should put in place measures to prevent payments being made without appropriate authorisation.</p>	<p>The colleagues involved have been reminded of their authorisation limits.</p> <p>The management structure and processes within EMSS have been reviewed and changed during the past year. The practice of overriding the approval process is no longer sanctioned by senior management.</p>

No.	Issue and recommendation	Management response / responsible officer / due date
<p>2</p>	<p><u>Journals</u></p> <p>As part of our audit approach we routinely test journals, throughout the year and journals created for the closedown period. Our testing identified a journal with a value of £47 billion. This journal had to be created to correct a posting error resulting in a misstatement of £47 billion. Best practice is that a posting error of such a large and unusual value should not be possible and that a ledger system should flag and prevent such an entry being posted.</p> <p><u>Recommendation</u></p> <p>The Council should review the ledger system to identify if it is possible to input parameters beyond which postings cannot be made.</p>	<p>A review of the parameters will be undertaken. Person Responsible: Jeff Abbott Due Date: 31/3/16</p>
<p>3</p>	<p><u>Control weaknesses in EMSS over payroll</u></p> <p>Throughout work on payroll we identified that EMSS do not undertake a payroll reconciliation for Nottingham City Council although they do this for Leicester City Council.</p> <p>Exception reports, one of the outputs from payroll are not checked by EMSS.</p> <p>We expect that the responsibilities of EMSS should be set out in an Service Level Agreement to enable both parties to be clear what tasks should be carried out by each party.</p> <p><u>Recommendation</u></p> <p>Nottingham City Council and East Midlands Shared Service should set up a Service Level Agreement as soon as possible</p>	<p>Responsibility for the reconciliations has been passed over to EMSS. An SLA with EMSS is in the process of being set up. Person Responsible: Jeff Abbott Due Date: 31/12/15</p>

Appendix 2: Summary of reports issued

This appendix summarises the reports we issued since our last *Annual Audit Letter*.

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This appendix provides information on our final fees for the 2014/15 audit.

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To ensure transparency about the extent of our fee relationship with the Authority we have summarised below the outturn against the 2014/15 planned audit fee.

External audit

Our final fee for the 2014/15 audit was £234,665, which includes an additional fee of £5,175 to cover the extra controls testing referred to on page 3.

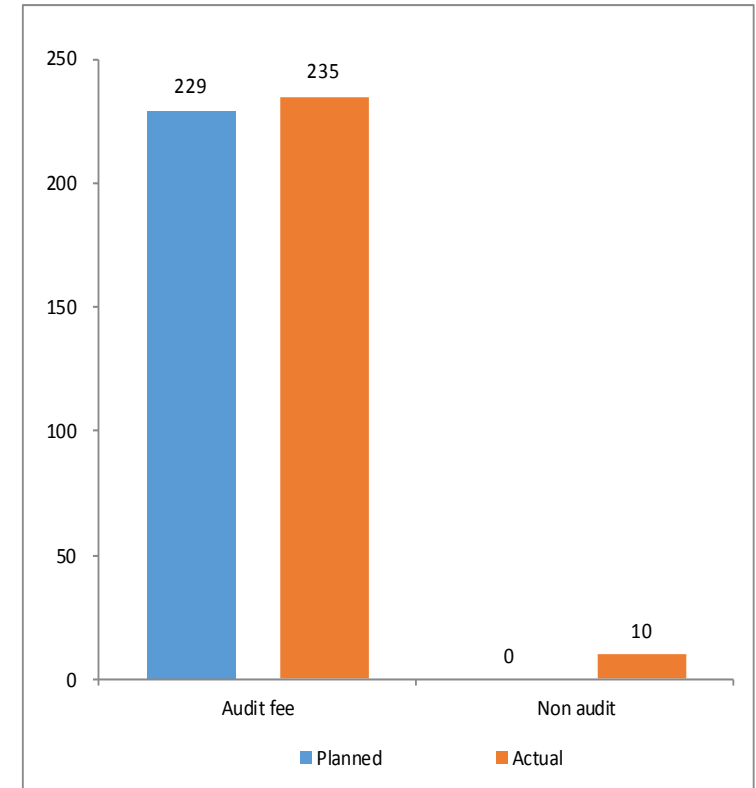
Our proposed additional fee is still subject to final determination by Public Sector Audit Appointments (PSAA Ltd).

Certification of grants and returns

Under our terms of engagement with PSAA Ltd we undertake prescribed work in order to certify the Authority's housing benefit grant claim. This certification work is still ongoing. The final fee will be confirmed through our reporting on the outcome of that work in January 2016.

Other services

We also charged £3,500 for a reasonable assurance review of the 13/14 School Centred IT Training Grant, £3,500 for the 13/14 Teachers Pensions Grant return and £3,000 for the 13/14 HCA Decent Homes Grant. This work was not related to our responsibilities under Audit Commission's *Code of Audit Practice*.





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AUDIT COMMITTEE 27th November 2015

Title of paper:	Ombudsman Annual Letter	
Director(s)/ Corporate Director(s):	Angela Probert	Wards affected: All
Report author(s) and contact details:	Lynne North Senior Customer Services Officer Lynne.north@nottinghamcity.gov.uk 0115 87 64950	
Other colleagues who have provided input:		
Recommendation(s):		
1	Councillors are asked to note the contents of this report	

1. REASONS FOR RECOMMENDATIONS

Complaints are an important feedback mechanism for us to help influence service improvement and therefore increase citizen satisfaction. Thus enabling us as an authority to keep our citizens at the heart of what we do.

This year the Ombudsman service has committed to research to see if working as a Public Sector Ombudsman which will encompass Health, Housing & Council. This would be in line with the Scottish way of working. We expect the findings from the research to be published in the Queens Speech with a draft bill before March 2016.

We are also undergoing a refresh of the customer experience, looking at the way we capture feedback and how we learn from the complaints, comments and compliments we receive.

The ombudsman is advocating that authorities use their complaints as methods of service improvement with the following statement “All too often complaints are seen in a negative light, but in doing so authorities can waste a valuable opportunity to look at what has gone on and put things right, not just for the individual but for other people in future” So as an authority we are already working towards this, sharing learning with other relevant departments.

A brief overview shows last year we had 14 upheld cases this year we have 6. The overall total of contacts last year was 115, which has gone down by 5 this year. We as an authority are still the second best performing authority within the core cities. In the attached documents we show the 6 cases which were upheld and the final decisions the LGO made.

In comparison to many other cities we show a higher number of complaints but show a much lower number of complaints upheld, for example Liverpool show the same number of complaints per 10,000 citizens as we do, however we only have 6 cases upheld whereas Liverpool have 20. This could imply that our standard of service is seen to be better, consequently citizens expectations are higher.

We continue to have a good working relationship with the LGO teams, maintaining our response rates, working in a timely manner, which in turn also helps us to provide a better service to the citizens of Nottingham.

2. BACKGROUND

Nottingham City Council is still the responsible body for complaints about housing provided by Nottingham City Homes and their figures are included in our Annual Letter.

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None.

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Annual Letter from the LGO

Ref	Category	Decision date	Decision
14003375	Adult Care Services	11/Jun/2014	Closed after initial enquiries
14018461	Adult Care Services	06/Mar/2015	Closed after initial enquiries
14019622	Adult Care Services	10/Mar/2015	Incomplete/Invalid
14000534	Adult Care Services	09/Oct/2014	Not Upheld
14008008	Adult Care Services	09/Jan/2015	Not Upheld
14010765	Adult Care Services	05/Feb/2015	Not Upheld
14000639	Adult Care Services	10/Apr/2014	Referred back for local resolution
14001776	Adult Care Services	01/May/2014	Referred back for local resolution
14002399	Adult Care Services	15/May/2014	Referred back for local resolution
14002621	Adult Care Services	15/May/2014	Referred back for local resolution
14002131	Adult Care Services	23/May/2014	Referred back for local resolution
14016616	Adult Care Services	20/Jan/2015	Referred back for local resolution
14018655	Adult Care Services	24/Feb/2015	Referred back for local resolution
14020768	Adult Care Services	27/Mar/2015	Referred back for local resolution
14001205	Benefits & Tax	29/Apr/2014	Closed after initial enquiries
14007709	Benefits & Tax	19/Aug/2014	Closed after initial enquiries
14008376	Benefits & Tax	09/Sep/2014	Closed after initial enquiries
14015417	Benefits & Tax	14/Jan/2015	Closed after initial enquiries
14004960	Benefits & Tax	06/Nov/2014	Not Upheld
14005881	Benefits & Tax	20/Jan/2015	Not Upheld
14000313	Benefits & Tax	07/Apr/2014	Referred back for local resolution
14000668	Benefits & Tax	11/Apr/2014	Referred back for local resolution
14003411	Benefits & Tax	13/Jun/2014	Referred back for local resolution
14004559	Benefits & Tax	18/Jun/2014	Referred back for local resolution
14008212	Benefits & Tax	15/Aug/2014	Referred back for local resolution
14007239	Benefits & Tax	19/Aug/2014	Referred back for local resolution
14010678	Benefits & Tax	26/Sep/2014	Referred back for local resolution
14010966	Benefits & Tax	01/Oct/2014	Referred back for local resolution
14012318	Benefits & Tax	24/Oct/2014	Referred back for local resolution
14012879	Benefits & Tax	04/Nov/2014	Referred back for local resolution
14014830	Benefits & Tax	09/Dec/2014	Referred back for local resolution
14015214	Benefits & Tax	15/Dec/2014	Referred back for local resolution
14015333	Benefits & Tax	18/Dec/2014	Referred back for local resolution
14015053	Benefits & Tax	13/Jan/2015	Referred back for local resolution
14017551	Benefits & Tax	04/Feb/2015	Referred back for local resolution
14018025	Benefits & Tax	12/Feb/2015	Referred back for local resolution
14018490	Benefits & Tax	19/Feb/2015	Referred back for local resolution
14018166	Benefits & Tax	23/Feb/2015	Referred back for local resolution
14018479	Benefits & Tax	25/Feb/2015	Referred back for local resolution

Nottingham City Decisions 2015

14006528	Corporate & Other Services	31/Jul/2014	Closed after initial enquiries
14011391	Corporate & Other Services	15/Oct/2014	Closed after initial enquiries
14003926	Corporate & Other Services	09/Jun/2014	Referred back for local resolution
13011669	Corporate & Other Services	11/Jul/2014	Referred back for local resolution
14017721	Corporate & Other Services	06/Feb/2015	Referred back for local resolution
14009423	Education & Children's Services	01/Oct/2014	Closed after initial enquiries
14005831	Education & Children's Services	15/Jul/2014	Incomplete/Invalid
13014779	Education & Children's Services	02/Jul/2014	Not Upheld
14009025	Education & Children's Services	22/Sep/2014	Not Upheld
14009313	Education & Children's Services	22/Oct/2014	Not Upheld
13015054	Education & Children's Services	02/Feb/2015	Not Upheld
14011385	Education & Children's Services	03/Feb/2015	Not Upheld
14003398	Education & Children's Services	20/Mar/2015	Not Upheld
14000254	Education & Children's Services	04/Apr/2014	Referred back for local resolution
14001107	Education & Children's Services	22/Apr/2014	Referred back for local resolution
14004212	Education & Children's Services	12/Jun/2014	Referred back for local resolution
14004897	Education & Children's Services	24/Jun/2014	Referred back for local resolution
14005278	Education & Children's Services	01/Jul/2014	Referred back for local resolution
14007802	Education & Children's Services	22/Aug/2014	Referred back for local resolution
14010438	Education & Children's Services	23/Sep/2014	Referred back for local resolution
14010891	Education & Children's Services	01/Oct/2014	Referred back for local resolution
14011700	Education & Children's Services	14/Oct/2014	Referred back for local resolution
14014631	Education & Children's Services	04/Dec/2014	Referred back for local resolution
14015004	Education & Children's Services	11/Dec/2014	Referred back for local resolution
14016587	Education & Children's Services	29/Jan/2015	Referred back for local resolution
14019272	Education & Children's Services	04/Mar/2015	Referred back for local resolution
13002740	Education & Children's Services	23/Jul/2014	Upheld
13012945	Education & Children's Services	09/Dec/2014	Upheld

Nottingham City Decisions 2015

14011545	Education & Children's Services	23/Mar/2015	Upheld
13021270	Environmental Services & Public Protection & Regulation	23/Apr/2014	Closed after initial enquiries
14003128	Environmental Services & Public Protection & Regulation	25/Jun/2014	Closed after initial enquiries
14007387	Environmental Services & Public Protection & Regulation	21/Aug/2014	Closed after initial enquiries
14006020	Environmental Services & Public Protection & Regulation	15/Dec/2014	Not Upheld
14009713	Environmental Services & Public Protection & Regulation	19/Feb/2015	Not Upheld
14009418	Environmental Services & Public Protection & Regulation	05/Sep/2014	Referred back for local resolution
14011289	Environmental Services & Public Protection & Regulation	07/Oct/2014	Referred back for local resolution
14001799	Highways & Transport	27/May/2014	Closed after initial enquiries
14006097	Highways & Transport	23/Jul/2014	Closed after initial enquiries
14008541	Highways & Transport	02/Sep/2014	Closed after initial enquiries
14016955	Highways & Transport	30/Jan/2015	Closed after initial enquiries
14012367	Highways & Transport	24/Oct/2014	Incomplete/Invalid
14015441	Highways & Transport	19/Dec/2014	Incomplete/Invalid
14009672	Highways & Transport	17/Mar/2015	Not Upheld
14005893	Highways & Transport	10/Jul/2014	Referred back for local resolution
14007556	Highways & Transport	05/Aug/2014	Referred back for local resolution
14015949	Highways & Transport	07/Jan/2015	Referred back for local resolution
14019176	Highways & Transport	30/Mar/2015	Referred back for local resolution
14006617	Housing	21/Jul/2014	Advice given
14006642	Housing	22/Jul/2014	Advice given
14012337	Housing	24/Oct/2014	Advice given
14016140	Housing	12/Jan/2015	Advice given
13020479	Housing	04/Apr/2014	Closed after initial enquiries
14001627	Housing	09/May/2014	Closed after initial enquiries
14001482	Housing	24/Jun/2014	Closed after initial enquiries
14007206	Housing	15/Aug/2014	Closed after initial enquiries
14017823	Housing	05/Mar/2015	Closed after initial enquiries
13016772	Housing	29/May/2014	Not Upheld
13020895	Housing	05/Aug/2014	Not Upheld
14000779	Housing	14/Apr/2014	Referred back for local resolution
14014623	Housing	17/Dec/2014	Referred back for local resolution
14019571	Housing	10/Mar/2015	Referred back for local resolution
13010270	Housing	09/Apr/2014	Upheld

Nottingham City Decisions 2015

13016337	Housing	23/Apr/2014	Upheld
13018860	Planning & Development	01/Apr/2014	Not Upheld
14014754	Planning & Development	13/Jan/2015	Not Upheld
14014756	Planning & Development	13/Jan/2015	Not Upheld
14005298	Planning & Development	13/Jan/2015	Not Upheld
14006028	Planning & Development	11/Jul/2014	Referred back for local resolution
14013916	Planning & Development	21/Nov/2014	Referred back for local resolution
14003407	Planning & Development	15/Sep/2014	Upheld

18 June 2015

By email

Mr Ian Curryer
Chief Executive
Nottingham City Council

Dear Mr Curryer

Annual Review Letter 2015

I am writing with our annual summary of statistics on the complaints made to the Local Government Ombudsman (LGO) about your authority for the year ended 31 March 2015. This year's statistics can be found in the table attached.

The data we have provided shows the complaints and enquiries we have recorded, along with the decisions we have made. We know that these numbers will not necessarily match the complaints data that your authority holds. For example, our numbers include people who we signpost back to the council but who may never contact you. I hope that this information, set alongside the data sets you hold about local complaints, will help you to assess your authority's performance.

We recognise that the total number of complaints will not, by itself, give a clear picture of how well those complaints are being responded to. Over the coming year we will be gathering more comprehensive information about the way complaints are being remedied so that in the future our annual letter focuses less on the total numbers and more on the outcomes of those complaints.

Supporting local scrutiny

One of the purposes of the annual letter to councils is to help ensure that learning from complaints informs scrutiny at the local level. Supporting local scrutiny is one of our key business plan objectives for this year and we will continue to work with elected members in all councils to help them understand how they can contribute to the complaints process.

We have recently worked in partnership with the Local Government Association to produce a workbook for councillors which explains how they can support local people with their complaints and identifies opportunities for using complaints data as part of their scrutiny tool kit. This can be found [here](#) and I would be grateful if you could encourage your elected members to make use of this helpful resource.

Last year we established a new Councillors Forum. This group, which meets three times a year, brings together councillors from across the political spectrum and from all types of local authorities. The aims of the Forum are to help us to better understand the needs of councillors when scrutinising local services and for members to act as champions for learning from complaints in their scrutiny roles. I value this direct engagement with elected members and believe it will further ensure LGO investigations have wider public value.

Encouraging effective local complaints handling

In November 2014, in partnership with the Parliamentary and Health Service Ombudsman and Healthwatch England, we published *'My Expectations'* a service standards framework document describing what good outcomes for people look like if complaints are handled well. Following extensive research with users of services, front line complaints handlers and other stakeholders, we have been able to articulate more clearly what people need and want when they raise a complaint.

This framework has been adopted by the Care Quality Commission and will be used as part of their inspection regime for both health and social care. Whilst they were written with those two sectors in mind, the principles of *'My Expectations'* are of relevance to all aspects of local authority complaints. We have shared them with link officers at a series of seminars earlier this year and would encourage chief executives and councillors to review their authority's approach to complaints against this user-led vision. A copy of the report can be found [here](#).

Future developments at LGO

My recent annual letters have highlighted the significant levels of change we have experienced at LGO over the last few years. Following the recent general election I expect further change.

Most significantly, the government published a review of public sector ombudsmen in March of this year. A copy of that report can be found [here](#). That review, along with a related consultation document, has proposed that a single ombudsman scheme should be created for all public services in England mirroring the position in the other nations of the United Kingdom. We are supportive of this proposal on the basis that it would provide the public with clearer routes to redress in an increasingly complex public service landscape. We will advise that such a scheme should recognise the unique roles and accountabilities of local authorities and should maintain the expertise and understanding of local government that exists at LGO. We will continue to work with government as they bring forward further proposals and would encourage local government to take a keen and active interest in this important area of reform in support of strong local accountability.

The Government has also recently consulted on a proposal to extend the jurisdiction of the LGO to some town and parish councils. We currently await the outcome of the consultation but we are pleased that the Government has recognised that there are some aspects of local service delivery that do not currently offer the public access to an independent ombudsman. We hope that these proposals will be the start of a wider debate about how we can all work together to ensure clear access to redress in an increasingly varied and complex system of local service delivery.

Yours sincerely



Dr Jane Martin
Local Government Ombudsman
Chair, Commission for Local Administration in England

Local authority report – Nottingham City Council

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to <http://www.lgo.org.uk/publications/annual-report/note-interpretation-statistics/>

Complaints and enquiries received

Local Authority	Adult Care Services	Benefits and tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
Nottingham City C	15	28	5	23	8	13	12	6	110

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Decisions made

Local Authority	Detailed investigations carried out		Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
	Upheld	Not Upheld					
Nottingham City C	6	20	4	21	4	54	109

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Local authority report - Nottingham City Council

For the period ending – 31/03/2015

For further information on interpretation of statistics click on this link to go to

<http://www.lgo.org.uk/publications/annual-report/note-interpretaion-statistics/>

Complaints and enquiries received

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Local Authority		Adult Care Services	Benefits and Tax	Corporate and other services	Education and children's services	Environmental services and public protection	Highways and transport	Housing	Planning and development	Total
Nottingham City Council	2015	15	28	5	23	8	13	12	6	110
	2014	11	15	13	31	11	9	18	7	115

Decisions made

Local Authority		Upheld	Not Upheld	Advice given	Closed after initial enquiries	Incomplete/Invalid	Referred back for local resolution	Total
Nottingham City Council	2015	6	20	4	21	4	54	109
	2014	14	30	7	29	4	40	124

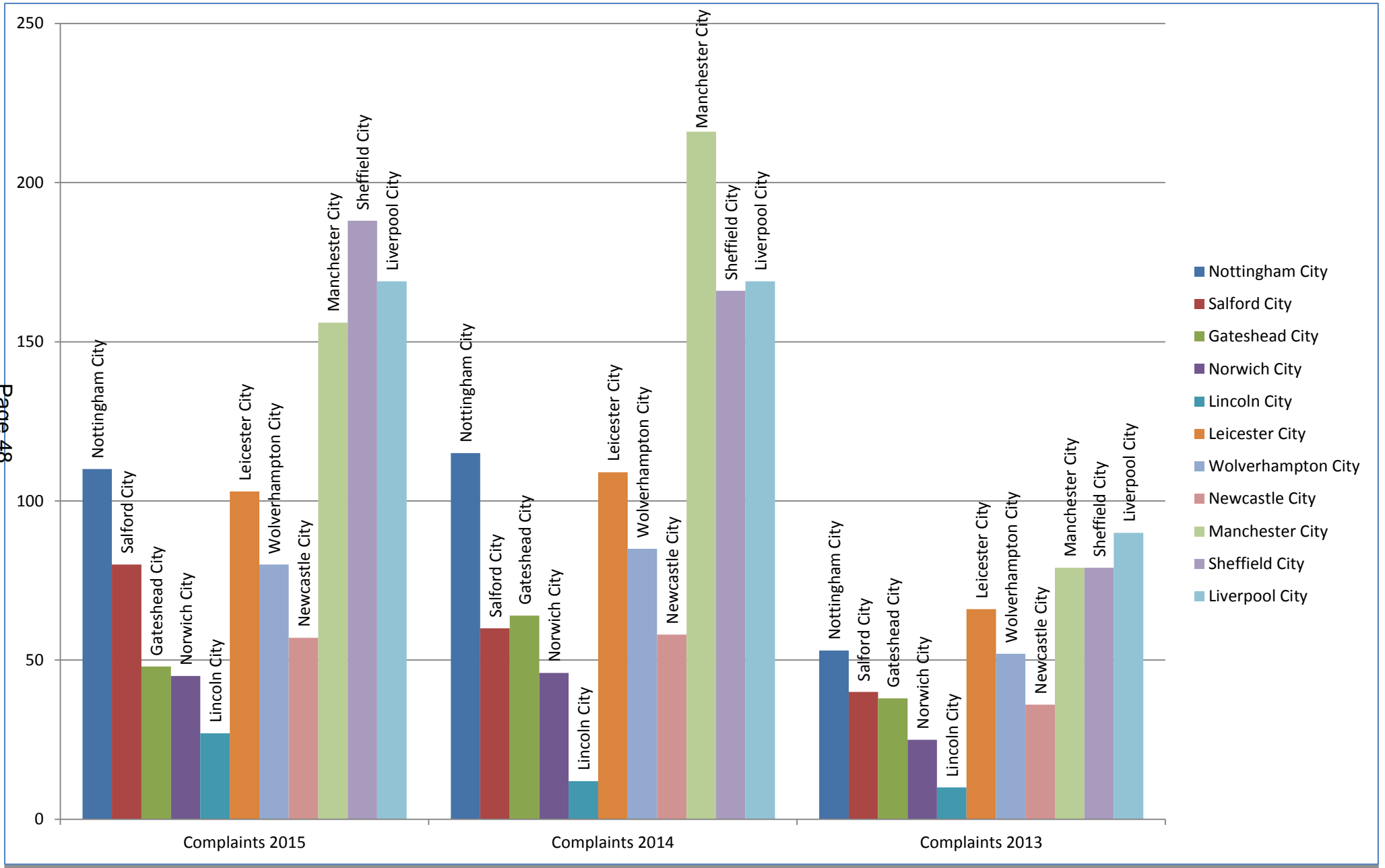
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Nearest Neighbours CIPFA 2015

This table shows the performance of Nottingham City Council within CIPFA Nearest Neighbourhood Model. This is based on:

- Culture
- Employment Levels
- Deprivation Levels

Council	Complaints per 10,000	Difference (2015-2014)	Complaints 2015	Complaints 2014	Complaints 2013	Population
Nottingham City	4	-5	110	115	53	308,735
Salford City	3	20	80	60	40	237,085
Gateshead City	2	-16	48	64	38	200,153
Norwich City	3	-1	45	46	25	134,264
Lincoln City	3	15	27	12	10	94,588
Leicester City	3	-6	103	109	66	331,606
Wolverhampton City	3	-5	80	85	52	250,970
Newcastle City	2	-1	57	58	36	282,442
Manchester City	3	-60	156	216	79	510,772
Sheffield City	3	22	188	166	79	557,382
Liverpool City	4	0	169	169	90	469,690



Council	ONS Mid-Year Estimates 2012	Complaints Upheld 2015	Complaints 2015	Complaints 2014	Complaints 2013
Newcastle City	282,442	4	57	58	36
Nottingham City	308,735	6	110	115	53
Manchester City	510,772	18	156	216	79
Sheffield City	557,382	19	188	166	79
Bristol City	432,451	19	131	150	86
Leeds City	757,655	24	212	218	150
Liverpool City	469,690	20	169	169	90
Birmingham City	108,5417	53	578	541	227

Case Ref	Topic	LGO's Summary	Date	Complaint Type
13010270	Housing NCH	The Council is at fault in refusing to accept Ms R's application for housing unless she enters into an agreement to pay rent arrears from her previous tenancy. As the debt has become statute barred the Council's actions are contrary to its own policy and the law.	09/Apr/2014	Upheld
13016337	Housing NCH	Ms D complains, on behalf of Mr and Mrs S, the Council has not applied its housing allocation policy correctly. I find the Council was at fault in failing to consider all the relevant evidence. This casts doubt on the Council's decision on Mr and Mrs S's housing priority. The Council has agreed to review its decision which is a satisfactory remedy.	23/Apr/2014	Upheld
13002740	Education & Childrens Services	Nottingham City Council ('the Council') came under a duty to accommodate a child (C) between 28 February 2012 and 21 December 2012. C was in effect a Looked After Child, the care arrangement in effect a Council foster placement, and the complainant (Ms A) and her husband (Mr A) deemed Connected Person council foster carers. The Council accepts fault and has agreed to carry out the action described in paragraph 29 below.	23/Jul/2014	Upheld
14003407	Planning & Development	The Council was at fault for not telling Mr C about a planning application when it said it would do so but it is not responsible for the financial loss Mr C says he sustained as a result.	15/Sep/2014	Upheld
13012945	Education & Children's Services	The Council acted properly within the statutory child protection process and responded to further safeguarding concerns promptly. There was correct multi-agency involvement with the child. The Council failed to tell the referrer the outcomes of its actions. The Council tried to help the complainant engage in parenting assessments but did not clearly tell her of its expectations.	09/Dec/2014	Upheld
14011545	Education & Children's Services	The Ombudsman's decision Summary: The Council was at fault in the way in which it considered Mrs M's appeal against its refusal of free school transport for her daughter by minibus or taxi. But, she did not suffer injustice. The Council had already awarded free bus travel for her and her daughter between home and school.	23/Mar/2015	Upheld

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Handling complaints for service improvement



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This councillor workbook includes references to materials published by the Local Government Association (LGA) and the Local Government Ombudsmen (LGO). Further information can be found on www.lga.gov.uk and www.lgo.org.uk

Foreword

This workbook has been designed as a learning aid for elected councillors. It makes no judgement about whether you have been a councillor for some time, or whether you have been elected more recently. If you fall into the former category the workbook should serve as a useful reminder of some of the key skills, approaches and tactics that make for an effective ward councillor - it may even challenge you to reconsider how you have approached aspects of the role to date.

Those councillors who are new to local government will recognise that they have much to learn. The workbook will help you to get up to speed with key aspects of the ward councillor role that require focus and attention. In effect, it should provide you with some pointers on how to develop a style and approach that you are comfortable with, and that enables you to be most effective in your day to day duties.

The workbook can be used as a standalone learning aid or as an adjunct to other material you may cover. It offers few firm rules for councillors as it is recognised that each individual must decide how best to use and develop their influencing skills, based on individual preference and confidence. As such, the workbook should serve more as a direction marker rather than a road map. In practical terms, the document will take between two to three hours to work through.

You do not need to complete it all in one session and may prefer to work through the material at your own pace. The key

requirement is to think about your own approach in influencing other people – how the material relates to your local situation, the people you serve and the council you represent.

In working through the material contained in this workbook you will encounter a number of features designed to help you think about the ward councillor role. These features are represented by the symbols shown below:



Guidance – this is used to indicate research, quotations, explanations and definitions that you may find helpful.



Challenges – these are questions or queries raised in the text which ask you to reflect on your role or approach – in essence, they are designed to be thought-provokers.



Case studies – these are ‘pen pictures’ of approaches used by other people or organisations.



Hints and tips – these represent a selection of good practices which you may find useful.



Useful links – these are signposts to sources of further information and support, outside of the workbook, which may help with principles, processes, methods and approaches. A full list of useful additional information and support is also set out in the appendices to the workbook.

Handling complaints for service improvement

Why complaints are important

Councils provide services and make decisions which affect the lives of local residents.

It is inevitable that sometimes people will feel that a council has made a wrong decision, or has not fulfilled its duty in the services it provides; in some cases, the local authority may have made a mistake, or need to make improvements to its services or the way it goes about providing them.

When an individual has concerns, it is important that they feel they can raise these with the council and that their complaint will be treated with respect and responded to accordingly. It is also important that if a mistake has been made, the council has the opportunity to rectify it and take measures to ensure that it does not happen again.

Having a dedicated complaints team and formal complaints procedures in place ensures that all complaints can be directed to the appropriate service area within the council and investigated thoroughly. It also speeds up the complaints process.

For the public, making a complaint can be a daunting task, especially if the reason for their complaint has already caused them particular distress or upset. Part of your role, as a ward councillor, is to support your residents by directing them to the appropriate complaints channels and resources, and providing representation where appropriate.

To do this effectively, you must be familiar with the services your council provides, its complaints procedures and where to signpost people if their complaint is not about a service provided by the council.

Ward councillors also have a role in holding local authorities to account, improving services and optimising health and wellbeing outcomes for their residents. Data about complaints provides you with an important source of intelligence about what is going on in your ward, which you can use as a means of seeking service improvement.

This workbook will:

- take you through the complaints process and your role in it
- provide an overview of the ombudsman and what type of complaints they deal with
- direct you to sources of information for monitoring complaints
- explain how to use complaints to drive service improvement
- signpost sources of information for complaints that are outside your council's remit.

Being equipped to handle complaints

As a councillor, you will receive all kinds of complaints, from all kinds of people. To be able to handle the complaints effectively you need to equip yourself with information that will help you to decide what the next steps should be. You need to know:

Your council's remit

What services your council does and does not provide, so that you can decide whether the complaint is one that your council needs to handle.

Who does what?



	Shire areas			Met areas	London	
	Unitary	County	District	Met district	Borough	LGA
Education	✓	✓		✓	✓	
Highways	✓	✓		✓	✓	✓
Transport planning	✓	✓		✓	✓	✓
Passenger transport	✓	✓		✓		✓
Social care	✓	✓		✓	✓	
Housing	✓		✓	✓	✓	
Libraries	✓	✓		✓	✓	
Leisure	✓		✓	✓	✓	
Environmental health	✓		✓	✓	✓	
Trading standards	✓	✓		✓	✓	
Waste collection	✓		✓	✓	✓	
Waste disposal	✓	✓		✓	✓	
Planning apps	✓		✓	✓	✓	
Strategic planning	✓	✓		✓	✓	✓
Local tax collection	✓		✓	✓	✓	

Councillors' Guide, LGA 2014

Your council's structure

Be aware of how the council works, who is responsible for what and how decisions are made. Knowing this will help you to raise issues around service improvement at the appropriate forums or direct them to the relevant people or departments.



How are decisions made?

Councils operate one of the following models:

- a leader and cabinet
- a committee system
- executive arrangements with a directly elected mayor
- arrangements prescribed by the Secretary of State.

Councillors' Guide, LGA 2014

Your council's complaints procedures

Your council will have corporate complaints procedures and statutory complaints procedures for Adult Social Care and Children's Social Care (Children Act 1989). These are published on the council's website. You need to understand how these work and where to find them, so that they can be implemented properly by your complaints team and you can give appropriate advice to the complainant.

What to do with complaints that you receive

Establish your own process for handling complaints, so that you record information properly, refer complaints to the right place and can monitor complaints information to help improve services in the future.

What happens when a complaint is not resolved

If a complainant is not satisfied with a local authority's response, they may challenge it via court proceedings or an ombudsman scheme. A complaint would be referred to one of three ombudsman schemes, which deal with different types of complaints. You need to be aware of what these are so that you can provide information and support to the complainant.

All of the ombudsmen listed below will normally only look at complaints that have first been referred to the organisation involved and responded to by them. This gives the organisation a chance to try and put things right locally, without an ombudsman's involvement. The thinking behind addressing issues locally is that local authorities are often best placed to make decisions and implement changes more quickly.

If it is not possible to resolve a complaint on a local level, the complainant can take the issue up with the relevant ombudsman.



The ombudsmen

Local Government Ombudsman (LGO)

The Local Government Ombudsman looks at complaints about most council services, including:

- planning
- education
- adults' and children's social care
- housing benefit
- council tax
- transport and highways

- environment and waste
- neighbour nuisance and antisocial behaviour
- some housing services (homelessness applications, housing allocations and transfers).

The LGO also considers complaints about adult social care when the service is provided by a private care provider.

The Local Government Act 1974 states that councils should have an opportunity to consider and respond to complaints before they are referred to the LGO, and they will not consider a complaint unless this has happened. They consider a complaint if someone has suffered a significant personal injustice or if the council has not taken, or is unwilling to take, satisfactory action to resolve it.

The LGO carries out joint investigations with the other ombudsmen. For example, a complaint about a council's social services department and the NHS would be jointly investigated with the Parliamentary and Health Service Ombudsman. These complaints would need to be directed to the LGO, who would manage the joint investigation with investigators from the PHSO who are based in the LGO's offices.

Parliamentary and Health Service Ombudsman (PHSO)

The Parliamentary and Health Service Ombudsman fulfils the two statutory roles of Parliamentary Commissioner for Administration (the Parliamentary Ombudsman) and the Health Service Commissioner for England (Health Service Ombudsman).

The PHSO's role is to investigate unfair treatment and poor service in relation to government departments, other public organisations and NHS-funded healthcare services.

Complaints about a government department or service need to be referred by a Member of Parliament.

Housing Ombudsman Service (HOS)

The Housing Ombudsman Scheme is approved by the Secretary of State under section 51 of and Schedule 2 to the Housing Act 1996. It requires social landlords, such as housing associations and other local authorities, to be members of an approved scheme. Private landlords may also join the scheme on a voluntary basis.

The Housing Ombudsman Service investigates complaints and resolves disputes involving members of the scheme. The Localism Act 2011 provides that tenants of housing associations, local authorities, and Arms-Length Management Organisations (ALMOs) will be able to ask for their complaints to be considered by a 'designated person' once the complaint has been through their landlord's complaints procedure.

As a local councillor, you may be asked to be a designated person. You can try and resolve the complaint yourself or refer it straight to the HOS.



Exercise 1 - how well-equipped are you for handling complaints?

Do you know all the information you need to handle complaints effectively? Consider these statements to identify any gaps. If you answer 'no' to any of them, take some time to find the answers from your council's website or your work colleagues.

I know in detail which services my council does and does not provide.	Yes / No
I can describe the structure of my council.	Yes / No
I can describe how decisions made by my council are scrutinised.	Yes / No
I can name the people in my council responsible for making decisions about a) planning applications, b) environmental health and c) adult social care.	Yes / No
I can go straight to my council's complaints web page.	Yes / No
I can give examples of three things that my council's standard complaints procedure does not cover.	Yes / No
I can state how many days within which my council promises to fully respond to a complaint.	Yes / No
If you answer 'no' to any of the following statements, there is more information later in this workbook.	
I have a formal process for recording all the complaints that I receive.	Yes / No
I can quickly and easily retrieve information about complaints I have received in the past six months.	Yes / No
I feel confident referring complaints to the ombudsmen and know when to do this.	Yes / No
I know where to find information about complaints made regarding my council.	Yes / No
I can describe what information is provided in an LGO focus report.	Yes / No

Your role in the complaints process

As a councillor, you need to find out as much as possible about any complaint you receive and then decide the most appropriate way to respond to it.

Being familiar with your council's complaints procedures will help you to advise the complainant on how to go about submitting their complaint. You can also support them by making sure they understand the procedures and by keeping in touch with them as their complaint is processed.

A crucial part of your role is to identify any reasonable adjustments that need to be made, so that you can ensure these are accounted for when the complaint is processed. For example, if a complainant does not speak English, or have access to a computer; you can make sure they are still able to submit their complaint and receive any information they require in an appropriate format. A child or young person may need an advocate to act on their behalf, and you can advise the complaints team if this is the case.



Complaints involving children

Councils will assess whether a child is mature enough to make a complaint and understand its implications. This is undertaken by Children's Services, who often ask an independent qualified person, from organisations such as Barnardo's or the NSPCC, to do a Gillick competency and Fraser guidelines assessment for them. This provides a recognised benchmark for balancing children's rights and wishes with an authority's responsibility to keep them safe from harm.

You can find out more at:
www.nspcc.org.uk

You will not be involved in this assessment, but you should be aware of it so that you can provide information and advice.

You must also be alert for potential issues the complainant may talk about that require other action. For example, you have a responsibility to report any concerns you have that care being provided is causing abuse, harm or neglect, or that vulnerable adults and children are being exploited in any way, for example by web/phone scams or hate crimes.

Your council will have an emergency duty officer/help desk for Adults' and Children's Services whose phone number should be on the council's website. Your local police service may also have a vulnerable adults' and/or children's unit; the receptionist answering the phone will know who to

contact. You should call the police if you have any concerns or suspicions that a crime has been committed.



About your role

DO...

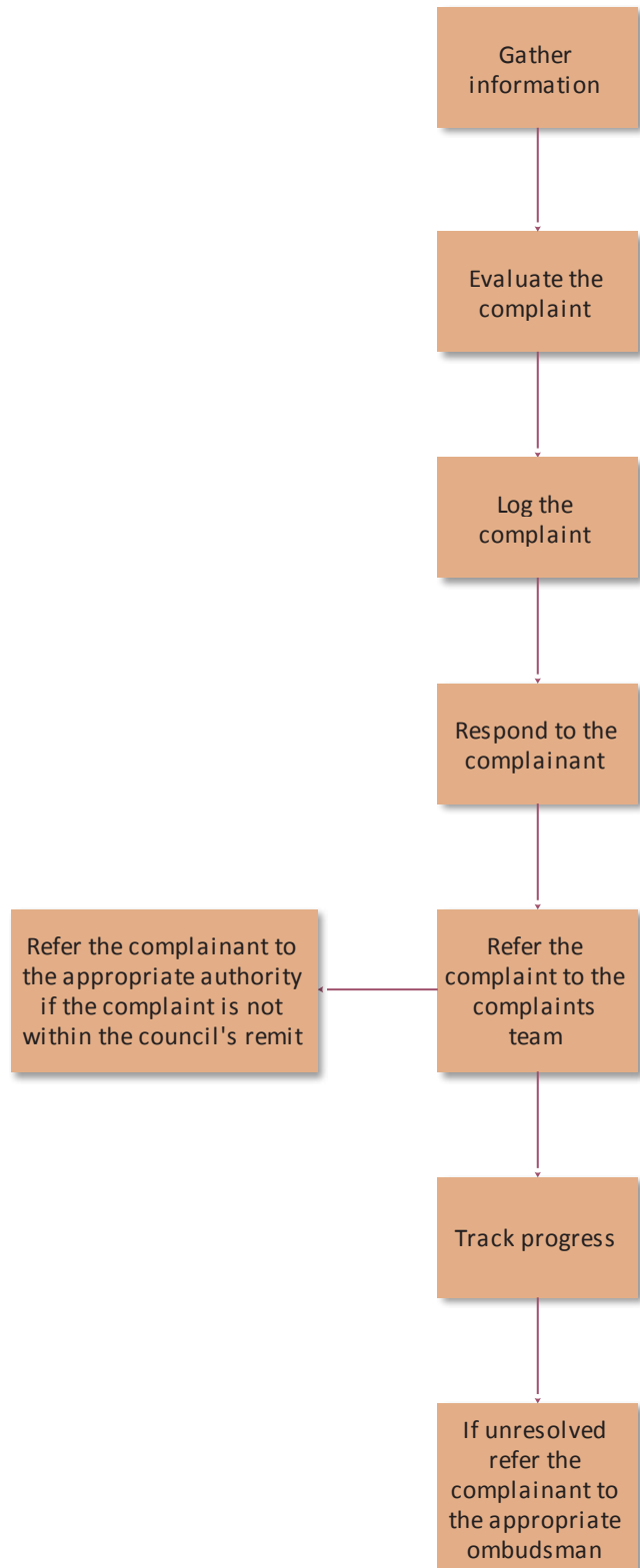
- support the complainant by helping them to resolve the problem at a local level and directing their complaint to the appropriate service area or complaints team
- signpost the complainant to useful information and organisations, even if the complaint will not be dealt with by the council
- facilitate communication, meetings and enquiries within the council on the complainant's behalf
- ensure reasonable adjustments are made, if necessary
- follow the complaint through to its resolution and keep in touch with the complainant
- raise any service improvement issues that you identify.

DON'T...

- make promises you cannot keep
- guarantee a particular outcome for the complainant
- attempt to influence a complaints procedure
- assume that stages of a complaints procedure can be omitted because you are involved
- give legal advice
- make decisions for the complainant.

How to handle a complaint

The diagram below shows you the steps in the process for handling any complaints you receive.



Gather information

At this point you want to gather as much information as possible so that you fully understand the complaint and are able to decide if anyone else needs to be involved and what should happen next. Here is an information checklist of things to find out:

- ✓ **Details of the complainant** – full name, age, contact details
- ✓ **What went wrong** – exact and concise details of the problem, including dates and times if appropriate
- ✓ **What the effect was** – the LGO calls this ‘injustice’. Knowing this will make it easier for you to express empathy, and will aid the complaints team in establishing more about the complaint and a potential remedy
- ✓ **Evidence** – find out what supporting documentation or other evidence exists to support the complaint
- ✓ **Desired outcome** – identify what the complainant would like the outcome of the complaint to be. Some complainants have unrealistic expectations; for example, it is unlikely that the council will be able to give them large sums of financial compensation such as those awarded by the courts
- ✓ **Reasonable adjustments** – find out whether any reasonable adjustments need to be made, and whether an advocate is required
- ✓ **Safeguarding issues** – be alert for any other action that may need to be taken in relation to a vulnerable adult or child.



Questioning techniques for gathering information

An effective questioning technique for gathering information is to use open and closed questions.

Closed questions – where there is only one answer, which will usually be a fact and is often ‘yes’ or ‘no’. They are:

- easy and quick to answer
- good for putting people at ease early in the conversation
- good for gathering and expanding on factual information
- good for receiving confirmation of an outcome.

Open questions - require more information in the response and give the person answering an opportunity to explain their opinions, ideas and feelings in their own words. They:

- make people feel that you believe they are worth listening to
- help to clarify a person’s issues, needs and perspectives
- start with words like ‘what’, ‘how’, ‘why’, and ‘describe’.
- make decisions for the complainant.

Evaluate the complaint

Once you have all the information, you can decide whether the complaint is something that should be dealt with by your council's complaints team. A valid complaint is about services provided by the council, whether those services are provided directly by the council or by a third party, private company or volunteer group on their behalf. It could be about:

- the way a service has been delivered
- a service that hasn't been delivered
- the way a decision has been made that has caused problems for the complainant.

For example, the complaint could be that the council took too long to do something, failed to meet expected standards of service or provided wrong information.

Sometimes complaints are made that should either be handled by another organisation or are not appropriate to refer to the council's complaints team. For example:

- **Service request** – the complaint may actually be a request for a service, but could become a complaint if it is not dealt with properly. Find out more about what the complainant wants and identify the relevant service area to direct them to.
- **Appeal/review** – the complainant may have a right to appeal a council's decision or to request a review. Your complaints team will be able to advise you on when this is the case, and whether the council or an independent panel would carry out the appeal or review.
- **Ongoing court proceedings** – if you receive a complaint about something that is being considered by the courts, for example in family court proceedings, the

council complaints team will not consider the complaint until the court case has finished. However, there may be elements of the complaint that are not covered by the court proceedings, which could be handled by the council. Your complaints team will be able to advise you.

- **About council policy or procedures** – a complaint about incorrect application of council procedure, and therefore a potential fault in its decision-making, would be handled by the complaints procedure. However, if the complaint is about the content or wording of a council's policy or procedure this cannot be dealt with through the complaints procedure. A more appropriate way of handling this would be for councillors to discuss the issue when the policy is next revised, and for the complainant to express their views when the policy next goes out for public consultation.
- **Unreasonable and persistent** – you may become aware of a complainant who persistently makes unreasonable complaints. Refer these to your complaints team.

If you are in any doubt about any of the above, seek advice from your complaints team, or refer the complaint directly to them.

Log the complaint

The complaints you receive could be made by email, letter, telephone or in person. However a complaint is made, it is important that you keep a documented record of it. This could be in electronic or hard copy format, although electronic records stored on your computer are easier and less time-consuming to store and retrieve.

You need to record the information you gathered earlier, as listed in the checklist,

as well as any actions you have taken or are planning to take, with dates and times. To make sure you record the appropriate information each time, create a document template with headings based on the checklist. Advise the complainant to keep their own records of whom they speak to and when.

How you store complaints records, and any associated documentation, is as important as the actual records you create. It is worth taking some time to consider your requirements, particularly in the context of service improvement. For example, you might want to be able to:

- see how many complaints you have received about a particular service area
- check which complaints have yet to be resolved
- review similar complaints made by different people, for comparison
- sort the complaints by service area, complaint, complainant, date, status, etc.
- view all the documented evidence that supports a complaint
- update information or add documentation.

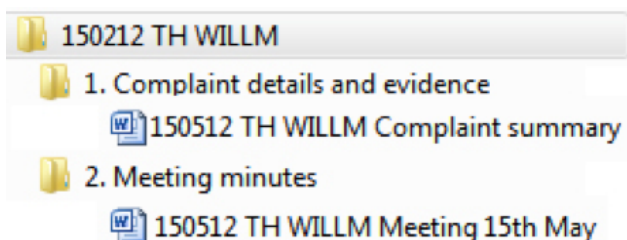
Be mindful that information you record could be subject to Freedom of Information (FOI) requests, and could potentially be seen by the complainant. Keep the information factual and non-judgemental, avoiding personal comments.

A good way of keeping track of records is to have a spreadsheet with quick-reference information, which you can use to sort information, update progress/actions and reference where you have saved associated documentation, such as a detailed summary of the complaint. This doesn't need to be complicated, keep it as simple as you need it to be or make it as complicated as you like!

The table below shows you an example. Notice how:

- a code has been used for the service area: TH = Transport and Highways; EW = Environment and Waste
- the status has been colour coded for quick reference
- a reference code has been created from the date (YYMMDD format), service area and surname. This can be used to prefix any folder or file names, as shown by the image below.

Ref.	Date	Surname	First name	Service	Complaint summary	Status	Action
150512 TH WILLM	12/05/2015	Williams	Martin	TH	Potholes still not repaired.	In progress	Call complaints to check they received complaint.
150519 EW WOodd	19/05/2015	Woods	David	EW	Rubbish dumped at side of road needs clearing.	Closed	Resolved - rubbish cleared 26/05/15.





Exercise 2 – what are your complaints record requirements?

Think about how you want to use information about the complaints you receive, and any ideas you have for keeping your records. Use this space to make notes.



File/folder naming tips

- If you prefix electronic file or folder names with the date in the format YYMMDD, they will appear in date order if sorted alphabetically.
- A good way to include a reference to someone's name is to use the first four letters of their surname and the first letter of their first name. For example, Martin Williams would be WILLM.
- Making a reference to the type of complaint, or service area to which it relates, in the records will help you to quickly identify similar records.
- Using templates for documents will remind you what information to include.
- However you decide to manage your records, consistency in approach is key to making it successful.

Respond to the complaint

Once you have decided whether or not your council should handle a complaint, identified any reasonable adjustments required, raised any safeguarding issues and logged all the information, you are ready to respond to the complainant and refer the complaint to the appropriate place.

Taking information from your records, provide the complainant with a written summary of the complaint (this can be by email), remaining non-judgemental and using the complainant's own words where possible. This will help to check your understanding. Also include any actions you have taken or plan to take.

If the complaint is related to services provided by your council it will be handled by your complaints team, so provide the complainant with information about your council's complaints process, how to proceed with the complaint and what your involvement will/will not be. It is good practice for you to communicate with the complaints team yourself, so they are aware of your contact with the complainant. Make sure to pass on all the information you have gathered to date, including any supporting evidence.

If the complaint needs to be handled by another authority, explain to the complainant why this is and provide as much information as you can to direct them to the appropriate place. Again, explain what involvement, if any, you will have from this point on.

Keep track of progress

Check on progress with the complaints team. It is important to keep in touch with the complainant so that they feel supported and confident that their complaint is being processed.

Remember to keep your records updated with progress, and to keep records of any meetings or conversations that take place. Make sure you stick to the file naming and storage conventions you decided on earlier!

Resolution

At the end of the complaints procedure, the complaints team should notify the complainant of the outcome and what actions have or will be taken in response to the complaint. It is good practice for you to contact them as well, to check that they are happy with the result and to formally close the matter with them.

If the complaints team decides the complaint cannot or will not be resolved by the council, the complainant can raise the matter with the LGO. They can go directly to the LGO themselves, or you can complain on their behalf. Be sure to provide all the information you have been recording throughout the process.

The complainant also has the option of challenging the way a decision was made by the council (rather than the conclusion it reached) through a judicial review. However, legal action can be costly and complex for the complainant, whilst the local authority will usually be defended by an insurance company or their legal team. You should not give legal advice; refer your complainant to an organisation that can offer legal advice, such as the Citizen's Advice Bureau, Mind or the Children's Legal Centre.

Whatever the outcome, remember to update your records.

Identifying service improvement issues

As well as ensuring individual complaints are handled properly, as a local councillor you are also responsible for using information about complaints to inform and improve the services delivered by the council for your residents.

By reviewing information about complaints related to your council you will be able to spot patterns and trends highlighting issues affecting the wellbeing and living conditions of your residents. Try to establish a routine for this; for example, decide how often you will review your own complaints records, and consider opportunities for getting further information from your peers and colleagues.

Your complaints team will be able to tell you if they publish any information on the complaints they handle. The LGO, as the ombudsman dealing with council-related complaints, publishes several documents on its website which will be useful to you. These are:

Decision statements

The LGO publishes decisions statements, which detail the outcome of complaints that it investigates. These are anonymised to protect personal data but do contain the name of the local authority involved. Decisions are published three months after they are shared with the parties involved, to allow time for any further action to be taken. You can search through these decision statements by council and/or by topic.

Reports and further reports

Where the complaint raises issues of wider public interest, or where the local authority is unwilling to remedy the issues, the LGO may decide to issue a public report. This is a more detailed account of the investigation, which is shared with the parties involved in the complaint and with relevant media.

Where a local authority fails to comply with the recommendations contained in a report, the LGO may issue a further report to encourage local scrutiny of the council's decision not to remedy the injustice identified.

Reports, further reports and the accompanying press releases are published in the news section of the LGO website. Alternatively, you can type the name of your local authority into the search box and all information about your council will appear in the search results.

Annual review

In June/July each year, the chief executive and leader of every local authority receives an annual review from the LGO, with a view to encouraging democratic scrutiny. This provides an overview of the council's performance in responding to complaints, including data about how many complaints were referred to the LGO and their outcomes. It also raises any specific concerns, such as non-compliance with LGO recommendations and delays in responding to queries.

Annual reviews also cover complaints handling for social care services, and include information about private care providers.

Focus reports

When the LGO identifies that a particular aspect of local public services is gathering complaints, or where a trend is emerging, it publishes a focus report. These reports use case studies to identify common failings in service delivery and to highlight how such issues can be avoided in the future. Recent topics have included planning, homelessness, kinship carers and school admissions.



Finding LGO documents

The documents published by the LGO, as well as other relevant information such as factsheets, newsletters and guidance information, is available from their website:

www.lgo.org.uk

You can also sign up to receive a newsletter with details of recent interesting and significant decisions.



A case in point

When Pauline was appointed as deputy to look after Barry's affairs, she found that he had not been receiving his full right to council tax benefit. She applied for a backdating of the pensions benefit on Barry's behalf and was told by the Pensions Service that he was also eligible for council tax benefit from the same date.

The council accepted that it had received a notice from the Pensions Service and Barry had been entitled to pensions and credits from that date. The council's normal procedure meant that when notified, officers should contact the applicant to arrange for them to complete a claim form. It said officers should either post a form or arrange a visit to help fill in the form.

The council had no note on Barry's case file of a telephone conversation but maintained that it did try to help him with his claim. However, Pauline said no form was sent. The council said it did not receive any claim from Barry until one was sent on his behalf and it said Social Security legislation only allows a claim for council tax benefit to be backdated for three months.

Pauline felt this response was not adequate and considered the council at fault for the form not being submitted sooner. She took her complaint to the LGO.

The LGO found no evidence to support the council's claim that it telephoned Barry as it had no record of the call taking place, and there was no evidence of a follow-up letter or application form being sent.

The council subsequently agreed to redress the injustice Barry suffered for the loss of opportunity to apply for council tax benefit by giving him £1,000.

'A Case in Point' newsletter, December 2014, LGO website

Driving service improvement

As a councillor, you have a responsibility to act on any issues you identify with the services provided by your council. Use the information available to you to determine what questions you should be asking to scrutinise your council's services and the way they are provided. You can help to facilitate change by:

- raising concerns when you spot them
- making other people, such as the complaints team, your party peers and ward councillors, committees and boards, aware of your concerns
- participating on committees and boards so that you can actively influence change.

Your political party's priorities will also provide you with areas of focus and priority. Bear these in mind when you consider how you approach a complaints issue.



A social care example

The complaint

Mr X has limited mobility, which makes it difficult for him to write and do other things, such as shopping, cleaning and getting out and about. He has had to find an advocate to complain on his behalf because the council did not offer him access to one.

A recent re-assessment by the council of Mr X's care needs has resulted in him being given fewer hours of social care support a week. This means that he cannot go out to his weekly philosophy club and there is not enough time for his carers (from a private company) to get everything done in the house.

The LGO investigation

The law currently says the Council should consider relevant information from the Health Authority when completing a community care assessment. In this case, the council's social worker had sought information from Mr X's GP but when it was not provided, she had not followed it up. (The GP was on holiday and nobody had responded to the social worker's email as they didn't realise it was urgent – these assessments need to be completed within a certain amount of time.) By the time the GP had returned from holiday, the re-assessment had finished. The social worker had not talked to Mr X's carers.

Therefore the council was at fault for not completing the re-assessment of Mr X's needs properly because it did not include information from his GP and carers.

The law requires councils to help people to access recreational facilities outside their home. The social worker was unaware of this, and said the council could not help him attend his philosophy club as it was not something they needed to do; she suggested he ask a friend to transport him instead.

Therefore the social worker was at fault for not adequately explaining why she had reduced Mr X's hours of support.

Conclusion

If the social worker had included the information from Mr X's GP and carers, it would have been likely that Mr X's hours would have been increased, not decreased. His carers had said he was becoming increasingly isolated and depressed as he could no longer attend his philosophy group, which was the only social outing he had every week. His doctor had also noted that he was becoming withdrawn, and had concerns about his mental health. Mr X was paying for the extra care he needed because of his reduction in hours.

Remedy

The LGO recommended that the council should:

- do a proper re-assessment of Mr X's needs, taking into account information from the NHS Trust and his carers
- apologise to Mr X for the inadequate assessment and the distress it had caused him
- reimburse Mr X for the extra services he had needed to pay for because his hours were reduced
- liaise with the NHS Trust to ensure that information is provided for care assessments in a timely manner
- apologise for its failure to offer Mr X access to advocacy services, which is contrary to government advice on handling adult social care complaints
- offer Mr X £150 for the frustration, anxiety and distress he experienced.



Encouraging local scrutiny

More recent focus reports published by the LGO include suggested scrutiny questions to assist local councillors in scrutinising their own local authority. The focus report 'Not in my back yard: Local people and the planning process' provided the following list of questions about the planning process for councillors to ask officers.

- Does the council comply with the good practice checklist?
- What is the council's target for building new homes and is it likely to achieve this? Failure to provide new homes can have a significant effect on the local economy and housing market.
- What type of applications are currently decided by officers and should this be reviewed?
- How does the 'call-in' procedure work and how often is it used?
- How many of the council's decisions are overturned by the Planning Inspector?
- How many complaints does the council receive about decisions on planning applications, what are the outcomes and how has the council used them to improve its services?

Allerdale Borough Council used this focus report to update their own guidance to the public on how to respond to planning applications. It sought to manage people's expectations better by setting out more clearly the factors that a council can and cannot take into account when considering a planning application. The guidance referenced the LGO's focus report to provide assurance that it was based upon views offered by an independent ombudsman.

LGO website December 2014

www.lgo.org.uk

Final summary

The way you handle complaints and pursue issues of service improvement contributes to how effective you are as a ward councillor. You represent the people on your ward and their satisfaction with the services the council provides is a measure of your success.

To handle complaints effectively, and to help drive service improvement in your council:

- be prepared with all the information you need about how complaints are handled in your council
- recognise when a complaint needs to be referred to another organisation
- follow the complaints procedures set out by your council
- regularly review complaints data to identify trend or patterns
- raise any issues you identify as soon as possible.



Where do you go from here?

Look back over the material contained in earlier sections of this workbook and consider the following:

- a) Do you have all the information you need to handle complaints effectively?
- b) Does the way you process and record complaints enable you to review complaints data? Is there anything you could do better?
- c) Have you established a routine for regularly reviewing complaints information about your council? Have you reviewed the information available from the LGO website about your council?

Appendix – Sources of further information and support

You will find more detailed information and examples about complaints handling in the e-learning module that accompanies this workbook. Contact the Local Government Association for more information.

Guidance

Local Government Ombudsman

www.lgo.org.uk

Parliamentary and Health Service Ombudsman

www.ombudsman.org.uk

Housing Ombudsman

www.housing-ombudsman.org.uk

Printed publications

Advising residents about health and social care complaints: a guide for councillors, joint publication by the LGA and the Centre for Public Scrutiny, 2014.

Councillors' Guide, LGA 2014.

My expectations for raising concerns and complaints, joint publication about effective complaint handling from the view of the complainant, published by PHSO, LGO and Healthwatch (November 2014).

Other useful websites

www.info4local.gov.uk

Provides an online, one-stop gateway for local authorities to get quick and easy access to local government-related information that is published on the web sites of central government departments and agencies.

www.local.gov.uk

The Local Government Association's website provides invaluable sources of help and advice for all those in local government and contains guidance and case studies on all aspects of the councillor role.

www.upmystreet.com

Type in the relevant postcode for a wealth of social and economic information by neighbourhood.

www.local.gov.uk/about-lginform

Local Government Inform (LG Inform) is the LGA's benchmarking data service for councils and fire and rescue authorities. A new and improved version of LG Inform has been released, with improved performance and functionality.



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We consider requests on an individual basis.

AUDIT COMMITTEE - 27 NOVEMBER 2015

Title of paper:	TREASURY MANAGEMENT 2015/16 HALF YEARLY UPDATE	
Director(s)/ Corporate Director(s):	Glen O'Connell, Corporate Director for Resilience	Wards affected: All
Report author(s) and contact details:	Glyn Daykin, Finance Analyst - Treasury Management Tel: 0115 8763724 E-mail: glyn.daykin@nottinghamcity.gov.uk	
Other colleagues who have provided input:	Members of Treasury Management Panel: Geoff Walker, Director of Strategic Finance Jeff Abbott, Head of Strategic Finance Theresa Channell, Head of Corporate Finance Barry Dryden, Senior Finance Manager	
Recommendation(s):		
1	To note the treasury management actions taken in 2015/16 to date.	

1. REASONS FOR RECOMMENDATIONS

To ensure that Councillors are kept informed of the actions taken by the Chief Finance Officer (CFO) under delegated authority. The currently adopted Treasury Management Code of Practice requires the CFO to submit at least three reports on treasury management each year; a policy and strategy statement for the ensuing financial year, a 6-monthly progress report and an outturn report after the end of the financial year.

The CIPFA Prudential Code requires local authorities to nominate a body within the organisation to be responsible for scrutiny of treasury management activity. It is considered that the City Council's Audit Committee is the most appropriate body for this function. In undertaking this function, the Audit Committee holds the responsibility to provide effective scrutiny of treasury management policies and practices.

2. BACKGROUND

Treasury management is the management of a local authority's cash flows, borrowings and investments, together with the management of the associated risks and the pursuit of the optimum performance or return consistent with those risks. Since 1 April 2004 councils have been required to have regard to the Prudential Code. The Code requires treasury management to be carried out in accordance with good professional practice. The City Council retains external advisors to assist with this activity.

The Authority has borrowed and invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. This report covers treasury activity and the associated monitoring and control of risk.

The half yearly update report is scheduled to be considered by Executive Board on 22 December 2015.

3. TREASURY MANAGEMENT ACTIVITY TO 30 SEPTEMBER 2015

3.1 2015/16 Strategy

The overall Treasury Management Strategy for 2015/16 was approved by the City Council on 9 March 2015. Table 1 summarises the actions taken to 30 September 2015 against each of the main three elements of that strategy:

TABLE 1: TREASURY MANAGEMENT ACTIONS	
Strategy 2015/16	Actions to 30 September 2015
New borrowing – to raise up to £15.0m to finance new capital expenditure in the year and replace maturing long-term debt.	To 30 September, no new long-term borrowing had taken place (see 4.4).
Debt rescheduling – to consider any debt rescheduling or repayment opportunities which enable revenue savings to be generated in the year.	To 30 September, no debt rescheduling had taken place (see 4.5).
Investments – to ensure the security of funds invested through the application of a restricted counterparty list and the imposition of limits on the period and levels of individual investments. Within those confines, to maximise the return on investments.	The average return on investments from 1 April to 30 September 2014 was 0.664%. The benchmark average 7-day London Inter-Bank Bid (LIBID) rate for the same period was 0.460%. The 2015/16 budget assumed an average return of 0.750% for the period (see 4.8).

3.2 The Economy and Interest rates during 2015/16

The economy has remained resilient over the last six months. Although economic growth slowed in Q1 2015 to 0.4%, year/year growth to March 2015 was a relatively healthy 2.7%. Q2 2015 Gross Domestic Product (GDP) the main UK growth measure bounced back and was confirmed at 0.7%, with year/year growth showing slight signs of slowing, decreasing to 2.4%. GDP has now increased for ten consecutive quarters, breaking a pattern of slow and erratic growth from 2009.

The annual rate for consumer price inflation (CPI) briefly turned negative in April, falling to -0.1%, before fluctuating between 0.0% and 0.1% over the next few months. The Bank of England's projections for inflation expect inflation to gradually increase to around 2% over the next 18 months and then remain there in the near future.

Further improvement in the labour market saw the unemployment rate for the three months to July fall to 5.5%. In the September report, average earnings excluding bonuses for the three months to July rose 2.9% year/year.

The Bank of England Base Interest Rate of 0.50% has been so far unchanged in 2015. Although the UK has shown some economic growth during the year, this is developing slowly and it is currently expected that the base rate will remain at its present level for at least the first half of 2016.

Appendix B shows the money market interest rates and the PWLB borrowing rates for the half-year to 30 September 2015.

3.3 Local Context

At 31/3/2015 the Council's underlying need to borrow for capital purposes, as measured by the Capital Financing Requirement (CFR), was £960.733m, while usable reserves and working capital which are the underlying resources available for investment were £363.415m. At 31/3/2015, the Council had £687.961m of borrowing, £124.536m other liabilities, including Private Finance Initiative (PFI) debt and £216.120m of investments. The Authority's current strategy is to maintain borrowing and investments below their underlying levels, referred to as internal borrowing, subject to holding a minimum investment balance in the region of £30m.

The Council has an increasing CFR over the next 3 years due to the capital programme, and expects to hold minimal investments and will therefore anticipate borrowing up to £115m over the forecast period.

3.4 Borrowing strategy

At 30/9/2015 the Council held £690.813m of loans, an increase of £2.852m on the 31/3/2015 balance, due to short term borrowing although no new long-term borrowing has been taken to date in 2015/16 as part of its strategy for funding previous years' capital programmes.

The Council expects to borrow up to £15.000m in 2015/16. The chief objective when borrowing continues to be striking an appropriately low risk balance between securing low interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the long-term plans change being a secondary objective.

Affordability and the 'cost of carry' remained important influences on the Council's borrowing strategy alongside the consideration that, for any borrowing undertaken ahead of need, the proceeds would have to be invested in the money markets at rates of interest significantly lower than the cost of borrowing. As short-term interest rates have remained lower than long-term rates and are likely to remain so for at least the next two years, the Council determined it was more cost effective in the short-term to use internal resources instead

The benefits of internal borrowing were monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise. Arlingclose assists the Council with this 'cost of carry' and breakeven analysis.

Temporary and short-dated loans borrowed from the markets, predominantly from other local authorities, has also remained affordable and attractive. £26.0m of such loans were borrowed at an average rate of 0.43% and an average life of 2 months which includes the replacement of maturing loans.

Table 2 summarises the Council's outstanding external debt at 30 September 2015 showing the value of debt and the average interest rate payable on the debt:

TABLE 2: DEBT PORTFOLIO		
	30 SEP 2015	
DEBT	£m	%
PWLB borrowing	627.006	3.850
Market loans	49.000	4.348
Local bonds & stock	0.620	3.000
Temporary borrowing	14.186	0.422
TOTAL DEBT	690.813	3.814

3.5 Debt rescheduling

The penalties (premia) for the early repayment of Public Works Loan Board (PWLB) debt, which constitutes over 90% of the Council's existing long-term borrowing, have remained prohibitively high. Therefore, no opportunities for debt rescheduling arose in the first half of 2015/16

3.5 PWLB Certainty Rate and Project Rate Update

The Council qualifies for borrowing at the 'Certainty Rate' (0.20% below the PWLB standard rate) for a 12 month period from 01/11/2014. In April the Council submitted its application to the DCLG along with the 2015/16 Capital Estimates Return to access this reduced rate for a further 12 month period from 01/11/2015.

3.6 Lender's Option Borrower's Options (LOBO) Loans

The Council holds £49.000m of LOBO loans where the lender has the option to propose an increase in the interest rate at set dates, following which the Council has the option to either accept the new rate or to repay the loan at no additional cost. £34.000m of these LOBO loans have options during the year, none of which have been exercised by the lender. The Council acknowledges there is an element of refinancing risk even though in the current interest rate environment lenders are unlikely to exercise their options.

3.7 Housing Revenue Account (HRA) Treasury Management Strategy

From 1 April 2002, the Council's HRA was allocated a separate debt portfolio based on the appropriate proportion of the Councils existing debt at that time. As a result of existing debt maturing, and not being replaced, the HRA accumulates an internal borrowing position. The interest payable in 2015/16 is expected to be £12.322m at an average rate of 4.40%. This includes £37.161m of fixed rate internal borrowing on a maturity loan basis for 30 years.

3.8 Investments

The Council has held significant investment balances over the last few years, representing income received in advance of expenditure plus balances and reserves held. Cash flow forecasts indicated that during 2015/16 the Council's investment balances would range between £50m and £220m.

The Guidance on Local Government Investments in England gives priority to security and liquidity and the Council's aim is to achieve a yield commensurate with these principles.

Table 3 below summarises investment activity in 2015/16.

TABLE 3 - Investment Activity in 2015/16

Investments	Balance on 01/04/2015 £m	Balance on 30/09/2015 £m	Avg Rate/Yield (%) Avg days to maturity
Short term Investments (call accounts, deposits)			
- Banks and Building Societies with ratings of A- or higher	90.0	25.0	0.76% / 93
- Local Authorities	45.0	10.0	0.98% / 79
Long term Investments			
- Local Authorities	10.0	10.0	1.40% / 537
UK Government:			
- Treasury Bills	0.0	10.0	0.54% / 96
Money Market Funds	47.2	12.6	0.49% / 1
Other Pooled Funds			
- Cash Plus funds (<i>VNAV fund</i>)*	0.0	10.0	0.71% / 3
TOTAL INVESTMENTS **	192.2	77.6	0.79% / 122
- Increase/ (Decrease) in Investments £m		(114.6)	

Note:

* Cash Plus Fund is recommended to be held for at least 9 months, but requires 3 days notice to mature. Units held 9,974,256.45 at 100.15p at 30/09/2015.

** excludes remaining balance held in Icelandic ISK Escrow account and LEP Growth Fund monies

The £114.6m decrease in balances is a reflection of the overall strategy to reduce credit risk exposure by reducing investment balances by the delaying of taking new long term borrowing to fund the capital programme and the repaying of maturing debt. In August the Council paid over £100m towards the NET tram scheme for which it had borrowed in advance of need and had been carrying within its short term investments.

Security of capital has remained the Council's main investment objective. This has been maintained by following the Council's counterparty policy as set out in its Treasury Management Strategy Statement for 2015/16.

Counterparty credit quality was assessed and monitored with reference to credit ratings (the Council's minimum long-term counterparty rating is B+ across rating agencies Fitch, S&P and Moody's); credit default swap prices, financial statements, information on potential government support and reports in the quality financial press.

Given the increasing risk and continued low returns from short-term unsecured bank investments, and having estimated that £10.0m is available for longer-term investment, the Council sought to access the security of covered bonds via pooled funds which have the advantage of diversifying investment risks without the need to own and manage the underlying investments, coupled with professional fund management. The recommended minimum 9 month duration is to mitigate against short-term volatility on the funds variable net asset value.

Appendix A provides details of the Council's external investments at 30 September 2015, analysed between investment type and individual counterparties showing the current Fitch long-term credit rating.

3.9 Credit Risk

Counterparty credit quality as measured by credit ratings is summarised below:

Date	Value Weighted Average – Credit Risk Score	Value Weighted Average – Credit Rating	Time Weighted Average – Credit Risk Score	Time Weighted Average – Credit Rating
31/03/2015	3.95	AA-	3.34	AA
30/06/2015	3.91	AA-	2.83	AA
30/09/2015	3.34	AA	2.87	AA

Scoring:

-Value weighted average reflects the credit quality of investments according to the size of the deposit

-Time weighted average reflects the credit quality of investments according to the maturity of the deposit

-AAA = highest credit quality = 1

- D = lowest credit quality = 26

-Aim = A- or higher credit rating, with a score of 7 or lower, to reflect current investment approach with main focus on security

3.10 Counterparty Update

All three credit ratings agencies have reviewed their ratings in the six months to reflect the loss of government support for most financial institutions and the potential for varying loss given defaults as a result of new bail-in regimes in many countries. Despite this reduction in government support many institutions have seen upgrades due to an improvement in their underlying strength and an assessment that that the level of loss given default is low.

At the end of July, the Council's treasury advisors Arlingclose advised an extension of recommended durations for unsecured investments in certain UK and European institutions, following improvements in the global economic situation and the receding threat of another Eurozone crisis.

3.11 Icelandic Bank deposits – update

The administrators for the recovery of Glitnir Bank deposits (£11m) have made repayment to all priority creditors, including the City Council, in full settlement of the accepted claims. However, approximately 21% (£2.3m) of this sum has been paid in ISK. Because of ongoing currency restrictions in Iceland, this sum is currently retained in an interest-bearing account with the Central Bank of Iceland, pending resolution of the currency release issues.

The administrators of Heritable made a further £0.635m payment on 26 August 2015, this increased the repayments to date to 98p in the pound. No other payments have been received up to 30 September 2015.

3.12 Compliance with Prudential Indicators

The Council confirms compliance with its Prudential Indicators for 2015/16 set on 9 March 2015 as part of the Council's Treasury Management Strategy Statement.

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

Interest Rate Exposures: This indicator is set to control the Council's exposure to interest rate risk. The limits on fixed and variable rate interest rate exposures on its debt are:

	2015/16 %	2016/17 %	2017/18 %
Upper limit on fixed interest rate-debt	50-100	50-100	50-100
Actual	89		
Upper limit on variable interest rate exposure	0-50	0-50	0-50
Actual	11		

Maturity Structure of Borrowing: This indicator is set to control the Council's exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

	Lower	Upper	Actual
Under 12 months	0%	25%	3%
12 months and within 24 months	0%	25%	2%
24 months and within 5 years	0%	25%	15%
5 years and within 10 years	0%	50%	18%
10 years and within 25 years	0%	50%	32%
25 years and within 40 years	0%	25%	21%
40 years and above	0%	75%	9%

Principal Sums Invested for Periods Longer than 364 days: 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 will be:

Operational Boundary and Authorised Limit for External Debt: The operational boundary is based on the Council's estimate of most likely, i.e. prudent, but not worst case scenario for external debt. The authorised limit is the affordable borrowing limit determined in compliance with the Local Government Act 2003. It is the maximum amount of debt that the Council can legally owe. The authorised limit provides headroom over and above the operational boundary for unusual cash movements.

	2014/15 (max in year £m)	2015/16 (max to date £m)
Total Debt including PFI	803.9	929.7
Operational Boundary	1041.6	1,030.5
Authorised Limit	1091.6	1,050.5

3.13 Adoption of the CIPFA Treasury Management Code

The Council adopted the Chartered Institute of Public Finance and Accountancy's *Treasury Management in the Public Services: Code of Practice 2011 Edition* in March 2012.

3.14 Training

To support the Audit Committee in their role as the body responsible for the scrutiny of treasury management activities a training session on Treasury Management was delivered at Loxley House on 7 August 2015.

3.15 Outlook for Q3 and Q4 2015/16

Arlingclose's expectation for the first rise in the Bank Rate (base rate) remains the second calendar quarter of 2016. The pace of interest rate rises will be gradual and the extent of rises limited. The appropriate level for Bank Rate for the post-crisis UK economy is likely to be lower than the previous norm. We would suggest this is between 2.0% and 3.0%. There is also sufficient momentum in the US economy for the Federal Reserve to raise interest rates in 2015, although risks of issues from China could possibly push this back.

The weak global environment and resulting low inflation expectations are likely to dampen long term interest rates. We project gilt yields will follow a shallow upward path in the medium term, with continuing concerns about the Eurozone, and other geo-political events, weighing on risk appetite, while inflation expectations remain subdued. The uncertainties surrounding the timing of UK and US interest rate rises, and the Chinese stock market-led turmoil, are likely to prompt short term volatility in gilt yields.

3.16 General Fund Revenue Implications

Treasury management payments comprise interest charges and receipts and provision for repayment of debt. A proportion of the City Council's debt relates to capital expenditure on council housing and this is charged to the HRA. The remaining costs are included within the treasury management section of the General Fund budget. The General Fund Treasury Management budget is £47.237m for 2015/16.

3.17 An estimated outturn for 2015/16 is included in the quarter 2 revenue monitoring report on the 22 December 2015 Executive Board agenda. The budget for 2016/17 will be submitted with the 2016/17 treasury management strategy, in February 2016.

3.18 Risk management

Risk management plays a fundamental role in treasury activities, due to the value and nature of transactions involved. The management of specific treasury management risks is set out in the Manual of Treasury Management Practices and Procedures and a risk register is prepared for the treasury function.

The key Strategic Risk relating to treasury management is SR17 'Failure to protect the Council's investments'. The rating for this risk at 30 September 2015 was Likelihood = unlikely, Impact = moderate which represents the same risk assessment as at 31 March 2015. The Treasury Management working group continue to manage this risk and take appropriate actions as required.

4. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

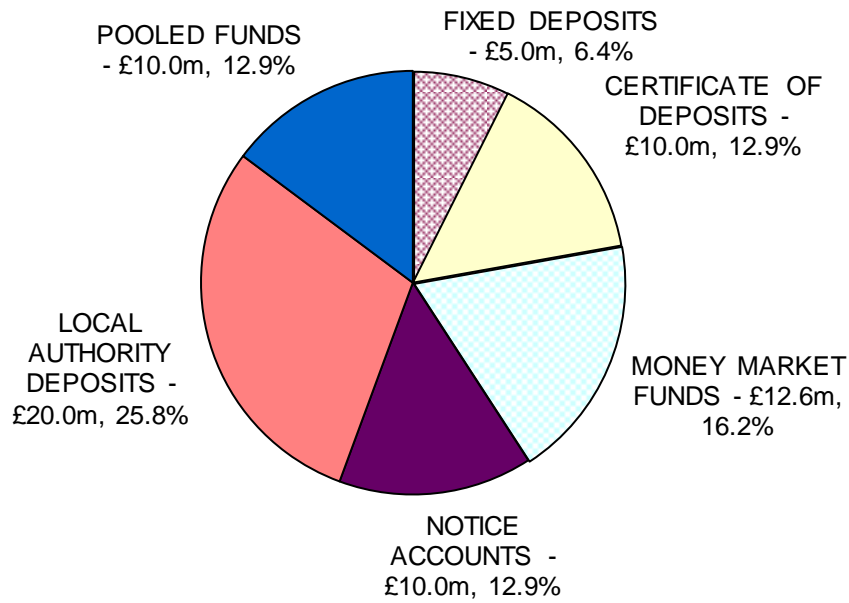
None.

5. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

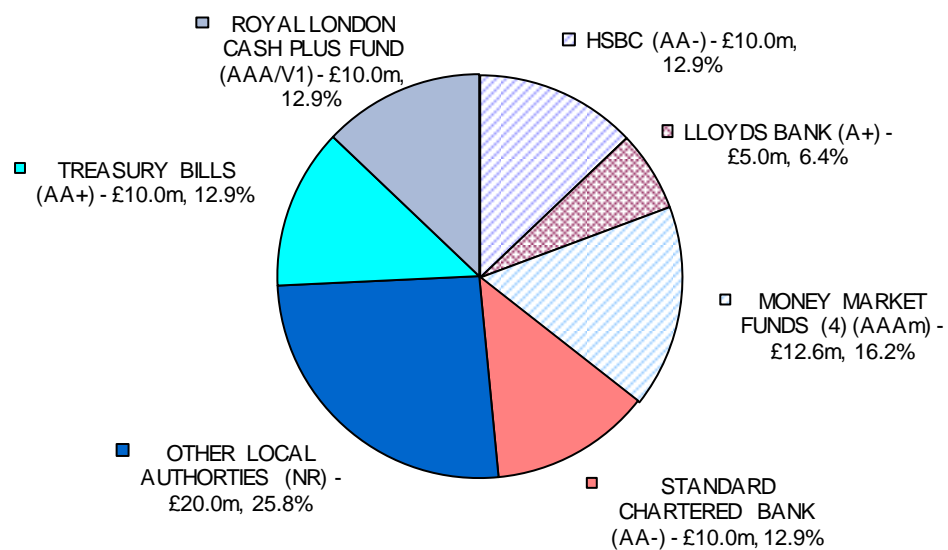
Treasury Management in the Public Services, Code of Practice 2011 – CIPFA

CIPFA statistics, Bloomberg sourced Money Market rates and PWLB loan rates 2015/16.

Type of Investments as at 30 September 2015



Investment and Fitch credit long-term rating as at 30 September 2015





Investment Benchmarking

30 September 2015

	Nottingham	22 English Unitaries Average	122 Local Authorities Average
Internal Investments	£67.6m	£63.3m	£75.7m
External Funds	£10.0m	£6.6m	£7.1m
TOTAL INVESTMENTS	£77.6m	£70.6m	£82.7m

Security

Average Credit Score	3.34	4.15	4.23
Average Credit Rating	AA	AA-	AA-
Average Credit Score (time-weighted)	2.87	3.66	3.75
Average Credit Rating (time weighted)	AA	AA-	AA-
Number of Counterparties / Funds	8	13	14
Proportion Exposed to Bail-in	56%	69%	68%

Liquidity

Proportion Available within 7 days	42%	41%	43%
Proportion Available within 100 days	74%	72%	72%
Average Days to Maturity	140	118	52

Market Risks

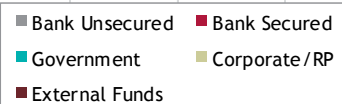
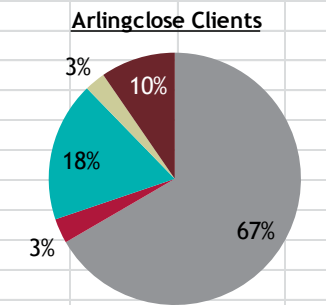
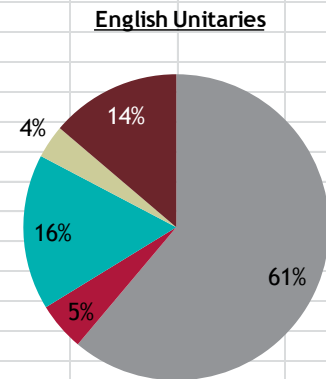
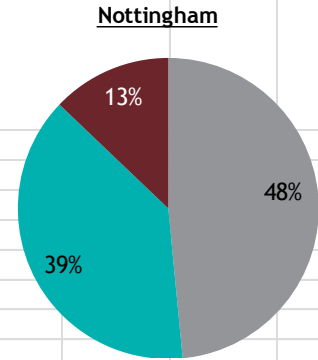
Average Days to Next Rate Reset	148	109	68
External Fund Volatility	0.1%	1.5%	2.6%

Yield

Internal Investment Return	0.80%	0.62%	0.66%
External Funds - Income Return	0.71%	4.12%	3.14%
Total Investments - Income Return	0.79%	1.12%	0.87%

Notes

- Unless otherwise stated, all measures relate to internally managed investments only, i.e. excluding external pooled funds.
- Averages within a portfolio are weighted by amount, but averages across authorities are not weighted.
- Credit scores are calculated as AAA = 1, AA+ = 2, etc.
- Volatility is the standard deviation of weekly total returns, annualised.



Money Market Data and PWLB Rates

The average, low and high rates correspond to the rates during the financial year rather than those in the tables below.

Please note that the PWLB rates below are Standard Rates. Authorities eligible for the Certainty Rate can borrow at a 0.20% reduction.

Table 1: Bank Rate, Money Market Rates

Date	Bank Rate	O/N LIBID	7-day LIBID	1-month LIBID	3-month LIBID	6-month LIBID	12-month LIBID	2-yr SWAP Bid	3-yr SWAP Bid	5-yr SWAP Bid
01/04/2015	0.50	0.35	0.46	0.43	0.51	0.76	0.97	0.87	1.05	1.32
30/04/2015	0.50	0.35	0.48	0.43	0.52	0.74	0.98	1.00	1.21	1.51
31/05/2015	0.50	0.43	0.50	0.43	0.52	0.75	0.98	0.97	1.18	1.49
30/06/2015	0.50	0.35	0.45	0.43	0.52	0.79	0.99	1.09	1.35	1.68
31/07/2015	0.50	0.32	0.43	0.43	0.53	0.79	1.01	1.10	1.33	1.66
31/08/2015	0.50	0.42	0.40	0.43	0.54	0.82	1.02	1.03	1.24	1.61
30/09/2015	0.50	0.37	0.41	0.43	0.54	0.74	1.00	0.93	1.11	1.41
Average	0.50	0.40	0.46	0.43	0.53	0.76	0.99	1.03	1.25	1.58
Maximum	0.50	0.48	0.58	0.56	0.65	0.86	1.02	1.17	1.44	1.82
Minimum	0.50	0.17	0.40	0.43	0.51	0.55	0.97	0.87	1.04	1.29
Spread	--	0.31	0.18	0.13	0.14	0.31	0.05	0.30	0.40	0.53

Table 2: PWLB Borrowing Rates – Fixed Rate, Maturity Loans

Change Date	Notice No	1 year	4½-5 years	9½-10 years	19½-20 years	29½-30 years	39½-40 years	49½-50 years
01/04/2015	128/15	1.32	2.07	2.66	3.21	3.34	3.30	3.28
30/04/2015	166/15	1.41	2.27	2.90	3.44	3.55	3.50	3.48
29/05/2015	204/15	1.44	2.26	2.90	3.44	3.54	3.48	3.45
30/06/2015	248/15	1.48	2.44	3.13	3.65	3.72	3.64	3.60
31/07/2015	294/15	1.54	2.45	3.07	3.56	3.62	3.54	3.49
28/08/2015	334/15	1.47	2.30	2.92	3.47	3.54	3.44	3.40
30/09/2015	379/15	1.44	2.19	2.79	3.42	3.50	3.42	3.39
	Low	1.31	2.02	2.60	3.16	3.28	3.23	3.21
	Average	1.46	2.32	2.96	3.51	3.59	3.52	3.49
	High	1.55	2.55	3.26	3.79	3.87	3.80	3.78

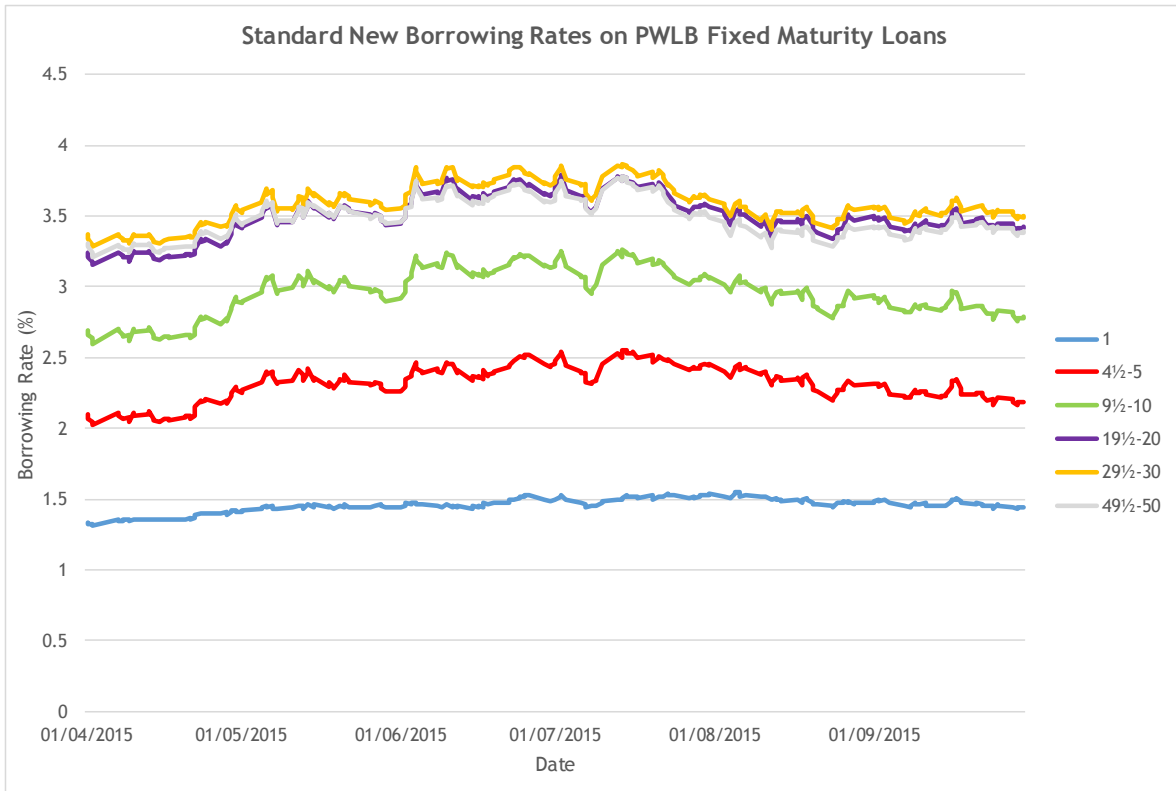


Table 3: PWLB Borrowing Rates – Fixed Rate, Equal Instalment of Principal (EIP) Loans

Change Date	Notice No	4½-5 yrs	9½-10 yrs	19½-20 yrs	29½-30 yrs	39½-40 yrs	49½-50 yrs
01/04/2014	127/15	1.63	2.11	2.68	3.00	3.22	3.32
30/04/2014	166/15	1.79	2.31	2.92	3.24	3.45	3.54
29/05/2014	204/15	1.78	2.30	2.93	3.26	3.45	3.53
30/06/2014	248/15	1.90	2.49	3.15	3.47	3.65	3.72
31/07/2014	294/15	1.96	2.50	3.09	3.39	3.57	3.63
28/08/2014	334/15	1.83	2.34	2.94	3.27	3.48	3.55
30/09/2014	379/15	1.76	2.23	2.82	3.19	3.43	3.51
	Low	1.60	2.06	2.62	2.94	3.16	3.26
	Average	1.84	2.37	2.99	3.31	3.51	3.59
	High	1.99	2.60	3.28	3.61	3.79	3.87

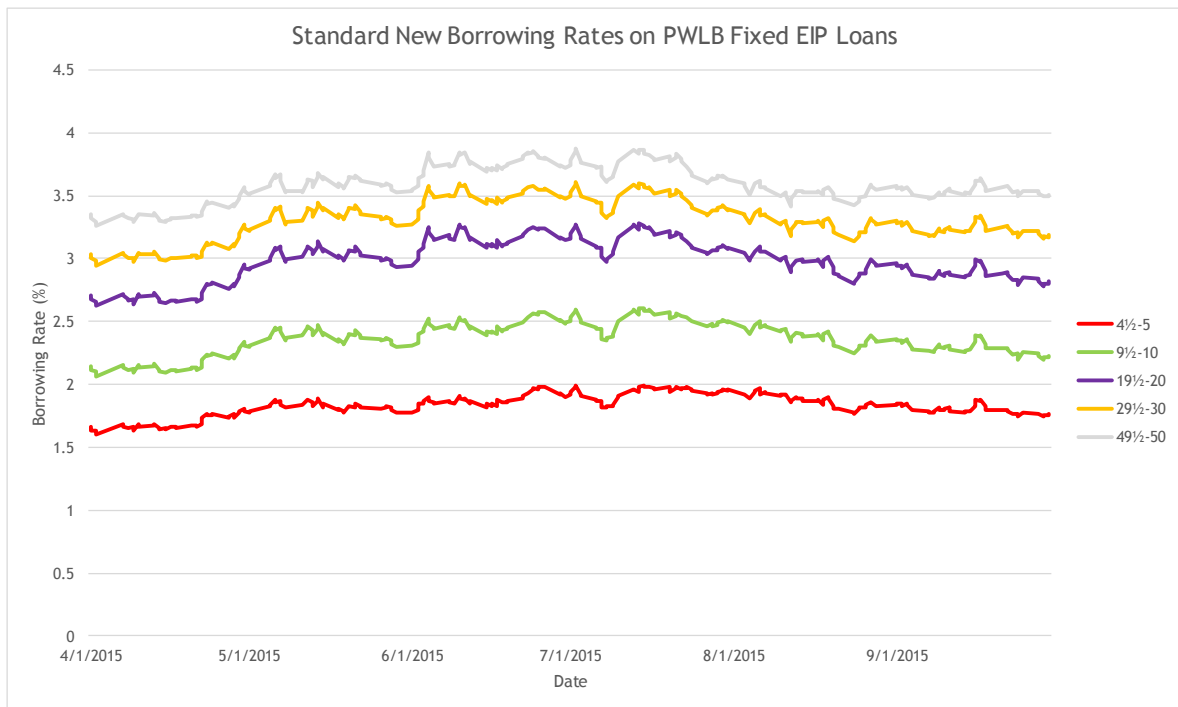


Table 4: PWLB Variable Rates

	1-M Rate	3-M Rate	6-M Rate	1-M Rate	3-M Rate	6-M Rate
	Pre-CSR	Pre-CSR	Pre-CSR	Post-CSR	Post-CSR	Post-CSR
01/04/2015	0.62	0.63	0.66	1.52	1.53	1.56
30/04/2015	0.62	0.64	0.67	1.52	1.54	1.57
29/05/2015	0.62	0.65	0.68	1.52	1.55	1.58
30/06/2015	0.62	0.66	0.70	1.52	1.56	1.60
31/07/2015	0.62	0.66	0.72	1.52	1.56	1.62
28/08/2015	0.62	0.66	0.70	1.52	1.56	1.60
30/09/2015	0.66	0.67	0.76	1.56	1.57	1.66
Low	0.62	0.61	0.66	1.52	1.51	1.56
Average	0.63	0.65	0.70	1.53	1.55	1.60
High	0.66	0.69	0.78	1.56	1.59	1.68

AUDIT COMMITTEE - 27 NOVEMBER 2015

Title of paper:	INTERNAL AUDIT REPORT SELECTED FOR EXAMINATION	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Shail Shah Head of Internal Audit ☎ 0115-8764245 ✉ shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	<p>To critically appraise the Internal Audit reports at Appendix 1 and 2 to:-</p> <ul style="list-style-type: none"> • Determine whether the service’s response was sufficiently proportionate, robust and prompt; • Make any further observations and/or comments considered relevant • Determine any further action. 	

1. REASONS FOR RECOMMENDATIONS

This report presents the reports selected for detailed examination, at the Committee’s June 2015 meeting. The Audit Committee’s role is to determine whether the action taken by the audited service was sufficiently robust and prompt in response to the audit findings. Colleagues from Internal Audit and the reviewed service will be present at the meeting to assist this activity.

- **Appendix 1** is the selected Foster Caring and Adoption report
- **Appendix 2** is the selected Budgetary Control report
- **Tables A and B** below summarise the key issues found respectively.

1.1 Summary of 2014/15 Foster Caring and Adoption Report

TABLE A – Foster Caring and Adoption					
Reason for audit: The Audit selected was performed as part of the planned Internal Audit coverage. Appendix 1 contains the latest position as reported as part of the 2014/15 Internal Audit Plan.					
Latest level of Assurance : SIGNIFICANT					
<u>Key findings</u>					
The review confirmed a previous audit concern that the Foster Care and Adoption IT system was mainly run through spreadsheets and an in-house database which lacked integration with other departmental systems. However the review highlighted that a procurement process for a new system was underway to not only replace these systems but also other IT systems used by Children and Families.					
Recommendations Update					
Total:	0	High Priority:	0	Medium Priority:	5

1.2 Summary of 2014/15 Budgetary Control Report

TABLE B – Budgetary Control					
Reason for audit: The Audit selected was performed as part of the planned Internal Audit coverage. Appendix 1 contains the latest position as reported as part of the 2014/15 Internal Audit Plan.					
Latest level of Assurance : SIGNIFICANT					
<u>Key findings</u>					
The review found that the key controls were operating although there is an on-going issue concerning the way in which budget reports are produced. Whilst this is not an ideal arrangement, plans are being formulated to allow for an on-line reporting for management tool to be utilised by all managers.					
Recommendations Update					
Total:	0	High Priority:	0	Medium Priority:	0

2. **BACKGROUND**

The critical selection of Internal Audit reports by Audit Committee is an important aspect of the Council's governance framework which informs the Committee's understanding of the Council's internal control environment and the levels of assurance being reported by Internal Audit. Issues to consider are:

- The service's response to the audit recommendations;
- The speed and robustness of the actions taken to address the recommendations;
- Whether there are any learning points or principles that could be applied in future audit or governance work;
- The actual findings and the impact on the service and the council overall.

This list is for guidance only and the Committee is at liberty to explore other governance issues.

3. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None

4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

None

**FINAL INTERNAL AUDIT REPORT
Foster Care & Adoption 2014-15**

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Distribution List

Issue Date: 13th February 2015
Issued to: Paul Wilkinson, Business Manager
Copied to: Steve Comb , Head of Children in Care
Helen Blackman, Director of Children's Social Care
Alison Michalska, Corporate Director Children & Adults
Geoff Walker, Director of Strategic Finance (Acting)

Contact Details:

Head of Internal Audit	Shail Shah	87 64245
Audit Manager	Simon Parsons	87 64246
Lead Auditor	Ann Ross	87 64235
Auditor	Thomas Loftus	87 64289

Executive Summary

Introduction and Background

- 1.1 We have reviewed the operation of the Foster and Adoption Payments system as part of the 2014/15 Audit Plan.
- 1.2 The scope of the audit covered the following areas:
 - Follow up on previous recommendations
 - Payments made to foster carers and adopters
 - Verification of adoption rates produced by the City Council
 - Review of means tested assessments
 - Recovery of car loans
 - Debt recovery where overpayments have been generated

Key Findings

- 1.3 The Foster Care and Adoption IT system is mainly run through spreadsheets and an in-house database which interfaces with Oracle in order to raise payments to carers. Concerns have been raised by Internal Audit over a number of years regarding its lack of integration with other departmental systems i.e. Carefirst. It is understood that a tender for a new fully integrated children and adults social care system is to be sent out by December 2014, with a proposed implementation date of April 2016. The new system is expected to not only replace the foster care and adoption database and spreadsheets but numerous other IT systems used by Children and Families.
- 1.4 Foster carers receive an allowance that is set annually by Nottingham City Council. The Senior Finance Officer (SFO) annually receives notification of the new allowance rates and payment data from the Finance Analyst and inputs the rates into the system which is then checked by the Business Manager. Evidence of this check is provided by signed screen prints. A sample of payments made to carers was checked to ensure payments were valid and authorised. No concerns were noted. Although the majority of carers received the approved rate there are a number of carers who receive an enhanced amount due to them transferring from a private agency and the payments being protected. No authorisation could be located to confirm these payments within our sample.
- 1.5 Means tests assessments are performed annually in order to reassess the allowances provided to certain types of carers and adopters. This process involves examining the household income, expenditure, the household make up, and the needs of the child. A formula is used to calculate the allowance payable. For those whose sole income comprises of state benefits the maximum allowance is paid. Testing found that although the assessments appear to have been calculated correctly, no verification of income and expenditure could be found since the supporting documents are returned to the claimant. It was also noted that only two of the means tests could be evidenced as having been checked by the Business Manager.

- 1.6 Interest free car loans have been made to eleven carers since 2007 with four of these carers receiving additional loans. Repayment of these loans is made via deductions from the carers allowance and concerns have been raised in previous audits as to how these loans are being monitored to ensure complete recovery. Testing found that there is still no periodical reconciliation of outstanding loans despite this being recommended in previous Internal Audit reviews. Due to the loans being recovered through deductions in the carers allowance, if the carer takes on a new child and there is a break in the carers allowance, then the deductions are automatically stopped. Of the eleven loans initially made:-
- one had been paid in full.
 - four were currently being recovered through deductions from the carers allowance.
 - five had automatically stopped when the carer had a break in payments and deductions had not been re-instated, it should be noted that on occasions, two years, had lapsed since the deductions had automatically stopped.
 - one loan (£10,000) due to non-recovery by the service area had been raised as a debtor through the Accounts Receivable system and is currently being recovered.
- 1.7 Overpayments can arise when a child moves from a carer during a pay period. These are subsequently repaid through deductions from other allowances, a cheque from the carer or through Accounts Receivable. Previous audits have raised concerns over the lack of monitoring of overpayments and it is pleasing to see that a spreadsheet is now in use for monitoring purposes, although some minor improvements have been recommended in this report.
- 1.8 Testing was undertaken on a sample of overpayments to ensure recovery action had been undertaken. It was noted that in 2 cases although the spreadsheet had been marked as repaid, no evidence could be found of this on the carers account. It was also noted on the spreadsheet that two overpayments had been repaid by cheque, however, no evidence could be found of these being banked by Cashiers.
- 1.9 Payments to foster carers and adopters are essential in ensuring looked after children are properly cared for. It is therefore important that the department has contingencies in place to ensure these payments continue if the SFO is not available. It is understood that while there is partial written guidelines, these do not cover all aspects of the role. It was recommended that these be made comprehensive for every activity performed by the SFO's role.

Opinion

- 2.0 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief. We are able to give **Significant Assurance** on the controls in this area.

Summary of Recommendations

- 3.0 Details of all of the issues arising from this review, along with our recommendations and management responses, are set out in the attached Action Plan.
- 3.1 Within the Action Plan we have assigned a priority ranking to each recommendation to reflect the degree of risk that the issue that they relate to pose in the context of the audited area and hence the urgency with which the recommended actions should be addressed. The recommendations are summarised as follows:

Priority	Number of Recommendations
High	0
Medium	5
Low	3
Total	8

Added Value

- 4.0 In addition to the assurance provided, testing identified overpayment repayments that had been marked as paid but were subsequently found not to have been. These can now be recovered and car loans that were not being recovered.

Responsibilities

- 5.0 Whilst a number of recommendations are included in this report, it is the responsibility of management to determine the action that will be taken in response to each recommendation. Management should assess the risks to the objectives involved and the cost-effectiveness of the control improvements suggested
- 5.1 It is expected that management will respond to this draft report within 10 working days of receipt.
- 5.2 Management is responsible for ensuring that all agreed recommendations are implemented within the agreed timescales.
- 5.3 The City Council's Audit Committee review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary. As a consequence we provide details of each final audit and recommendations made. Management may be required to attend Committee or respond to it in relation to actions agreed and taken
- 5.4 Management should note that any recommendations that relate to Financial Regulations must be implemented unless a satisfactory business case has been agreed justifying why the recommendation will not be implemented.

Detailed Findings and Action Plan

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
1	<p><u>Means Tests: Supporting documents</u></p> <p>Means testing is undertaken annually for all carers and adopters. Carers are asked to provide evidence of any income and expenditure by way or original documents i.e payslips, mortgage statements etc. Testing found that although the assessments appear to have been calculated correctly, no verification of income and expenditure could be evidenced as the supporting documents are returned to the claimant.</p> <p>Of the sample selected, only two means tests could be evidenced as having been verified by the Business Manager.</p> <p><u>Risk</u> Calculations could not be independently verified.</p>	<p>Copies of all supporting documentation should be retained. Copies should be kept secure with access limited.</p> <p>All means tests should be checked by an independent colleague.</p>	Medium	<p>Scanned copies of documents will be saved into a restricted folder with password protection. Originals to be returned to carers.</p> <p>Process was that if a reassessment resulted in no change then management sign off was not required. This is now amended so all assessments and reassessments are signed off.</p> <p>Folder restricted to SFO and BM</p>	<p>31/01/2015 – SFO/BM</p> <p>Complete</p>
2	<p><u>Car Loans: Monitoring</u></p> <p>Despite previous Internal Audit recommendations requiring all car loans be reconciled on a periodic basis there is still no reconciliation undertaken. Repayments cease when a carer has a break in fostering and have to be manually reinstated. It was noted that in two cases the repayments had ceased in 2012 and no recovery action has since taken place. A periodic reconciliation would have highlighted this event.</p> <p><u>Risk</u> Repayments may not be made at all or carers may</p>	<p>Loan repayments should be monitored and reconciled on a periodic basis.</p>	Medium	<p>Due to changes from oneworld to Oracle we are unable to reconcile repayments ourselves, however the financial accountant maintains a schedule of repayments. Outstanding loans where a carer has had a break are being restarted and in some cases will be raised as a debtor with agreed monthly payments.</p>	<p>All outstanding loans will be restarted and letters sent re-repayments by 01/04/2015- SFO/BM</p> <p>30/10/2015 - Complete</p>

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
	over/under pay.			Before any new scheme is agreed the process will include repayments will be raised as a debtor.	
3	<p><u>Car Loans: Recovery</u> A full reconciliation of outstanding car loans was performed to ensure repayments had been made against the appropriate loans. It was noted that in 5 instances the repayments had ceased, however, monies were still owed against these loans.</p> <p><u>Risk</u> Monies owed to the authority are not recovered</p>	Appropriate action should be taken to ensure continual recovery of the outstanding loans.	Medium	As per above	30/10/2015 - Complete
4	<p><u>Overpayments: Recording</u> A sample of overpayments was selected from the Overpayment spreadsheet to ensure full recovery action had been taken.</p> <ul style="list-style-type: none"> • 21 overpayments had been recovered satisfactory. • 2 of the cheques received could not be verified as being banked by Cashiers. • 2 of the overpayments recovered could not be evidenced as being deducted from the carer's allowance. <p><u>Risk</u> Cheques may become lost/misplaced and there is no record of who has or has not had them.</p>	The SFO should follow up all queries raised during the overpayment testing and take appropriate action.	Medium	<p>Senior Finance Officer to confirm with cashiers 14 days after sending a repayment cheque that it has been received and cashed.</p> <p>None recovery of 2 overpayments has been corrected and now recovered.</p>	<p>SFO to fully implement system by 01/04/2015</p> <p>Complete</p>

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
5	<p><u>Overpayments: Spreadsheet</u></p> <p>Although a spreadsheet is used for the recording of all overpayments it does not show all relevant information i.e. date of overpayment, date of letter sent to care. Without this information we are unable to evidence that prompt recovery action has taken place.</p> <p><u>Risk</u> A lack of some details may lead to difficulty in organising repayments.</p>	<p>The following extra columns could be added :-</p> <ul style="list-style-type: none"> • Date of overpayment • Date of letter sent to carer • Date of response from carer • Date of cheque received • Date of cheque sent to cashiers • Action taken (if no reply/repayment) 	Low	Spreadsheet has been amended	Complete
6	<p><u>Overpayments: IT Security</u></p> <p>The spreadsheet that records repayments is kept on a shared drive with no password protection.</p> <p><u>Risk</u> This could leave it vulnerable if illegitimate or erroneous changes being made.</p>	Access to the spreadsheet should be limited by using a password.	Low	Password applied and saved in restricted area of J drive	Complete

Ref	Finding Risk	Recommendation	Priority	Management Response	Responsibility and Target Date
7	<p><u>Contingency: Written Guides</u></p> <p>Written guides to the performing the SFO role are not complete.</p> <p><u>Risk</u> If the current SFO was not available, for example on long-term leave, the department would not be able to perform the role adequately. This could lead to incorrect or missing payments.</p>	Guides should be produced giving comprehensive instructions to performing the activities of the SFO role.	Low	Procedures guides are written and updated annually.	Complete
8	<p><u>Payments: Protected Payments</u></p> <p>Fostering and Adoption rates are approved annually by NCC. However, there are a number of carers that receive enhanced payments due to them being previously paid by a private agency. No approval could be evidenced for these enhanced payments.</p> <p><u>Risk</u> This could lead to these payments being inappropriate or not in line with regulations.</p>	Protected payments should be reviewed and authorised by the Service Manager annually.	Medium	Protected payments are agreed by Service Manager and Head of Service at the time a carer moves to NCC. These were agreed for the period of caring and therefore would not be reviewed. Existing protected payments were agreed prior to current post holders being in post.	Protected payments reviewed by Service Manager F&A by 28/2/2015 Complete

Signed.....



Steve Comb
(3rd tier manager or above)

Date - 06/02/2015

Appendix A – Definitions of Audit Opinion

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

High Assurance High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.

Significant Assurance Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.

Limited Assurance Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.

No Assurance No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

High Priority A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.

Medium Priority A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.

Low Priority The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.



FINAL INTERNAL AUDIT REPORT Budgetary Control 2014/15

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Distribution List

Issue Date: 6 March 2015
Issued to: Theresa Channell
Copied to: Geoff Walker – Acting Corporate Director –
Strategic Finance

Contact Details:

Head of Internal Audit	Shail Shah	64245
Audit Manager	Simon Parsons	64246
Principal Auditor	Peter Thompson	64244

Executive Summary

Introduction and Background

- 1.1 Internal Audit has reviewed the Budget Monitoring process as part of the 2014/15 audit plan. The agreed scope covered the following:
- The final budget approval from Full Council prior to the commencement of the financial year.
 - The approved budget being loaded onto the Oracle financial system.
 - Budget monitoring procedures and responsibilities in place.
 - Budget variances being monitored and reported to responsible colleagues in a timely manner and reported to Corporate Leadership Team and Executive Board as the financial year progresses. This is the key control, as stipulated by the External Auditor KPMG.
- 1.2 We are aware that Strategic Finance is currently reviewing the budget setting and monitoring process in light of the opportunities offered by the Oracle self-serve process that is being introduced. It is anticipated that this review will offer opportunities to streamline the system and improve the level of information available to management.

Key Findings

Budget Approval

- 1.3 The budget for Nottingham City Council is approved annually at a meeting of Full Council. We have reviewed the minutes of the meeting on March 3rd 2014 and found that the Council approved the 2014/15 budget.

Budget Load

- 1.4 We have checked that the budgets on Oracle and found that they agree with the City Councils approval.

Budget Reporting

- 1.5 Pivot table reports are produced on a regular basis and distributed to Heads of Service and budget holders, however, a budget management self-service option has recently become available via the Oracle system. A pilot of this is new option currently being tested with colleagues in Parking Services. We understand that from the beginning of next year, all Heads of Service will benefit from this new option.
- 1.6 We reviewed the reporting arrangement to the Corporate Leadership Team (CLT) and the Executive Board. The first budget report submitted to CLT and the Executive Board took place in September 2014. A CLT report has been drafted covering the period up to Period 9 and a report to the Executive Board was being drafted at the time of our review.
- 1.7 Both the CLT Report and the Executive Report show the best and worst case scenario's and actual position. Also identified are the reasons for variations together with the explanations and mitigations for the over and underspends.

Opinion

- 1.8 We are required to provide an opinion on the adequacy and effectiveness of internal controls in relation to the area under review. Our opinion is based on the work performed as set out in the agreed Audit Brief. We are able to give **Significant Assurance** on the controls in this area.
- 1.9 Our review found that the key controls were operating although there is an on-going issue concerning the way in which budget reports are produced. Whilst this is not an ideal arrangement, plans are being formulated to allow for an on-line reporting for management tool to be utilised by all managers.

Added Value

- 1.10 This report has not highlighted any failures within the key controls because they appear to be operating as intended. There are planned improvements that will take effect next year that should improve the level of control within the budget management process.

Responsibilities

- 1.11 The City Council's Audit Committee review summary Internal Audit reports and the main issues arising, and seek assurance that action has been taken where necessary and we provide details of each final audit and recommendations made. Management may be required to attend Committee or respond to it in relation to actions agreed and taken

Appendix A – Definitions of Audit Opinion

Levels of Assurance

We use four categories to classify Internal Audit assurance over the processes examined, these are defined as follows:

High Assurance	High assurance that the system of internal control is designed to meet the organisation's objectives and controls are consistently applied in all the areas reviewed. Our work found some low impact control weaknesses which, if addressed, would improve overall control. These weaknesses are unlikely to impair the achievement of the objectives of the system.
Significant Assurance	Significant assurance that there is a generally sound system of control designed to meet the organisation's objectives and that controls are generally being applied consistently in the areas reviewed. However, some weakness in the design or inconsistent application of controls put the achievement of particular objectives at risk.
Limited Assurance	Limited assurance as weaknesses in the design or inconsistent application of controls put the achievement of the organisation's objectives at risk in the areas reviewed.
No Assurance	No assurance as weaknesses in control, or consistent non-compliance with key controls, could result in failure to achieve the organisation's objectives in the areas reviewed.

Where appropriate we may also comment on the level of assurance we can give that objectives will be met. This may apply when there are risks either partially or wholly outside of the control of management.

Categorisation of Recommendations

The recommendations within this report have been categorised by Internal Audit as:

High Priority	A fundamental weakness which presents material risk to the audited body and requires urgent attention by management.
Medium Priority	A significant weakness whose impact or frequency presents an unacceptable risk to the audited body that should be addressed by management.
Low Priority	The audited body is not exposed to any significant risk, but the recommendation merits attention.

In all cases Internal Audit will follow up implementation of the recommendations by the agreed date.

AUDIT COMMITTEE – 27 November 2015

Title of paper:	CAPITAL PROGRAMME 2015/16 TO 2019/20	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Barry Dryden, Senior Finance Manager, Financial Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	Tina Adams, Capital and Taxation Manager, Strategic Finance	
Recommendation(s):		
1	Audit Committee identify any capital schemes which they would like to consider in more detail.	

1. REASONS FOR RECOMMENDATIONS

The 2014/15 Annual Treasury Management report was presented to Audit Committee on 26 June 2015. The report identified that an underspending had occurred, primarily due to slippage in capital programmes. Audit Committee considered that, as this is a significant area of spending, a report should be brought to a future meeting detailing the current Capital Programme, so that Councillors could pick schemes to look at in more detail.

2. BACKGROUND

The Capital Programme is developed as part of the Medium Term Financial Plan and therefore covers the medium term period, the most current of which is 2015/16 to 2019/20. A summary of the Capital Programme is presented to Executive Board in February of each year and includes details of the major items of capital expenditure included in the programme. A link to this document is set out below.

During the year the Capital Programme is updated for approved changes. The latest approved programme was reported to Executive Board in September as part of the Quarter 1 monitoring for 2015/16. A link to this document is set out below.

Further details will be presented at the meeting.

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

Capital Programme working papers and business cases

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Executive Board 24/2/15 Item 92 – Medium Term Financial Plan Annex 3:
[Agenda for Executive Board 24/2/15](#)

Executive Board 22/9/15 Item 29 - Review of 2015/16 Revenue and Capital Budgets at 30 June 2015 (Quarter 1):
[Agenda for Executive Board 22/9/15](#)

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AUDIT COMMITTEE – 27 November 2015

Title of paper:	COUNCIL TAX DISCOUNTS	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Barry Dryden, Senior Finance Manager, Financial Reporting barry.dryden@nottinghamcity.gov.uk 0115 876 2799	
Other colleagues who have provided input:	Antony Snape, Team Leader Operational Support, Local Taxation	
Recommendation(s):		
1	This report is for noting only	

1. REASONS FOR RECOMMENDATIONS

The City Council's annual Statement of Accounts (SoA) for 2014/15 was presented to Audit Committee on 18 September 2015. The SoA includes details of the number of properties within the City boundary converted into Band D Equivalents, for the purpose of calculating the council tax base, as follows:

	2013/14	2014/15
Council Tax Base	60,261	62,447
Council Tax (Band D) Property	£1,643.76	£1,675.83

Band	Average Number of Properties	Taxable Properties after discounts, exemptions etc.	Conversion Factor to Band D	Band D Equivalents
A	85,825	48,717	6/9	32,478
B	21,859	13,806	7/9	10,738
C	15,508	10,725	8/9	9,533
D	6,522	4,927	9/9	4,927
E	2,314	1,929	11/9	2,358
F	1,000	883	13/9	1,276
G	694	610	15/9	1,016
H	110	61	18/9	121

At the Audit Committee meeting on 18 September 2015 councillor's noted the high level of discounts etc, and requested that a breakdown of why properties receive these discounts be brought to this meeting.

2. BACKGROUND

In order to provide a breakdown of the figures above, a detailed analysis of the types of discounts etc. was undertaken at 31 March 2015. This information was then used to estimate the equivalent figures for the table above. The results are as follows:

Council Tax discounts, exemptions etc 2014/15

Average number of properties	133,832
Council Tax Support discounts (up to 80%)	26,008
Single Person Discounts (25%)	13,556
Student exemptions (100%)	11,547
Disregard discounts (up to 50%)	<u>1,063</u>
Total Discounts etc.	<u>52,174</u>
Taxable Properties after Discounts, Exemptions etc.	<u>81,658</u>

2.1 Council Tax Support Scheme (CTSS).

CTSS accounts for 50% of the discounts awarded. The local CTSS replaces Council Tax Benefit. This is a reduction in the amount of Council Tax due and is no longer a benefit payment. The amount of reduction received depends on the individual's circumstances, including income (if less than £16,000), savings, members of the household and Council Tax band.

2.2 Single Person Discounts and Disregards

Properties in which only one adult lives will attract a discount of 25%. Also, when deciding how many adults live in a property, for the purpose of this discount, certain people are disregarded. If all the people living in a property are disregarded a 50% discount will apply. Disregarded people include full time students, people in care and apprentices.

2.3 Exemptions

The majority of exemptions apply to properties where all the occupants are qualifying students. A small number of exemptions also apply to empty properties, but only in specific circumstances, e.g. where they are owned by a charity or the only occupant is now receiving hospital or residential care. All receive a 100% exemption.

Further details can be found on the City Council's website at:

<http://www.nottinghamcity.gov.uk/article/21967/Council-Tax-Discounts-and-Reductions>

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Nottingham City Council website

AUDIT COMMITTEE – 27 November 2016

Title of paper:	Review and Improvement of the Delivery of Strategic Risk Management	
Director(s)/ Corporate Director(s):	Geoff Walker, Strategic Director for Finance Glen O'Connell, Corporate Director of Resilience	Wards affected: All
Report author(s) and contact details:	Jane O'Leary Insurance and Risk Manager 0115 8764158 Jane.oleary@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To approve a review of the current policy, strategy and process for the delivery of strategic risk management.	
2	To agree to an updated and improved policy, strategy and process to be presented to Audit Committee on the 26 February 2016 and the 6 May 2016.	

1 REASONS FOR RECOMMENDATIONS

- 1.1 The review is recommended to produce an improvement in the current management of risk process, providing a greater guarantee and assurance that the identification, assessment and mitigation of strategic risk is effective.

2 BACKGROUND

- 2.1 The council currently has a risk management framework, policy and process which provide a mechanism for identifying, measuring and recording strategic risk. The process is currently being used by senior managers as a mechanism for meeting the risk management reporting process but there is no clear evidence that the methods used are improving outcomes or that risk management is being effective. The process is cumbersome and not supportive of a proactive approach to risk mitigate and control. There is a lack of resource provided to supporting risk management and a lack of corporate understanding on risk identification, appetite and risk tolerance.
- 2.2 It is proposed that a thorough review of the entire process is undertaken with the objective of implementing improvements to -
- Governance and infrastructure arrangements
 - Risk management process
 - Risk management culture and integration
 - Project Risk management

- 2.3 The review will be conducted by the Audit and Risk Team with support from external partners and in consultation with Audit Committee, CLT and senior managers of the council.
- 2.4 The review and refresh of the risk management infrastructure is undertaken to ensure it is fit for purpose and adds value to the changing needs of the council; to ensure alignment with the councils business model, governance model and decision making process. It is proposed that a revised policy and strategy is expected by the 31 January 2016.
- 2.5 A review and refresh of the risk management process is undertaken covering the identification, assessment, controls, recording, monitoring and reporting effectiveness; to simplify the process and ensuring it forms an integral part of the business planning and delivery process. It is proposed that a revised process is expected by the 31 March 2016.
- 2.6 A review of the councils risk appetite and risk tolerance policy is undertaken and a defined and understood vision of risk appetite is expected by the 31 March 2016.
- 2.7 There is a refocus on embedding risk management as a vital tool in effectively delivering the councils strategic priorities and statutory duties. A strategy for assimilation of risk management into the council's culture is expected by the 31 March 2016.
- 2.8 In partnership with Major Programmes, produce proposals for the effective management of risk in projects and major programmes expected by the 31 January 2016.
- 2.9 Alongside the above will be a review of the current risks identified on the Corporate Risk Register, updated and reported at the next Audit Committee.
- 2.10 With a best practice model properly applied, risk management will support the council to effectively deliver strategic objectives, achieve better outcomes and demonstrate good governance. A robust identification, mitigation and governance of risk process are particularly key in this difficult economic climate; with the development of our commercial portfolio and with greater pressure to be innovative to improve efficiencies and generate income.

3 BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

3.1 None

4 PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

4.1 None

AUDIT COMMITTEE - 27 NOVEMBER 2015

Title of paper:	INTERNAL AUDIT QUARTERLY REPORT (SECOND QUARTER)	
Director(s)/ Corporate Director(s):	Geoff Walker Acting Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Author and contact officer Shail Shah – Head of Internal Audit Tel: 0115 8764245 Email: shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To note the report.	

1. REASONS FOR RECOMMENDATIONS

This report outlines the work of the Internal Audit service (IA) for the second quarter of 2015/16.

- **Appendix 1** - Analysis of High Risk findings in Final Audit Reports issued in the period
- **Appendix 2** - List of final audit reports with high risk recommendations issued in the period with scope, analysis of recommendations, details of high risk recommendations and level of assurance
- **Appendix 3** - Summary of work undertaken on the Audit Plan 2015/16 to date.

1.1.1 Standards

The service works to a Charter endorsed by the Audit Committee. This Charter governs the work undertaken by the service, the standards it adopts and the way it interfaces with the Council. IA colleagues are required to adhere to the code of ethics, standards and guidelines of their relevant professional institutes and the relevant professional auditing standards. It has adopted, and substantially complied with the principles contained in the PSIAS, and has fulfilled the requirements of the Account and Audit Regulations 2015, and associated regulations, in respect of the provision of an IA service. The service has internal quality procedures and is ISO9001:2008 accredited.

1.2 Local Performance Indicators (PIs)

Performance against all PIs is illustrated in **Table 1**.

Indicator		Target	Period	Actual Year	Comments
1	% of all recommendations accepted.	95%	100%	98%	Above Target
2	% of high recommendations accepted.	100%	100%	100%	On Target
3	Average number of working days from draft agreed to the issue of the final report	8 days	5 days	7 days	Above Target
4	Number of key / high risk systems reviewed.	11 systems	0	0	Work underway and on target
5	% of staff receiving at least three days training per year.	100%	30%	30%	On Target - training accumulated over year
6	% of customer feedback indicating good or excellent service.	85%	95%	95%	Above Target

1.3 Activity

Table 2 shows that actual days achieved are in line with planned days set out in the updated Audit Plan. In summary, after allowance for seasonal work patterns, the plan is on target.

Total Planned Days	Actual to date	Comments
2378	1032	Audit Plan on track for year end completion.

Table 3 shows that in the year to date, acceptance of recommendations is above the target of 95% for all recommendations and is in accordance with the 100% target for high recommendations.

	To Date		Period	
	All	High	All	High
Total recommendations made	179	63	45	15
Rejected	4	0	0	0
Total recommendations accepted	175	63	45	15
% accepted	98%	100%	100%	100%

1.4 **Internal Audit Plan 2015/16**

Appendix 3 summarises the internal audit plan for 2015/16. The IA Plan is produced annually and allocates audit resources throughout the year to review risks to the Council's vision, values and strategic priorities. The construction of the plan is informed by consideration of a range of factors including the Council Plan, the Council's Risk Register, previous internal and external audit activity, emerging themes and priorities, professional networks, the Council's transformation and improvement activity, and changes to national, local and regional policy. The Annual Plan contains capacity to adapt to accommodate new and unforeseen work as risks and priorities change and develop throughout the year, which will be reported to this Committee as part of the normal reporting cycle.

2. **BACKGROUND**

The Audit Committee's terms of reference include responsibility for receiving reports on the work undertaken by IA and for monitoring its performance. The Public Sector Internal Audit Standards (PSIAS) set the responsibility for the management of Internal Audit with the Board. In practical terms this Board responsibility is vested in the Audit Committee and Section 151 Officer who exercise their Board responsibility via the Constitution and the associated policies and procedures of the City Council. This report is one of the regular updates on work planned and undertaken by the service.

3. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None


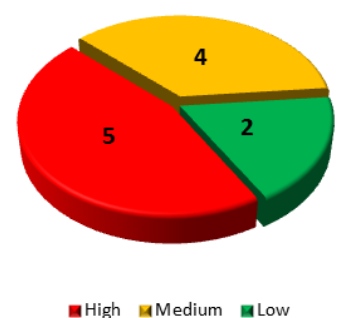
4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

- Accounts and Audit Regulations 2015
- Audit Plan 2015/16
- Public Sector Internal Audit Standards 2012

Reports issued in Q2 with High Risk Recommendations

Seely Primary & Nursery School

Executive Summary

<p>Company : Seely Primary & Nursery School</p> <p>Date of Review: 12th March and 10th June 2015</p> <p>Summary: Although certain procedures were found to meet the standards of good practice, our review identified a number of significant weaknesses in the school's financial management procedures where improvements need to be made. These include the Governor approval of the budget and quotes, the Rec1s process and Single Status. Due to these recommendations being classed as a high priority, it is important that it is implemented within the next three months.</p>	<p>Overall Opinion</p> <p>Significant Assurance</p> <p>Direction of Travel:</p> <p>This is the first audit the school has received as a new Primary; therefore no judgements can be made.</p>	
<p>Scope and Approach: The scope of this review was limited to;</p> <p>Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income</p>		
<p>High Priority Recommendations</p> <p>R2. The school should check draft minutes to ensure decisions are recorded and declarations of interests should appear as an agenda item at each Governor meeting</p> <p>R4. The school should review its processes for Rec1s and Outturns to improve timeliness of returns. The school should ensure it retains certified copies of Rec1s for each month.</p> <p>R5. The school should ensure that Governors are presented with quotes for purchases over £5000 and their approval of the preferred supplier is documented in the minutes. If 3 quotes cannot be obtained, the reasons should be presented to Governors and their decision also minuted.</p> <p>R9. The hours worked by TAs should be regularly checked by the Head and a note made to certify compliance.</p> <p>R10. Annual Entitlement should be calculated for staff and monitored via an Annual Leave Card.</p>	<p>A summary of the recommendation priority is shown below:</p> <div style="border: 1px solid black; padding: 10px; text-align: center;"> <p><u>Summary of the recommendations by priority</u></p>  <p>■ High ■ Medium ■ Low</p> </div>	

Melbury Primary School

Executive Summary

Company : Melbury Primary School

Date of Review: 26th June 2015

Summary: We consider that the financial procedures in place at the school represent good practice and provide sound systems of internal control.

Whilst five recommendations have been made in this report, the number of recommendations made is lower than for the majority of other schools audited and only one recommendation relating to the Breakfast Club is classed as a High priority.

Overall Opinion

Significant Assurance

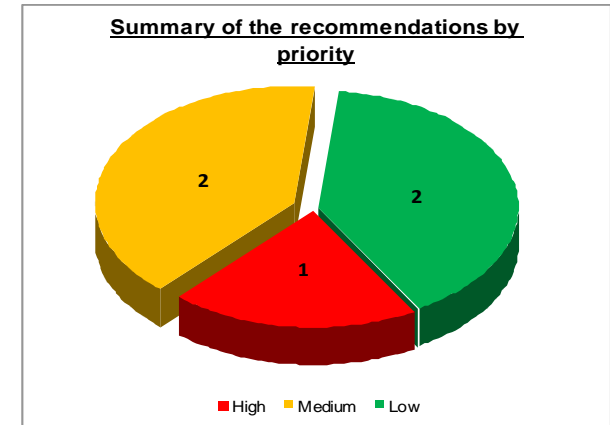
Scope and Approach: The scope of this review was limited to;

Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Single Status, Income and Asset Register

High Priority Recommendations:

- R1. The school should review the record keeping at the Breakfast Club to ensure attendance reconciles to cash received.
 Breakfast Club staff should reconcile the cash received to the register each day and sign and date this before money is passed to the school office for banking.

A summary of the recommendation priority is shown below:



Middleton Primary & Nursery School

Executive Summary

Company : Middleton Primary & Nursery School
Date of Review: 12th June 2015
Summary: We consider that the financial procedures in place at the school represent good practice and provide sound systems of internal control. Our review identified four areas where improvements could be made in particular to Single Status.

Overall Opinion
Significant Assurance

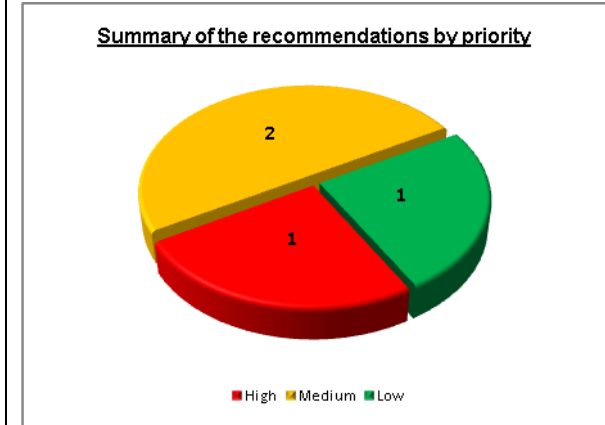
Direction of Travel:
 The school have retained their Significant Assurance level from 2012.



Scope and Approach: The scope of this review was limited to;
 Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Single Status, Income

High Priority Recommendations
 R5. The SBM's holiday entitlement and work pattern should be recorded annually in an auditable format and certified by the HT.

A summary of the recommendation priority is shown below:



Rise Park Primary & Nursery

Executive Summary

School : Rise Park Primary & Nursery

Date of Review: 30th April 2015

Summary: We consider that most of the arrangements in place within the school are satisfactory and provide sound systems of control. Our review identified some areas where improvements could be made. These include the approval of quotes by Governors and Single Status. Due to these recommendations being classed as a high priority, it is important that it is implemented within the next three months.

Overall Opinion

Significant Assurance

Direction of Travel:

The school has maintained its level of Significant Assurance and reduced the number of High recommendations since its last audit in 2012.



Scope and Approach: The scope of this review was limited to;

Leadership & Governance, People Management, Policy & Strategy, Processes, Purchasing, Invoice Processing, Banking Arrangements, School Fund, Income, Single Status

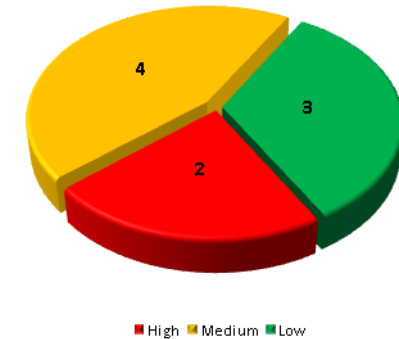
High Priority Recommendations:

R5. The school should ensure that Governors are presented with quotes for purchases over £10000 and their approval of the preferred supplier is documented in the minutes.

R9. Annual Entitlement should be calculated for staff and monitored via an Annual Leave Card.



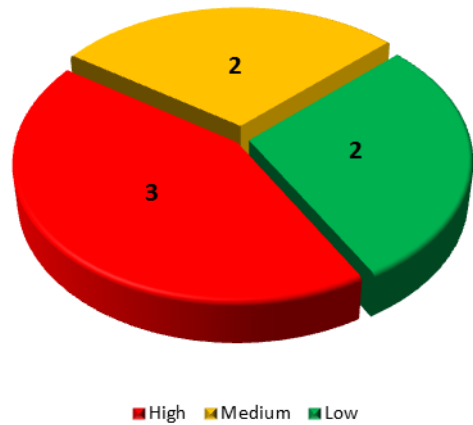
A summary of the recommendation priority is shown below:

Summary of the recommendations by priority



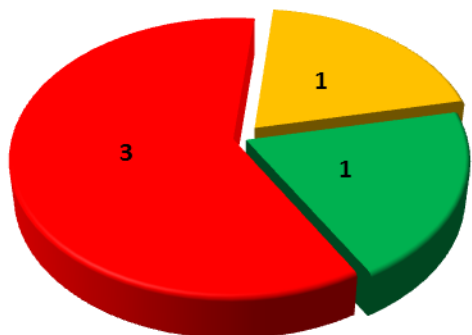


Equality Impact Assessments

Executive Summary

<p>Organisation: Nottingham City Council Directorate: Organisational Transformation Previous reviews:</p>	<p>Overall Opinion: Limited Assurance</p>		<p>Direction of Travel: This area has not been subject of any previous reviews</p> 
<p><u>Scope and Approach:</u>The scope of the review included:</p> <ul style="list-style-type: none"> • Writing of assessments including the experience of authors and information utilised. • Actions prescribed as a result of the assessment. • Monitoring of equality impacts and actions. • Advice provided by the ECR Team. • Publication of completed assessments. • Reporting on the organisation’s adherence to the E&D Policy. 			
<p>High Priority Recommendations</p> <p>01 ECR Team to investigate instance of not receiving EIA to Quality Check. ECR Team, with the Equalities Board, to consider and implement good practise in early monitoring of activity across NCC.</p> <p>02 Importance of ‘SMART’ actions and monitoring to be reinforced in future Training and ECR Team quality checking. Names/job title and dates to be added to actions. Actions and monitoring to be included on service implementation plans. ECR Team to carry out regular ‘spot checks’ to ensure actions and monitoring take place.</p> <p>03 ECR Team to update tracker and amend to reflect new Operating System.</p>		<p><u>Summary of the recommendations by priority</u></p>  <p>■ High ■ Medium ■ Low</p>	

Housing Benefits Executive Summary

<p>Organisation: Nottingham City Council</p> <p>Previous Audit: Housing Benefits 2013-14</p>	<p>Overall Opinion</p> <p>Significant Assurance</p>		<p>Direction of Travel</p> 								
<p><u>Scope and Approach:</u> The agreed scope covered assurance that the key reconciliation controls within the Housing Benefits system are operating effectively. We also obtained updates on actions arising from previous reports.</p>											
<p>High Priority Recommendations</p> <p>2014 02 The service should produce a report evaluating the effectiveness of the overpayments training and outlining other measures to reduce the level of error associated with transactions that create overpayments.</p> <p>2014 03 The service should use its accuracy testing data to focus support and quality control on colleagues with the worst accuracy record over recent testing.</p> <p>2013 06 Whilst processing remains relatively inaccurate a much higher level of payment run check should take place.</p> <p>Whilst management have made assertions in relation to these recommendations, evidence to support these assertions has not been provided over the ample period of time we have allowed before producing this report.</p>		<p>Summary of the recommendations by priority</p>  <table border="1"> <caption>Summary of the recommendations by priority</caption> <thead> <tr> <th>Priority</th> <th>Count</th> </tr> </thead> <tbody> <tr> <td>High</td> <td>3</td> </tr> <tr> <td>Medium</td> <td>1</td> </tr> <tr> <td>Low</td> <td>1</td> </tr> </tbody> </table>		Priority	Count	High	3	Medium	1	Low	1
Priority	Count										
High	3										
Medium	1										
Low	1										

Final Audit Reports issued 1st July to 30th September 2015

Department	Division	Activity Title	Audit Assurance	Recommendations Accepted		
				Low	Medium	High
Children and Adults	Safeguarding	Children's Continuing Health Care	Significant Assurance	0	1	0
		Total Safeguarding		0	1	0
	Schools	Seely Primary	Significant Assurance	2	4	5
		Melbury Primary and Nursery School	Significant Assurance	2	2	1
		Middleton Primary and Nursery School	Significant Assurance	1	2	1
		Rise Park Primary School	Significant Assurance	3	4	2
	Total Schools		8	12	9	
Total Children and Adults			8	13	9	
Development & Growth	Strategic Asset & Property Management	Property Management	Significant Assurance	0	3	0
		Total Strategic Asset & Property Management		0	3	0
	Total Development & Growth			0	3	0
Organisational Transformation	Equalities and Community Relations	Equality Impact Assessments	Limited Assurance	2	2	3
		Total Equalities and Community Relations		2	2	3
	Total Organisational Transformation			2	2	3
Resilience	Strategic Finance	Housing Benefits	Significant Assurance	1	1	3
		Capital Funded Transport Programmes 14-15	Grant	0	0	0
		LSTF 2014-15 Capital Grant	Grant	0	0	0
		2014-15 Autism Capital Grant	Grant	0	0	0
		DFG Capital Grant 2014-15	Grant	0	0	0
	Total Strategic Finance		1	1	3	
Total Resilience			1	1	3	
Grand Total				11	19	15

SUMMARY OF INTERNAL AUDIT PLAN 2015/16

<u>Audit Area</u>	<u>Planned Days</u>	<u>Days to Date</u>
Strategic Risk	40	0
Fraud / Counter Fraud	954	480
Consultancy, Advice and Support	170	82
Companies / Other Bodies	288	134
Corporate Audits	317	88
Development	70	4
Communities	65	44
Children & Families	235	143
Chief Executive	85	41
Resources	144	16
Developments / Other	10	0
Total Days	2378	1032

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AUDIT COMMITTEE - 27 NOVEMBER 2015

Title of paper:	COUNTER FRAUD STRATEGY	
Director(s)/ Corporate Director(s):	Geoff Walker Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Shail Shah Head of Internal Audit Tel: 0115-8764245 Email: shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	To endorse the City Council's Counter Fraud Strategy (CFS) set out at Appendix 1	
2	To endorse the Counter Fraud Strategy for Schools (SCFS) set out in Appendix 2	

1. REASONS FOR RECOMMENDATIONS

- 1.1 To seek endorsement of the City Council's updated Counter Fraud Strategy and the Counter Fraud Strategy for Schools

2. BACKGROUND

- 2.1. Good governance policies and procedures are essential when allocating and controlling Council resources and supporting effective delivery of the Council's strategic and operational objectives.
- 2.2. A cornerstone of the Council's governance policies is the CFS, which brings together the key strands of governance into an overarching strategy document. The maintenance and embedding of a counter fraud culture is essential if the Council is to maximise the use of its resources and minimise waste through inefficiency and/or fraudulent activity.
- 2.3. An effective CFS provides the basis for developing a counter fraud culture in the Council and, as part of the Council's control system, the elements of the CFS contribute positively to the assurance received by the Committee in respect of the effectiveness of the control environment.
- 2.4. The CFS is the main strategy statement geared towards protecting public funds and assets by requiring compliance with regulations, rules, procedures and guidelines designed to promote the highest standards of conduct and behaviour.
- 2.5. The main updates to the strategy and response plans are in respect of:-:

- Whistleblowing and a new reference to the ability of citizens and colleagues to make a disclosure externally to an independent “prescribed person.” This change is reflected in section 2.2 of the Council’s Fraud Response plan and section 3 Schools’ Counter Fraud Strategy.
 - The creation of a Corporate Counter Fraud Team within the Internal Audit Service to be responsible for the deterrence, investigation and prosecution of fraud.
 - Changes of responsibility due to the cessation of the Audit Commission.
- 2.6. The CFS will continue to evolve and develop to reflect changes in legislation and best governance practice. The Strategy was last approved by the Committee in November 2014.
- 2.7. Once approved, the CFS will be publicised on the intranet.
- 2.8. As part of our counter fraud activity, an on-line fraud awareness e-learning module which takes approximately 30 minutes is currently being rolled out. All councillors and colleagues are encouraged to participate.
- 2.9. The Head of Internal Audit has developed the bespoke SCFS shown at Appendix 2 to be promoted for adoption by school governing bodies. The strategy addresses the relevant parts of The Department of Education Schools Financial Value Standard which cover efforts to protect public money, and follows the same structure as the Council’s Strategy.

3. **BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION**

None.

4. **PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT**

Counter Fraud Strategy – Audit Committee 28 November 2014
Schools Financial Value Standard – Department for Education, September 2011

Nottingham City Council - Counter Fraud Strategy

1. BACKGROUND

- 1.1 The Council aims to operate and maintain a clear system of integrated policies and procedures to assist in preventing fraud and hence minimise losses to the public purse. An overview of these arrangements will be maintained and good practice promoted through the use of regulation and various colleague and Councillor Codes.
- 1.2 The Council will put procedures in place to enable citizens and colleagues to raise concerns in the knowledge that these concerns will be properly and thoroughly investigated. These procedures will be continuously developed to improve the Council's response to fraud. Incidents of fraud will be published, sanctions will be imposed and redress will be sought where appropriate.
- 1.3 The Counter Fraud Strategy will continue to evolve and develop as circumstances change. Such circumstances will include changes in legislation, procedure, accountability within services and the Council's requirements. Substantive changes to the Strategy will be reported to Councillors for endorsement.

2. COUNTER FRAUD IN CONTEXT

- 2.1 Fraud is defined under the Fraud Act 2006 as dishonest false representation or abuse of position with the intention of making a gain or causing a loss or a risk of loss to another. For the purpose of this Strategy the term is also used to describe a number of offences under former and current legislation, including deception, forgery, theft, misappropriation, collusion, bribing and being bribed, conspiracy, money laundering offences, offences under the Identity Cards Act 2006, possession, making or supplying of articles for use in fraud or obtaining services dishonestly. The term is also used in respect of civil offences where claims can be made under the torts of deceit or negligence, breach of trust, or where a fidelity insurance claim may be made.
- 2.2 Therefore, 'fraud' can be used to describe a multitude of offences. In administering its responsibilities to protect public funds and assets, the City Council has developed this Strategy to deter fraud whether it is attempted from outside or within the Council.
- 2.3 This Strategy aims to protect public funds and assets by requiring compliance with regulations, rules, procedures, and guidance designed to encourage the prevention of fraud, promote detection and identify clear responsibility for investigations. The impact of the Strategy will be to ensure that Council resources are not diverted away from delivery of the priorities within the Council Plan.

2.4 This Strategy is based on:

- the seven Nolan Principles for Public Life;
- three additional principles in the Relevant Authorities Order 2001;
- best practice as previously defined by professional bodies;
- legal requirements including that incorporated in the, Public Interest Disclosure Act 1998, Competition Act 1998, Money Laundering Regulations 2007, Fraud Act 2006, Council Tax Reduction Schemes (Detection of Fraud and Enforcement) Regulations 2013, Public Contracts Regulations 2006, Local Government Act 1972, Prevention of Social Housing Fraud Act 2013, Serious Crime Act 2007 and the Bribery Act 2010.

2.5 This Strategy is based on a series of inter-related procedures designed to frustrate any act of fraud. These cover:

Culture	Section 3
Prevention	Section 4
Detection and Investigation	Section 5
Training	Section 6

3. CULTURE

3.1 The City Council expects the culture of the Council to be one of honesty and opposition to fraud. Councillors and colleagues at all levels are expected to lead by example by personally complying with and ensuring wider and comprehensive adherence to rules, procedures and practices which should feature straightforward, effective, well documented controls that are legally sound and honest.

3.2 There is a requirement, because of the use of public monies, that all individuals and organisations associated in any way with the Authority will act with integrity, without thought to or actions involving fraud. Any allegation of fraud will be dealt with in accordance with the Council's Fraud Response Plan (**Appendix A**) (see Financial Regulation (FR) C12. Fraud is likely to be considered as a serious issue if proven in disciplinary, standards or other inquiries.

3.3 Bribery is a criminal offence. The Council has a zero-tolerance towards bribery and does not, and will not, pay bribes or offer improper inducements to anyone for any purpose. The Council will not accept bribes or improper inducements, or use a third party to channel bribes to others and is committed to the prevention, deterrence and detection of bribery.

3.4 All individuals (irrespective of their formal employment status) working for or with the Council are an important element in the Authority's stance on bribery and fraud. They are encouraged through established procedures detailed in [Financial Regulations](#) , the [People Management Handbook](#), [Code of Conduct for Employees](#) and the Code of Conduct for Councillors (Part 6 of the [Council's Constitution](#)) and the [Confidential Reporting Code](#) to raise any concerns that they may have on fraud issues where they are associated with the Authority's activities. The Council will support Councillors and colleagues in bringing such issues to its attention.

- 3.5 Councillors and colleagues can raise such issues in the knowledge that they will be treated in confidence and properly investigated. The "How to raise a concern" section of the Confidential Reporting Code details the reporting options available to colleagues.
- 3.6 If Councillors or colleagues are not satisfied with the Council's response to concerns they have raised, they have the right to refer the issue to external agencies. Possible contact points are listed in the "How the matter can be taken further" section of the Confidential Reporting Code.
- 3.7 Citizens are also encouraged to report concerns through any of the routes included in the Confidential Reporting Code. Alternatively they can use the Council's complaints procedure or the dedicated fraud lines advertised in the Council's entries in relevant telephone directories.
- 3.8 The Council will respond to all allegations as outlined in the "How the Council will respond" section of the Confidential Reporting Code and in accordance with the requirements of CFP C4.
- 3.9 However, it is important that colleagues avoid possible abuse of this process. If allegations are unfounded and malicious this is likely to be considered to be a serious disciplinary matter.

4. PREVENTION

4.1 Colleagues

- 4.1.1 The Council recognises that a key measure in preventing fraud is to take effective steps at the recruitment stage to establish, as far as possible, the previous record of potential colleagues in terms of their propriety and integrity. In this regard, temporary and contract colleagues should be treated in the same manner as permanent colleagues.
- 4.1.2 Procedures for the recruitment of colleagues are detailed in the Code of Practice for Recruitment and Selection, which is included in the People Management Handbook. Only colleagues who have attended an in-house recruitment and selection training course should be involved in recruitment.
- 4.1.3 Where references are requested, the candidate's suitability for the post needs to be in accordance with the person specification. Honesty and integrity is recognised in law as a duty owed by the employee to the employer, and the Council requires all prospective and current employees to deal with the Council honestly.
- 4.1.4 Dishonest applications will be referred for criminal investigation and prosecution if the evidence is considered to be sufficient.
- 4.1.5 Colleagues of the Council are also expected to abide by the Council's Code of Conduct for Employees which is included in the People Management Handbook. The requirement to observe the Code of Conduct is contained within the disciplinary procedure that forms part of the contract for all colleagues. The consequences of breaching the Code of Conduct are contained within the Council's disciplinary

procedures. In addition, if colleagues are members of a professional body they are also expected to follow the Code of Conduct relating to their professional qualifications.

4.1.6 The Code of Conduct includes the requirement for colleagues to formally declare any pecuniary interest in contracts or service provided as prescribed in Section 117 of the Local Government Act 1972.

4.2 Suppliers

4.2.1 The City Council is under a mandatory obligation to remove from its select lists any supplier of work, goods, materials or services that has been found to infringe “the Chapter 1 prohibition” of the Competition Act 1998 as it relates to anti-competitive agreements, decisions and concerted practices.

4.2.2 The City Council is also under a mandatory obligation to exclude suppliers of work, goods, materials or services, from bidding for public sector contracts under the EU public procurement regime where they have been convicted of certain offences as detailed in the Public Contracts Regulations 2006.

4.2.3 The City Council must enforce the obligations set out in 4.2.1 and 4.2.2 above when involved with the procurement of work, goods, materials or services. Guidance on enforcement is available at [Mandatory Exclusion from Bidding and Collusive Tendering](#).

4.3 Association with other organisations

4.3.1 When dealing with external organisations and/or partners, the City Council expects the highest level of integrity. Where this is not the case the Council will re-examine the relationship it has with these organisations and take any action deemed necessary to protect the public resources and demonstrate its intolerance to fraud.

4.4 Councillors

4.4.1 Councillors are required to operate within:

- The Council's Standing Orders
- The Code of Conduct adopted by the Council on 12 September 2011
- The Council's Councillor/Colleague protocol
- National Standards for Councillors, England & Wales

4.4.2 These documents are in both the Year Book and the [Council's Constitution](#). They include requirements for Councillors to:

- register interests, including employment, business and property interests
- ensure they are not involved in matters or decisions where they have a conflict of interest.

Breaches of these requirements may be referred to the appropriate standards body.

4.4.3 Councillors should raise any concerns about fraud through the avenues detailed in the Strategy but must avoid raising unfounded malicious allegations which would breach the Code.

4.5 Systems

4.5.1 The Council's Chief Finance Officer (CFO) has a statutory responsibility under Section 151 of the Local Government Act 1972 to make arrangements for the proper administration of the Council's financial affairs and has developed FRs and CFPs to assist in discharging this responsibility. In addition, there is a requirement to comply with the Accounts and Audit Regulations 2015, the Audit Commission Act 1998 and the Local Government Act 2003 relating to accounting records, control systems and audit.

4.5.2 The FRs and CFPs require colleagues, when dealing with the Council's financial affairs, to act in accordance with sound practices and outlines systems, procedures and responsibilities of colleagues. Colleagues involved in finance are required to attend relevant and effective departmental training programmes which promote and endorse the requirements of FRs. This programme of training will be developed to include a formal accreditation process to ensure that only appropriately trained colleagues can access main financial systems unsupervised.

4.5.3 Corporate Directors are responsible for the financial systems in their departments and are required to comply with FRs, which establish the rules through which they must operate. This responsibility includes considering the risk of fraud as defined by this strategy when making changes to financial systems and processes and when making changes to their department structures.

4.5.4 The Council has developed and is committed to continuing with systems and procedures that incorporate efficient and effective internal controls that include adequate separation of duties. Their existence and effectiveness is independently monitored and assessed by Internal Audit, who carry out a comprehensive programme of audits targeted at key risk areas.

4.5.5 The City Council has appointed the Director of Strategic Finance to act in compliance with the Money Laundering Regulations and has imposed a maximum level for cash transactions CFP D2.12.

4.5.6 Corporate Directors are responsible for ensuring that colleagues handling cash transactions have been recruited appropriately and are aware of their responsibilities as detailed in the relevant legislation.

4.6 **Combining with Others**

4.6.1 Arrangements are in place and continue to develop, to encourage the exchange of information between the Council and other agencies on national and local fraud activity in relation to Local Authorities. These include but are not limited to:

- The Police
- The Cabinet Office (National Fraud Initiative) or its equivalent
- National Counter Fraud Network
- DWP – Job Centre Plus
- Local Authorities Investigating Officers Group (LAIOG)
- UCAS (Student Awards)
- Auditors' networks, locally and nationally

4.6.2 The National Fraud Initiative (NFI) is part of the statutory audit process currently undertaken by the Cabinet Office. Local government, health and other public bodies are required to provide data from key systems which is cross matched to identify inaccuracies or potential fraud. The City Council will continue to actively participate in the NFI or similar exercises and will provide all mandatory data sets and all optional data sets where practical and effective. The Council will allocate appropriate resources for the investigation of the data matches returned and to respond promptly to queries from other participating bodies. The data sets provided or to be provided in the latest exercise are:

- Payroll, Housing Benefits, Creditor Payments, Housing Tenants and Right to Buy, Council Tax, Electoral Register, Insurance Claims, Blue Badge Holders, Private Residential Care Home Residents, Market Traders, Taxi Drivers, Concessionary Travel Passes, Residents Parking and Personal Alcohol Licenses.

4.6.3 These arrangements provide a valuable means of combating potential criminal activity of a fraudulent nature against the Council and other public sector bodies. Such collaboration has been very successful in reducing the risk of external fraud.

5. **Detection and Investigation**

5.1 The number and extent of preventative measures, particularly internal control systems within the Council, has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

5.2 As part of its proactive programme of work, the Council will undertake data matching exercises to assist in the detection of fraudulent activity. Using resources and information available, this work will be carried out in accordance with the Data Matching Strategy and Policy of the Council (**Appendix B**). Once these exercises are complete, the Council will allocate sufficient resources to provide a prompt resolution to any queries or apparent fraudulent activity.

5.3 It is often the alertness of colleagues and citizens to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud may be in progress.

- 5.4 Despite the best efforts of managers and auditors, many internal frauds are discovered by chance or third party information, and the Council has in place arrangements to ensure that such information is properly dealt with as set out in Section 3 of this Strategy.
- 5.5 The investigation of suspected internal irregularities such as fraud is normally carried out or directed by Internal Audit on behalf of the CFO and the Council's Monitoring Officer. The investigation of irregularities should be in accordance with Financial Regulation C12. The CFO has a responsibility for deciding on the course of the investigation. If the CFO, Head of Internal Audit or responsible Corporate Director considers that a loss may have occurred as a result of irregular expenditure or fraud, they may refer it for criminal investigation.
- 5.6 Requesting, agreeing to receive or accepting an advantage, whether or not it is actually received, linked to improper performance of a function or activity and requesting, acquiescing to, or assenting to improper performance of a function or activity in anticipation of an advantage are serious criminal offences. The Code of Conduct for Employees will reflect and incorporate this. It is normal practice for any such allegation to be referred for criminal investigation.
- 5.7 Corporate Directors will arrange for all instances of suspected fraud to be reported to the Head of Internal Audit who will maintain a central register in line with expected best practice and monitor the progress of each case. Investigations will be carried out under the management of the appropriate Corporate Director as directed by the Head of Internal Audit in consultation with the CFO and the Council's Monitoring Officer.
- 5.8 This reporting procedure is essential as it ensures:
- Consistent treatment of information regarding any suspected fraud.
 - An effective investigation by an experienced colleague and/or appropriate direction provided by Internal Audit.
 - The proper implementation of a structured response to any suspected act of fraud including improvements to identified weaknesses in internal controls
- 5.9 The Head of Internal Audit will report at least quarterly to the CFO with a summary of all fraud cases recorded over the period.
- 5.10 Dependent upon the nature and anticipated extent of the allegations, auditors will normally work closely with management and other agencies such as Nottinghamshire Police to ensure that all allegations and evidence are properly investigated and reported upon. Where a Police investigation is running concurrently with an internal investigation, the requirements of the Police investigation will take precedence over the internal investigation. This is necessary to minimise any impact the internal investigation has on the Police investigation and the integrity of the evidence collected.
- 5.11 Within the context of 5.10, the Council will normally make a criminal investigation and involve the Police after review of its Corporate Counter Fraud Team whenever it considers that it has discovered strong evidence of fraud.

- 5.12 The Council's Disciplinary Procedures will be used where the outcome of an investigation indicates improper behaviour, whether or not the matter has been criminally investigated..
- 5.13 Sometimes the Council's external auditors may also carry out investigation into suspected fraud and will do so in accordance with their established procedures.
- 5.14 The City Council will seek the strongest available sanctions against any individual or organisation who commits fraud against the Council. The full range of sanctions will be applied consistently and fairly, taking a cost effective approach, making robust and transparent decisions. Actions may include prosecution, civil proceedings, disciplinary action and publication of investigation outcomes. The City Council expects contractors and partners to take similarly robust sanctions.

6. Training

- 6.1 It is recognised that the success of this Strategy and the organisation's general credibility will depend largely on the effectiveness of communication, programmed training, and responsiveness of colleagues throughout the Authority.
- 6.2 The Council supports management in the provision of ongoing financial awareness training at both corporate and departmental level, and the mandatory training of colleagues dealing with finance, as required by Financial Regulations. Colleagues are also expected to participate in fraud awareness and related training as prescribed from time to time by the CFO.
- 6.3 These training requirements should be incorporated into colleague induction training, the personal assessment process and any formal accreditation for colleagues involved in financial processes. Accreditation will require colleagues to acknowledge an understanding of their responsibilities within the procedures.
- 6.4 Appropriate training will be provided to auditors and other investigators regarding the investigation of suspected fraud, and this will be reflected in their individual training plans.

Nottingham City Council

Fraud Response Plan

Nottingham City Council October 2011, updated November 2015

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1 Introduction and Objective

Nottingham City Council is committed to protecting public funds. Minimising the losses to fraud and corruption is an essential part of ensuring that all of our resources are used for the purpose for which they are intended - the provision of high quality services to citizens. We have a range of policies and procedures that facilitate the 'zero tolerance' approach adopted. These include the:

- The City Council constitution
- Accounting procedures
- Financial regulations and Standing Orders
- Colleague Code of Conduct
- Fraud Awareness Training
- Counter Fraud Strategy
- Prosecution Policies
- Confidential Reporting (Whistleblowing) Policy

The public is entitled to expect the City Council to conduct its affairs with integrity, accountability, honesty and openness, and demand the highest standards of conduct from those working for it and with it. Therefore one of the Council's main objectives, to combat fraud and corruption, is to identify and maintain good practices, address weaknesses in current processes and introduce improved systems for the management of those processes. This will ensure that the potential for fraud is kept to an absolute minimum. It applies to all Councillors and all personnel whether direct employees of Nottingham City Council, agency staff or contractors.

NCC Financial Regulations require that matters involving any suspected financial irregularities are referred to the Head of Internal Audit. The decision as to whether or not the irregularity should be investigated will be taken at his direction. All referrals are taken seriously and the action to be taken guided by an assessment of the risk. Where fraud is found, appropriate criminal investigation, disciplinary action and police involvement will be pursued. Losses will be recovered wherever possible and incidents of successful prosecution publicised.

Management and colleagues are likely to have little experience in dealing with fraud and, when suspected cases arise, may be unsure of the appropriate action to take. This document is intended to provide direction and help to colleagues in dealing with suspected cases of theft, fraud and corruption. It also gives direction to others wanting to report matters of concern.

The objective is to safeguard the proper use of the City Council's finances and resources.

2 Reporting fraud suspicions

2.1 Initial guidance if you suspect a fraud.

A fraud may be uncovered in a variety of ways, from your own observations, someone from inside or outside blowing the whistle, ongoing controls throwing up a discrepancy, internal or external audit discovering a problem, or external regulators and inspectors finding something. It is important for you to know how to deal with your suspicions.

Things to Note

- Stay calm – remember you are a witness not a complainant. Write down your concerns immediately – make a note of all relevant details such as what was said in phone or other conversations, the date, the time, the names and contact details of anyone involved. Consider the possible risks and outcomes of any action you take. Make sure your suspicion is supported by facts, don't just allege.
- Do not become a private detective and personally conduct an investigation or interviews. Do not approach the person involved (this may lead to him/her destroying evidence). Do not discuss your suspicions or case facts with anyone other than those persons referred to below unless specifically asked to do so by them. Do not use the process to pursue a personal grievance.
- You may be mistaken or there may be an innocent or good explanation – this will come out in the investigation. The process may be complex and you may not be thanked immediately and the situation may lead to a period of disquiet or distrust in the organisation despite your having acted in good faith.
- Where there is clear evidence of a theft of physical assets or cash, the police should be notified immediately.

2.2 Reporting your suspicions

The following reporting lines are to be used regardless of the potential magnitude of the fraud, which it would be difficult to quantify at an early stage. 2.4 overleaf illustrates the thought processes to be considered in determining the most appropriate reporting route. The following points may be useful

- **Your line manager**
Generally this is your first port of call. Fraud prevention is their responsibility in particular. They will know the systems, the people, what is at risk. They should know whom to bring in.
- **A more senior manager or your Director**
If you think your manager might be involved in the fraud or if you feel they have wrongly dismissed your concerns, then you should go to a more senior manager or your Director.

- **Fraud reporting email / internet**

If you do not wish to make the report directly to your line manager the Council has in place electronic methods of reporting your concerns. If you want to be assured of absolute confidentiality or wish to remain anonymous, you can report to the Head of Internal Audit or his Corporate Counter Fraud Team. You may do this directly or by using fraud@nottinghamcity.gov.uk, or the reporting buttons available on the Council's websites.

- **Whistleblowing**

The Whistleblowing Policy on the intranet provides advice on reporting criminal acts (such as fraud). You should acquaint yourself with this policy before deciding to report the incident under the policy or as a fraud. If you wish to make a report under this policy you should contact the appropriate person identified in the policy who will then liaise with the Monitoring Officer or Head of Internal Audit. You may of course access the Monitoring Officer or the Head of Internal Audit direct or use the appropriate electronic mechanism on the Council's websites. Provided reports are made in good faith, you are protected by the Council and the law against retribution, harassment or victimisation and your confidentiality will be preserved.

If you feel unable to use Council's procedure for your disclosure you can contact an independent "prescribed" person who can also provide you with the appropriate employment protection, rights. If you make a disclosure to a prescribed person it is escalated outside the Council, since those with investigatory and regulatory functions can act upon the information provided, if they consider it necessary.

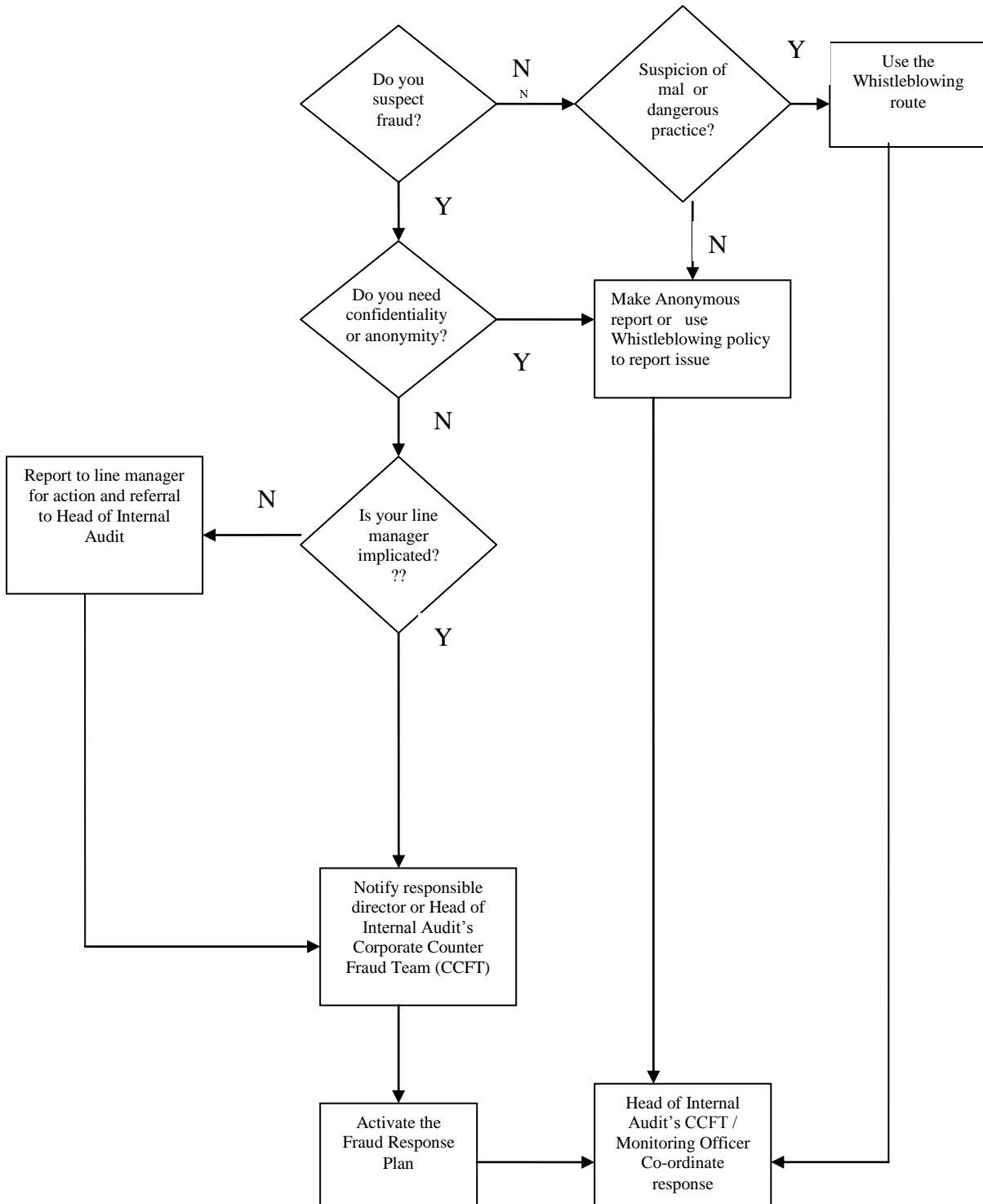
2.3 Guidance for line managers on receiving a report of fraud:

- Listen to the concerns of your colleagues and treat every report you receive seriously and sensitively. Make sure that all colleagues concerned are given a fair hearing.
- You should reassure your colleagues that they will not suffer because they have told you of their suspicions.
- Obtain as much information as possible from the colleague. Do not interfere with any evidence and make sure it is kept in a safe place.
- Request the colleague to keep the matter fully confidential in order that senior management are given time to investigate the matter without alerting the suspected/alleged perpetrator.
- Report the matter immediately to the Head of Internal Audit who will arrange a full investigation of the matter and ensure an appropriate response is made.

2.4 Decision Tree and Actions

Identified a Potential Fraud or Whistleblowing issue?

Refer to Financial Regulations and Whistleblowing Policy



3 Fraud Response Plan

3.1 Introduction

It is important that managers and others know what to do in the event of a fraud so that they can act without delay. The Fraud Response Plan covers the action required when fraud is suspected and to whom the fraud or suspicion should be reported. The Fraud Response Plan is a guide to how and by whom the fraud suspicion will then be investigated, reported and closed.

The Fraud Response Plan provides an outline of many of the areas that will need to be considered when investigating a large and complex fraud. For smaller less complex frauds, there will be parts of the plan that will not be applicable. It is however important to keep an open mind and consider whether a small fraud is concealing a much larger fraud.

3.2 Immediate Action

All cases must be notified to the Head of Internal Audit and may also be reported to the Director or Line Manager

The Head of Internal Audit will ensure that all suspected fraud is recorded in the Fraud / Whistleblowing Register and updated as the investigation progresses (see appendix 5).

3.3 Head of Internal Audit - Fraud Response

The Head of Internal Audit will arrange for the most appropriate response, including the provision of investigative resources from the department and where required from the Corporate Counter Fraud Team (CCFT) and the Legal Service. For small or less complex frauds, a large investigative resource may not be required, but the Head of Internal Audit should always be kept informed of progress at all stages of the investigation.

- Investigative Resources should be established as part of agreeing and signing off the Fraud Response Plan.
- Investigators should quickly determine the following:
 - whether an investigation is necessary
 - who will lead the investigation (the person chosen to lead the investigation should be appropriately experienced and independent of the activity affected by the alleged fraud).
 - any necessary additional resource to support the investigation
 - any immediate need for police involvement
 - any additional support requirements (eg IT facilities, a secure room, secure fax and phone facilities, administrative support etc)
 - any immediate need for legal advice
 - any immediate need for external, technical advice or support (eg forensics)
 - any immediate need to establish a PR/media strategy for dealing with the case (both internally and externally)
 - any immediate need to suspend colleagues; conduct searches and remove access (eg to files, buildings, computers/systems etc)
 - any immediate need to report the potential fraud externally (eg external auditors, tax authorities etc)
 - whether insurers need to be informed

- whether the chair of the Audit Committee should be informed
 - a timetable for the lead investigator to report back progress on the investigation.
- The objectives of the investigation should be documented and approved by the Head of Internal Audit at the outset. Likely objectives would be to:
 - establish if a fraud has taken place
 - identify the culprit(s)
 - establish the facts surrounding the fraud and ascertain total losses
 - remove the threat of further losses. (Note: in some exceptional cases it may be necessary to allow further losses, in order to gain additional evidence and increase the chances of successful criminal, civil, or disciplinary action. This should normally only be allowed under police guidance).
 - obtain sufficient evidence for successful disciplinary, criminal, or civil action
 - Certain action may need to take place immediately to prevent further losses.
 - The Director/Head of Human Resources should be involved on any decisions and action regarding suspensions and removal of access to files, systems and offices.
 - The date of the next meeting and review of the first investigation progress report should be agreed.
 - The Head of Internal Audit should be updated on a regular basis, to oversee progress of the investigation and to take major decisions relating to the case.

3.4 The Lead Investigator's Plan

- The lead investigator should prepare an investigation plan, which should be submitted to the Head of Internal Audit for approval.
- The Plan should be fairly short term, as developments in the investigation will invariably result in changes. It should clearly show what work/tasks need to be completed, why they are necessary, by whom and by when.
- The Plan may cover some or all of the following:
 - identification and recording of the persons involved and facts of the case
 - handling internal and external communications
 - actions to prevent further losses
 - actions to secure evidence. Normally, evidence should be secured in a way that will be least likely to alert the suspect(s) or others
 - liaison with Human Resources and dealing with colleagues under suspicion
 - interviews to be conducted
 - timetables for involving the police or other external experts
 - analysis of evidence
 - internal reporting (eg to Management Team, Audit Committee, etc)
 - reporting to regulatory/government bodies and or the Police
 - target dates for reporting back to the Head of Internal Audit

3.5 Communications during and after the investigation

The effectiveness of the Plan depends on good quality communication at all stages.

Internal communications

- Investigators need to ensure that everyone with a need to know is kept suitably briefed throughout the investigation and at the reporting, acting on findings and debriefing stages. Communication with any person(s) about whom concerns are raised needs to be conducted in accordance with the Council's HR policies. The person who raised concerns should be kept up to date, with due regard to confidentiality.
- There will always be a balance to be struck between communication and confidentiality therefore those persons or categories of persons who need to know should be clearly identified at each stage of the Plan, so that assurances on confidentiality can be given where required

External communications

- Third parties who may need to be alerted or informed might include the Police, regulatory authorities, insurers, legal advisors and external auditors. The Plan should make clear who is mandated to communicate with these third parties, and under what circumstances.
- The Council is prepared for the fact that frauds may attract media attention and the Plan should identify which colleague is mandated to deal with the press and what action any other colleagues contacted by the press should take. The current media communication channels and procedures should be used where possible

Inappropriate communication

The Plan should make clear any form of communication that is considered inappropriate, for example:

- discussing the case outside the Council
- confrontation between the person reporting the fraud and the suspected perpetrator(s). (Note that the Whistleblowing Policy provides assurances for the safety and confidentiality of the person making the report.)

3.6 Securing evidence

- In securing and handling evidence it should be assumed that all evidence may need to be examined forensically and presented in court and should therefore be treated accordingly. (Even if criminal or civil action is not planned, it is sensible to adopt this approach.)
- Normally, all evidence should be kept securely under lock and key, with access limited to those working on the investigation. If necessary, locks to secure rooms should be changed. Evidence should be handled appropriately and a record should be maintained of anyone handling it.
- Evidence such as computer data, transferable media, videotape etc, should only be handled by suitably trained and skilled personnel. Where there is any doubt, professional/Police advice should be sought.

- Where evidence, or other relevant information, is to be shared with another body, careful consideration should be given to any data protection (confidentiality) requirements. Where there is any doubt, expert advice should be sought from the Council's Legal Services or Information Governance team.
- Evidence can take different forms and will need to be handled in different ways, for example:

Original Documents

- handle as little as possible
- put in protective folder and label the folder
- do not mark in any way
- assign responsibility to one person for keeping the documents
- keep a clear record of how and where the documents were obtained
- keep a record of anyone who subsequently handles the documents

Computer Held Data/Transferable Media

- keep secured in an appropriate environment
- data should only be retrieved from computers by those who are technically qualified

Photocopied Documents

- in some cases it may be preferable or necessary to leave original documents in situ and take photocopies for further analysis and investigation
- photocopies should be clearly marked as such
- photocopies should be signed and dated, and certified as a true copy of the original

Other physical evidence (including Video/DVD/CD Rom)

- keep secured in an appropriate environment (eg protective bag)
- videos should not be viewed until technical and legal advice is sought in order that they can be treated in accordance with the rules of evidence

External evidence

- There are potential external sources from which evidence or information to support an investigation can be obtained, such as the tax authorities, supplier records, government registers of companies, donor records etc.

3.7 Colleagues under suspicion

- It should always be remembered that an allegation of fraud may be unfounded and in order to respect the colleague and ensure good working relations after an investigation, any action taken, such as suspension, and interviewing should be handled very carefully.
- Suspension from work is an opportunity to protect both the employer and colleague, providing the necessary space and opportunity to plan the investigation, investigate the facts and speak to other colleagues without the colleague being present. It should be made clear that suspension is not a judgement.

- The key factors in deciding to suspend colleagues will normally be prevention of further losses and removal or destruction of evidence. In some cases, it may be preferable to not suspend even at the risk of further losses (eg to gather further evidence).
- Any colleagues under suspicion who are allowed to remain at work should be closely monitored. This may include: physical surveillance of movements, monitoring of IT usage, monitoring of telephone, email and internet usage etc. (Note: it is advisable to seek legal advice regarding the use of surveillance techniques, to ensure compliance with local laws such as the Regulation of Investigatory Powers Act in the UK).
- Where a suspect offers to resign during the investigative process the consequences must be considered and a decision to reject or accept the resignation made only after consultation with HR, Legal Services and the Head of Internal Audit. By accepting the resignation the Council's ability to investigate the incident and gain proper redress may be limited.
- Other matters to consider include:
 - A review of HR records (eg to check references, employment history, qualifications etc, but with due regard to any data confidentiality / protection requirements)
 - Searching the suspect's work area; desk, cabinets, files, computer etc
 - Restricting access by the suspect to files, computers etc.

3.8 Interviews/statements

- When interviewing colleagues under suspicion it must be made clear whether it is a formal interview or an informal discussion. It should be explained that you have no pre-set view, the suspicion should be outlined and the colleague given adequate time to respond.
- If it is decided that formal questioning is needed because involvement in a criminal offence is suspected, then the CCFT should be consulted to consider whether the interview should be conducted in accordance with the principles of the UK Police and Criminal Evidence Act (PACE). Guidelines can be found on the Home Office Website.
- Interviews should only be carried out with the approval of senior management/the Head of Internal Audit.
- Early consideration should be given to Police involvement, or consultation.
- There are strict rules relating to tape recorded interviews and investigators must be suitably skilled and experienced, where these are used.
- Ideally, statements should be taken from witnesses using their own words. The witness must be happy to sign the resulting document as a true record – the witness can be given a copy of the statement if desired.
- It is very important to keep contemporaneous notes on file, in the event that they are needed for future reference (eg court, tribunal, disciplinary hearing). Such notes

should always show: date of interview; time started; time finished; and be signed and dated by the interviewer.

3.9 Police involvement

- Discussions should take place with the Head of Internal Audit regarding the best course of action in each case. A decision will need to be made as to whether the case is reported to the Police but other alternatives should be considered, for example a private prosecution. For large-scale / serious frauds, it may be appropriate to inform the Chief Executive and ask the Police to attend meetings with the investigators, Head of Internal Audit and legal advisors.
- Where a decision is taken to pass the matter to the police, the lead investigator should prepare an evidence pack that can be handed to the police at the time the fraud is reported. The pack should include a summary of the fraud, highlighting (where known) the amount, the modus operandi, and the location, and including photocopies of key supporting documents and contact details of the person leading the investigation.
- Where practical a record of everything that is handed to the Police should be kept
- All contact with the police should be channelled through one person (ie the person leading the investigation). A record should be maintained of all contacts with the Police, the details of the officers, and the crime reference number.
- The Police have knowledge of similar cases of fraud and their advice should be sought regarding measures to prevent further losses or future incidents.

3.10 Prevention of Further Losses

- Once actual or potential losses have been identified it is important that effective and timely action is taken to prevent further losses. It may however be decided that a better standard of evidence can be obtained by allowing limited further losses.
- The person in charge of the investigation should, at an early stage in the process, complete a preliminary assessment of the potential for further losses and how best to prevent them. He should make recommendations to senior management as to what if any immediate actions are necessary.
- Actions taken at an early stage may have to be circumspect so as not to alert suspects who have yet to be suspended or cautioned. It may also be important not to lose or compromise the forensic value of data by precipitate action. It may nevertheless be necessary to act quickly eg to stop payments to suspects who are being investigated.
- As the investigation continues, and more information emerges, further recommendations for action may be needed. At the end of the investigation Internal Audit should review all the actions taken to prevent further losses and to report on this in the Review of Findings.

3.11 Recovery of Losses

Once the identity of the perpetrator(s) and the size of the fraud has been determined, management must consider whether or not any of the loss can be recovered and take any further action that is necessary. This may require advice from the Insurers.

Reimbursement offered during the investigation

- An individual may, in the course of an investigation, offer to repay the amount that has been obtained improperly. The person in charge of the investigation should neither solicit nor accept such an offer (as it may be construed as having been obtained under duress). The lead investigator should record any offer made and refer the individual to the Head of Internal Audit who in turn will consult with the Chief Finance Officer and Director of Human Resources.

Reimbursement offered during disciplinary or legal proceedings

- If an offer of restitution is made while disciplinary or legal proceedings are still under way, management must seek legal advice before such an offer is accepted.

Reimbursement after completion of disciplinary proceedings

- Where a colleague is to be dismissed, the manager should consider recovery of amounts due from any outstanding salary or expense payments. It will be necessary to take legal advice about the right to do this as it is unlikely to be clear in the colleague's contract of employment.

Recovery of loss

- Where the Council has suffered loss, restitution will be sought of any benefit or advantage obtained and the recovery of costs will be sought from individual(s) or organisations responsible for fraud.
- Where a colleague is a member of Nottinghamshire County Council's Pension scheme, and is convicted of fraud, NCC may be able to recover the loss from the capital value of the individual's accrued benefits in the Scheme, which are then reduced as advised by the actuary.

Court Order

- Where a criminal case is taken against an individual a formal claim for restitution (where the court orders the defendant to give up gains) or alternatively a compensation claim made within a proceeds of crime claim should be made through the Police. Seek advice from Legal to determine the appropriate claim. Any monies due will be recovered via a Court Order.

Civil Action

- Funds lost due to fraud can be recovered from the perpetrator by suing them for damages in a civil court. The level of proof required in civil cases is lower than that required in criminal cases and management may regard a civil action as a more effective use of their time than trying to persuade the Police to investigate and the courts to prosecute. If this approach is successful the perpetrator will also have to pay the Council's legal costs. Seek advice from Legal to determine the appropriateness of the claim.

- A civil action can still be brought even if a criminal prosecution has failed. If a criminal prosecution is successful a civil action may be necessary to force the person convicted to repay the sums stolen.
- It is important to remember that the person being sued may be unable to make the repayment. In situations in which repayment is unlikely senior management approval should be obtained before additional legal costs are incurred.

Commercial Negotiation

- Where the fraud has been committed by the employee of a contractor or supplier, all or part of the loss may be recoverable from the business concerned. It may be possible to reach an agreement that the loss can be deducted from any outstanding debts or that additional goods/services will be supplied free of charge.
- Third parties may want to agree a negotiated settlement in order to retain the goodwill of their customer and/or to avoid damaging publicity and legal costs. They may subsequently be able to recover these costs from their employees or their insurers

Insurance

- The insurers should be informed as soon as a suspicion is raised. In certain circumstances it may be possible to make a claim against the insurers. The person who led the investigation should provide the insurers with any information that is required to substantiate a claim, or to support an attempt by the insurers to secure recovery from the perpetrator.

3.12 Administration

- Careful administration of the investigation is of vital importance. A disordered investigation, without clear records and logs of events, communications, key dates etc, will cause problems at any court hearing, employment tribunal, or disciplinary panel.
- Maintain a chronological record of all events on a main file. This should include all correspondence, telephone calls and emails sent/made and received, interviews, visits, tests/checks undertaken etc.
- Maintain a list of all contacts (eg internal, Police, lawyer, donors/funders, peer organisations, government bodies, and technical advisers).
- Maintain a list of emergency contact numbers and ensure that this is shared with all those on the list.
- Maintain a log of anyone who handles evidence obtained, including the Police.
- Consider whether there is a need for: dedicated administrative support; dedicated phone and email address; secure fax machine; secure room etc.
- Do not keep any unnecessary records or copies. Carefully shred any papers that are not needed (eg extra copies of progress reports).

- Establish internal and external communication protocols. Discourage the use of email to communicate sensitive information; avoid internal mail and hand deliver highly confidential information, opting for double-enveloped post for less sensitive information. Where email is used for communication, consider entering subject names that have no direct link to the investigation.
- Provide update reports as appropriate to the Head of Internal Audit

3.13 Reporting

- Every investigation of suspected fraud or financial irregularity should result in a report written by the person who led the investigation. This should be done regardless of whether any colleagues are dismissed or prosecutions made and details entered in the fraud register.
- The register will record the scale of the fraud, when and how it was perpetrated and by whom. In addition the report will record; what action has been taken against the perpetrator, the actions to prevent further similar losses and to recover what has been lost. It will also usually be pertinent to note how the fraud was detected and whether or not existing controls were effective.
- Since the report may be used internally for disciplinary hearings or externally for civil or criminal proceedings, conclusions and opinions should be substantiated by evidence.
- It is important to strictly limit the distribution of the report. Copies will not be provided automatically to suspects or their representatives. If a disciplinary hearing takes place the individual and their representative may be entitled to receive a copy subject to obtaining legal advice.

3.14 Review, communication and action on Findings

Review of findings

- The findings reported by the person in charge of the investigation should be reviewed by relevant managers and in particular the lessons learned to avoid future frauds.
- Senior Managers should satisfy themselves that, so far as is practically possible, a similar fraud could not occur again and /or the amount of potential loss has been minimised, the perpetrators have been properly dealt with and recovery has been pursued robustly.
- Managers and supervisors should be disciplined if they have not properly enforced existing controls and procedures.

Communicating outcomes

- Responsibility for communicating findings and actions to those involved and others who need to know should be set out in the Plan. The Council will hold a debriefing once outcomes have been finalised, to ensure that proper closure has been achieved.

- It may be necessary to manage the expectations of the person who raised concerns. The Whistleblowing Policy provides guidance on what may be communicated.

Action on Findings

- Any actions arising from the final report should be allocated to named individuals with appropriate due dates for completion.
- The final details of the fraud should be added to the entry in the Fraud Register.

3.15 Closure

Communication that the case has been closed

- It is important that any decision to close the case is clearly documented and communicated to those involved.
- The case may be closed for a number of reasons, including:
 - All action points that arose from the final report have been completed.
 - The Head of Internal Audit decides there is insufficient evidence to support the allegations.
 - The Council does not wish to incur further costs investigating the case.
 - The decision to close the case and the reason for doing so should be documented by the person leading the investigation and should be added to the investigation file and the fraud register.

Learning from experience

- Following completion of the case, the Head of Internal Audit will prepare a summary report on the outcome and lessons learned, circulating it to all other relevant parties who must take the appropriate action to improve controls to mitigate the scope for future recurrence of the fraud or theft.

Archiving

- All documents associated with the investigation should be archived in a secure location with adequately restricted access, and be retained in line with the document retention guidelines.
- Any redundant documents and papers, or duplicate copies, should be carefully shredded.

Appendix 1 - Examples of fraud

Theft: the illegal taking of someone else's property without that person's freely-given consent. Apart from the obvious theft of Council physical assets such as computers, shop stock and money, it includes:

- Misappropriation of funds
- Misuse of assets, including cash, stock and other assets, for example “borrowing” petty cash, use of photocopiers for private purposes
- Theft from a client or supplier
- Theft of intellectual property (eg unauthorised use of the Council name/logo, theft of product/software designs and client data)

Bribery: this implies a sum or gift given or sought that alters the behaviour of the person in ways not consistent with the duties of that person. It includes offering, giving, receiving or soliciting any item of value in order to influence an action.

Corruption: this is a general concept describing any organised, interdependent system in which part of the system is either not performing duties it was originally intended to, or performing them in an improper way, to the detriment of the system's original purpose.

Deception: to intentionally distort the truth in order to mislead others. It would include obtaining property, services or pecuniary advantage by deception or evading liability. Deceptions include:

- misrepresentation of qualifications to obtain employment
- obtaining services dishonestly via technology eg where a credit card that has been improperly obtained is used to obtain services from the internet, or any other situation where false information is provided to a machine
- possessing, making and supplying articles for use in fraud via technology eg computer programs designed to generate credit card details that are then used to commit or facilitate fraud
- undeclared and unauthorised private and consultative work
- failure to properly declare interests that may materially affect the carrying out of their role
- failure to observe, or breaches of, established Council / Service policies, procedures, or practices can in some circumstances constitute an irregularity
- money laundering (see below)
- providing misleading information in order to obtain funds, such as overstating activity

Forgery: this is the making or adapting objects or documents with the desire to deceive.

Extortion: this occurs when a person obtains money or property from another through coercion or intimidation.

Embezzlement: this is the fraudulent appropriation by a person to their own use of property or money entrusted to that person's care but owned by someone else.

False Accounting: this is dishonestly destroying, defacing, concealing or falsifying any account, record or document required for any accounting purpose, with a view to personal gain or gain for another, or with intent to cause loss to another or furnishing information which is or may be misleading, false or deceptive. It includes:

- Manipulation or misreporting of financial information
- Fraudulent completion of official documents (eg VAT receipts)

Conspiracy: this is an agreement between two or more persons to break the law at some time in the future. It includes breaches of regulations.

Collusion: the term “collusion” covers any case in which someone incites, instigates, aids and abets, conspires or attempts to commit any of the crimes of fraud.

Money laundering: this is the term used to describe the ways in which criminals process illegal or ‘dirty’ money derived from the proceeds of any illegal activity (eg the proceeds of drug dealing, human trafficking, fraud, theft, tax evasion) through a succession of transactions and deals until the original source of such funds has been obscured and the money take on an appearance of legitimate or ‘clean’ funds.

There are three internationally accepted phases to money laundering:

Placement – this involves the first stage at which funds from the proceeds of crime are introduced into the financial system or used to purchase goods. This is the time at which the funds are most easily detected as being from a criminal source. Such ‘dirty money’ will often be in the form of cash or negotiable instruments such as travellers cheques.

Layering – this is where the funds pass through a number of transactions in order to obscure the origin of the proceeds. These transactions may involve entities such as companies and trusts (often offshore).

Integration – this is when the funds are available via a legitimate source and allow the criminal to enjoy access to the funds again, with little fear of the funds being detected as being from a fraudulent source.

Appendix 2 - Terrorist Financing (Terrorism Act 2000)

Under the Terrorism Act 2000 the assets of charities can be frozen if they are shown to have funded terrorists. Colleagues should therefore be aware of terrorist organisations posing as legitimate entities which can conceal the diversion of funds to terrorist organisations.

Example 1:

An employee working for a charity used his occupation to support the on-going activities of a known terrorist organisation. The employee had secretly made contact with those involved in terrorist activity and used his position to hide weapons and bomb making equipment.

Example 2:

An employee working for a charity obtained surplus funds from the Council to fund terrorism by padding the number of children it had claimed to care for by providing the names of children who were either dead or did not exist. Funds were then diverted to local terrorist organisations. The charity also employed members of the terrorist organisations and facilitated their travel.

Appendix 3 - Examples of controls to prevent and detect fraud

- Thorough recruitment procedures.
- Physical security of assets.
- Clear organisation of responsibilities and reporting lines.
- IT access controls over data
- Adequate staffing levels.
- Supervision and checking of output.
- Separation of duties to ensure that key functions and controls are not performed by the same colleague.
- Rotation of colleagues.
- Random spot checks by managers.
- Regular activity by auditors.
- Complete and secure audit trails.
- Performance monitoring by management.
- Budgetary and other financial reports.
- Reviews by independent bodies such as the the external auditor and Internal Audit.
- Data matching.

Appendix 4 - Warning signs for fraud

There are warning signs that can indicate a fraud may be taking place eg:

- Colleagues under stress without a high workload.
- Reluctance to take annual leave.
- Being first to arrive in the morning and last to leave in the evening.
- Refusal of promotion.
- Unexplained wealth.
- Sudden change of lifestyle.
- Suppliers/contractors who insist on only dealing with one colleague.
- A risk taker or rule breaker.
- Disgruntled at work/not supportive of organisations mission.
- Colleagues with serious financial problems.
- Colleagues whose lifestyle is disproportionate to their income.
- Unusual concerns about visits made by senior managers or auditors.
- Colleagues who often break the rules or fail to comply with procedures.
- Managers/colleagues who cut corners.
- Complaints about colleagues from customers or other colleagues.
- The lack of effective internal controls in an area.
- Unexplained falls in income levels or increases in expenses.
- Deliveries of stocks or orders to other buildings or non-Council buildings.
- Increases in the number of insurance claims.
- A general disregard by management and colleagues towards security.

Fraud Indicators can include:

- Colleagues exhibiting unusual behaviour (see list above).
- False entries in attendance records such as flexi sheets.
- Missing key documents (invoices/contracts).
- Inadequate or no segregation of duties.
- Documentation which is photocopied or missing key information.
- Missing expenditure vouchers.
- Excessive variations to budgets/contracts.
- Bank and ledger reconciliations not regularly performed and balanced.
- Unexplained or unreasonable balancing items in reconciliations
- Numerous adjustments or exceptions.
- Overdue pay or expense advances.
- Duplicate payments.
- Ghost colleagues on payroll.
- Large payments to individuals.
- Crisis management coupled with a pressured work environment.
- Lowest tenders or quotes passed over without adequate explanation.
- Single vendors.
- Climate of fear/low colleague morale.
- Consistent failure to implement key controls.
- Management frequently overriding controls.

Appendix 5 - Fraud / Whistleblowing Register

The Fraud Register contains the following headings:

- Logged By
- Reference Number
- Referred By
- Date Referred
- Details of Referral (Brief)
- Contact Details
- Reported to Monitoring Officer
- Date Acknowledgement letter sent
- Agreed By
- Date Agreed
- Investigating Officer
- Stage / Status of Investigation Outcome
- Date Outcome Reported to Monitoring Officer
- Date Outcome reported to the Whistleblower
- Type of Whistleblowing Date action taken after case finished
- Type of fraud
- Value (£)
- Brief details of the fraud / corruption
- Fraud or Corruption
- Did the case involve an employee or a Councillor?
- Was the person prosecuted?
- Guilty Outcome?
- Outcome
- Perpetrator
- Type of Fraud

Nottingham City Council

Data Matching Strategy and Policy

Nottingham City Council October 2015

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DATA MATCHING STRATEGY

1. Introduction

- 1.1 Nottingham City Council is committed to providing the best possible service to its citizens by continually making improvements and utilising resources efficiently and effectively. The Council has access to vast amounts of information and, by making better use of this information across the Council it can enhance services, increase income and work efficiently.
- 1.2 The ability to match data across the many Council databases can highlight gaps in service provision, identify possible fraudulent activity or streamline processes. The Cabinet Office under its statutory powers has collected data from many public bodies to carry out data matching exercises for the prevention of fraud. This National Fraud Initiative (NFI) has already proved successful by identifying frauds of £1.17 billion since its inception in 1996. Such has been the success of the initiative that many private sector clients now use the service.
- 1.3 Within the Council, Internal Audit uses data matching techniques in the course of some of its audit investigations. Following the success of data matching exercises it is appropriate that its use be expanded to support the enhanced use of information in the most efficient and effective way to improve the delivery of the service. It is a key objective of Internal Audit to enhance the Council's ability to proactively seek out fraud and error through rigorous, programmed data matching exercises and data mining on areas identified as high risk. Internal Audit will also be seeking a more targeted approach through the better use of intelligence.
- 1.4 Looking forward, Internal Audit's vision is to expand the use of data matching techniques to include activity on data from other relevant public sector bodies.

2. The key objectives of the Data Matching Strategy

The key objectives of the strategy are:

- Nottingham City Council is committed to the prevention, detection and investigation of all forms of fraud and corruption. Continuous use of data matching in conjunction with auditing will be a pro-active approach to identifying and where possible preventing fraud and corruption. It will:
 - Provide an effective internal control and a means of helping to prevent or identify fraudulent or corrupt activities.
 - Develop an internal tool to help identify errors, inconsistencies, irregularities and risk to financial resources within the Council.
 - Ensure that the Council fully utilises the data held within its systems to best possible effect.
 - Aid the audit planning process and other audit projects.
 - Improve the control environment within the Council.
 - Identify potential weaknesses in design and operation of internal controls that may be creating the risk of fraud or irregularities occurring.
 - Identify potential weaknesses in the design of Information Systems that currently may not provide adequate assurances that they will prevent error or fraud.

- The Council is committed to ensuring its citizens have access to all services they are entitled to. The interrogation of data can highlight areas where there are gaps in service.
- Act in accordance with legislative obligations under the National Fraud Initiative.
- The audit process should be enhanced by:
 - improving the audit planning process and deployment of Audit colleagues
 - using the matching and interrogation of data to highlight areas for further investigation
 - highlighting errors, inconsistencies, irregularities and/or financial risk
- The Council will work within the relevant legislative framework including the Data Protection Act, and Nottingham City Council Information Security policies.

3. Scope of Data Matching

- 3.1 Data matching and analysis may be performed on any City Council data system.
- 3.2 Data matching and analysis may be performed on data received from other public bodies by agreement and within relevant legislation.
- 3.3 In exceptional circumstances data matching and analysis may be performed on data received from other external systems where deemed appropriate to the furtherance of the City Council's anti-fraud objectives and where relevant legislation permits.
- 3.4 Data matching will be performed routinely as part of our data matching plan, and also on an ad-hoc basis;

Routine Data matching – scheduled data matches may take place on a daily, weekly, monthly or quarterly basis. Datasets will be collected from core systems in accordance with the annual data matching plan.

Ad-hoc data matching – data matches may be required for work of a special nature when routine data matching activities would not be appropriate. Also, data collected for routine data matching activities may also be used as a by-product to drive and support the audit of large information systems.

4. Legal Basis for Data Matching

- 4.1 In order for the City Council to undertake data matching it must operate within the legislative framework. Internal Audit will work with colleagues in Information Governance and Legal Services to keep abreast of new or amended legislation and ensure the correct procedures are in place to drive improvement.

- 4.2 Data is currently matched under the following Legislation:
- National Fraud Initiative - Audit Commission Act 1998
 - Local Audit and Accountability Act 2014,
 - Benefit Counter Fraud – Social Security Act.
- 4.3 To support internal pro-active anti-Fraud activities, data matching takes place to assist the Section 151 Officer achieve their responsibilities. These are outlined in the Local Government Act 1972 and supported by the internal audit right of access stated in the Accounts and Audit Regulations 2015.
- 4.4 The City Council will adhere to the Data Protection Act by ensuring there are the relevant fair processing notices in place to inform the data subjects that data matching may take place to help detect and identify fraud.

5. Approach to data matching

- 5.1 Based upon information obtained from risk analysis work and audit work, an annual data matching strategy will be developed. The strategy will include routine data matching events and leave appropriate contingency to process ad-hoc data matches as their requirement occurs. Risk analysis will be performed from historical information, data trends and other sources of information. Areas with a high fraud risk profile will be targeted.
- 5.2 The balance of work carried out between routine and non-routine data matching will integrate with existing Nottingham Internal Audit planning objectives.
- 5.3 Routine data matching will be subject to one time approval. The approval will be reviewed on an annual basis to verify that it remains valid and appropriate. All approvals will require a justification to be produced, outlining the data requirements and data field definitions.
- 5.4 The overall approach to data matching consists of an extraction of data from any system or data warehouse held by the Council, and then subsequently cross matching or exception testing this data to another data set to help identify potential errors, irregularities or suspect matches.
- 5.5 Non-routine (ad-hoc) data matches will require approval from the Head of Internal Audit each time a data match is carried out. This will be done prior to approaching the data owner.

6. Retention of data

- 6.1 The City Council will ensure that data is not held for longer than is necessary for the purpose it was obtained. In establishing retention and archiving periods we will consider both the possibility of complaints and the legal requirements.
- 6.2 All successful data matches that result in a fraud referral will be documented and retained in line with normal operating procedures.

- 6.3 Datasets used to carry out data matches will be retained for a maximum of six months after their planned use, subject to the need to conserve evidence.
- 6.4 All data refreshes will take place on a regular basis ie daily, weekly, monthly or quarterly as relevant to operational needs. Consequently, as the existing dataset will be overwritten, data will only be retained until the following scheduled refresh occurs.

7. Storage of data

- 7.1 Data is held in secure computer files, which have restricted access.
- 7.2 Manual records will be held securely in locked filing cabinets.
- 7.3 Output reports and files that do not highlight a match will be securely destroyed.
- 7.4 Once the data matching exercise has been completed the extracted source data file will be deleted. Matches which do not identify fraudulent activity will also be deleted. Matches which subsequently highlight fraudulent activity will be maintained for analytical review.

8. Links to Audit Controls and Risk Registers

- 8.1 Where significant fraudulent activities have occurred through poor system controls, the details will be fed to both the directorate and team responsible, and into the relevant risk register.
- 8.2 Details will be recorded by Internal Audit to help assess the implications on the annual assurance statement and for future trend analysis.

9. Management Action

- 9.1 The Head of Internal Audit will make arrangements for follow-up of all positive data matches where a fraud has occurred but no action has yet been taken against the perpetrator(s) of the fraud.
- 9.2 If no action is taken by a line manager when a fraud or irregularity is proven, the Head of Internal Audit reserves the right to review the fraud circumstances and refer the matter to the City Council's Audit Committee.

DATA MATCHING POLICY

1. Introduction

- 1.1 Nottingham City Council is committed to quality service provision, reducing the number and value of errors, and reducing the level of financial risk and is continually looking to introduce more efficient and effective techniques to combat fraud. Processes within Internal Audit are designed, where practicable, to add value through techniques including data matching.
- 1.2 The benefits of data matching are well documented through government initiatives such as the National Fraud Initiative (NFI) run by the Cabinet Office. The NFI forms part of the statutory external audit process for councils, Police and fire authorities in England and Wales. Data matching under the NFI is a legal requirement and audited bodies and other participating organisations supply data for cross-matching between systems to identify cases where fraud may be occurring. Data matching has also been used to identify inconsistencies, for example, where similar information is stored in two different systems and errors resulting from data input.
- 1.3 Investing in improvement is a key priority for the Council to help it to manage resources economically, efficiently, effectively, flexibly and responsively. Consequently, errors or fraud identified via the data matching route will also help the Council to improve services and the internal control environment, supporting the Council's aspiration to be one of the best run Local Authorities in England.
- 1.4 Performing data matching and data analysis internally and informing suppliers, partners, colleagues and citizens that it is being carried out may act as a deterrent and create an anti-fraud and corruption culture within the City Council.

2. Definitions

- 2.1 Data Matching – The computerised comparison of two or more data sets which relate to the same or similar individuals or elements to identify similarities or differences.
- 2.2 Data Analysis – The process of examining data with the aim of extracting some useful information and identifying anomalies.
- 2.3 Continuous Auditing – The method that is used to perform control and risk assessments in an automated manner on a more frequent schedule.

3. Purpose of Policy

- 3.1 To ensure that a consistent data matching approach is adopted across Nottingham Internal Audit by making effective use of a clearly defined strategy and procedures.
- 3.2 To establish procedures that ensure data matching and analysis is conducted in a controlled, robust and approved manner.

4. Principles of data matching

- 4.1 The Council will only match and analyse data where relevant legislation permits, in order to avoid unlawful processing of data.
- 4.2 Data extracted will be obtained in accordance with the Data Protection Act (1998) and, where required, with the consent of the data owner.
- 4.3 To support the Council's determination to reduce fraud and error it will be Council policy to include a standard declaration in forms or input screens concerning the potential use of data provided to the Council in data matching exercises.
- 4.4 Only data actually needed to perform the data matching exercise is collected and processed.
- 4.5 Data matches will be fed into a structured and prioritised programme of activity.
- 4.6 Source and matched data is only seen by colleagues who need it in the course of their duties.
- 4.7 The results of a matching exercise do not automatically imply that fraudulent activity has taken place. It highlights areas for further investigation. The investigation team will conduct a thorough review of all results and ensure the accuracy of the data.
- 4.8 Data found to be inaccurate will be corrected in an appropriate manner so that decisions affecting individuals highlighted in the data matching routine are made on the basis of reliable and up to date data.
- 4.9 Data matching processes will be refined for future use where indicated by a review of results.
- 4.10 Data matching outputs are fed, where relevant and appropriate, into the Internal Audit planning process.
- 4.11 Source data and matched data outputs are protected from unauthorised or accidental disclosure.
- 4.12 Data is retained only for as long as it is required.

5. Approval

- 5.1 This policy forms part of the Council's Counter Fraud Strategy which is approved by the Council's Audit Committee.
- 5.2 The Head of Internal Audit will maintain the policy and review mechanisms set in place to ensure its principles are delivered.

6. Compliance

6.1 Compliance with the policy will be required as part of the Council's Counter Fraud Strategy.

6.2 All relevant colleagues should receive appropriate training to provide an assurance that this policy is understood and followed effectively.

7. Data Retention and Disposal

7.1 Data retention/disposal standards will be in line with Council Information Security Policies.

7.2 Personal information will be safeguarded from accidental and deliberate threats to confidentiality and integrity

8. Policy Review

This policy will be reviewed by the Head of Internal Audit periodically and when relevant legislative changes are enacted.

9. Contact Officer / Guidance

For clarification or guidance in connection with this policy, please use the following contact details

Shail Shah - Head of Internal Audit

Tel: (0115) 8764245

[email:shail.shah@nottinghamcity.gov.uk](mailto:shail.shah@nottinghamcity.gov.uk)

Counter Fraud Strategy for Schools

1. Background

This Strategy identifies Nottingham City Council's overall arrangements relating to its responsibilities on fraud and corruption. The Governing Body, through the Head Teacher, have a responsibility to bring the policy to the attention of employees, and employees are expected to be aware of the requirements of the policy and at all times to comply with it.

It describes the school's policy for notification, investigation and reporting upon circumstances which may involve fraud, corruption and irregularities.

It is intended to supplement the Scheme for the Financing of Schools, Financial Regulations, Code of Conduct for Employees, Manual of Financial Guidance and the Financial Administration and Control Policy.

Any investigations carried out in relation to irregularities are entirely separate from, and do not form part of, the schools disciplinary procedures. However, the timing of the commencement of any disciplinary procedures needs to be taken into account where an investigation into an irregularity is taking place, so as not to prejudice the irregularity investigation.

Following the completion of an irregularity investigation and subsequent report, it is possible that the Head Teacher or Chair of Governors may initiate action, in accordance with the school's disciplinary procedures or referral to the Police.

2. Counter Fraud in Context

Fraud is defined under the Fraud Act 2006 as dishonest false representation or abuse of position with the intention of making a gain or causing a loss or a risk of loss to another. For the purpose of this Strategy the term is also used to describe a number of offences under former and current legislation, including deception, forgery, theft, misappropriation, collusion, bribing and being bribed, conspiracy, money laundering, offences under the Identity Cards Act 2006, possession and making or supplying of articles for use in fraud or obtaining services dishonestly.

Therefore, 'fraud' can be used to describe a multitude of offences. In administering its responsibilities to protect public funds and assets, the School has developed this Strategy to deter fraud whether it is attempted from outside or within the School. In essence the main areas of concern are:-

- Fraud – the intentional distortion of financial statements or other records by persons internal and external to the school, which is carried out to conceal the misappropriation of assets or otherwise for gain.
- Bribery and corruption – the offering or the acceptance of a reward, for performing an act, or for failing to perform an act, which leads to gain for the person offering the inducement.

This Strategy aims to protect public funds and assets by requiring compliance with regulations, rules, procedures, and guidance designed to encourage the prevention of fraud, promote detection and identify clear responsibility for investigations. The impact of the Strategy will be to ensure that School resources are not diverted away from delivery of school objectives.

Irregularities, and circumstances which may involve irregularities, are a difficult area and pose a number of problems. Where there is doubt about whether a matter is an irregularity or not, clarification must be sought from the Head of Internal Audit.

Similarly, if there is concern or doubt about any aspect of a matter which involves an irregularity, or an ongoing investigation into a suspected irregularity, the best approach is to seek advice/guidance from the Head of Internal Audit.

3. Culture

The Governing Body is determined that the culture and tone of the school is one of honesty and opposition to fraud and corruption. This Strategy is a clear message from the Governing Body that it will endeavour to take all possible steps to prevent and eliminate fraud and corruption. It identifies a clear path for both Governors and employees to report any suspicions of fraud and corruption without any fear of discrimination.

There is an expectation and requirement that all individuals and organisations associated in whatever way with the school will act with integrity, and the school employees at all levels will lead by example in these areas. The Governing Body also demands that individuals and organisations that it comes into contact with will act toward the school with integrity and without thought or actions involving fraud or corruption.

The school's Counter Fraud Strategy is based on a series of comprehensive and inter-related procedures designed to frustrate any attempted fraudulent or corrupt act.

The School is also aware of the high degree of external scrutiny of its affairs by a variety of bodies' including:-

- Parents
- Local tax payers;
- Service Users;
- External Auditor;
- Examination Boards
- Parliamentary Committees;
- Government department and Inspectorates;
- HMRC
- OFSTED

The school's employees are an important element in its stance on fraud and corruption and they are positively encouraged to raise any concerns that they may have on these issues where they are associated with the school's activity.

This they can do in the knowledge that such concerns will be treated in confidence and properly investigated. If necessary, a route other than through the Head Teacher may be

used to raise such issues. Such routes are set out in the Confidential Reporting Policy (Whistle Blowing) and include:-

- Immediate Supervisor
- Chair of Governors
- HR Business Partner
- Corporate Director, Children & Families
- Director of Resources
- Head of Internal Audit

If you feel unable to contact any of the above for your disclosure you can contact an independent “prescribed” person who can also provide you with the appropriate employment protection, rights. If you make a disclosure to a prescribed person it is escalated outside the School since those with investigatory and regulatory functions can act upon the information provided, if they consider it necessary.

Citizens are also encouraged to report concerns through the Councils Comments, Compliments, Complaints (Feedback) Procedure or the Councils Report a Concern facility, details of which are available from the City Council’s web site. Citizens may also report concerns using the fraud hotline by dialling 01158764243

The Governing Body and the Head Teacher are responsible for following up any allegation of fraud or corruption received and will do so through clearly defined procedures:-

- dealing promptly with the matter;
- recording all evidence received;
- ensuring that evidence is sound and adequately supported;
- ensuring security of all evidence collected;
- notifying the Director of Children and Families, Director of Resources and Head of Internal Audit and
- implementing school disciplinary procedures where appropriate and informing the Police.

Any abuse of this process by raising unfounded malicious allegations is a serious disciplinary matter.

The school can be expected to deal swiftly and thoroughly with any member of staff who attempts to defraud the school or who is corrupt. The Governing Body should be considered as robust in dealing with financial malpractice.

4. Methods of Preventing and Detecting Fraud

Generally there is an expectation by the Council that the Governing Body and colleagues will lead by example in ensuring adherence to legal requirements, rules, procedures and practices. It is also expected that individuals and organisations that the school comes into contact with, will act with integrity and not take part in any fraudulent or corrupt activity.

The Governing Body recognise that a key preventative measure in the fight against fraud and corruption is to take steps at the recruitment stage to establish, as far as possible, the previous record of potential employees in terms of their propriety and integrity. Staff

recruitment is therefore required to be in accordance with the Recruitment and Selection Guidance and in particular to obtain written references regarding known honesty and integrity of potential employees before employment offers are made.

School employees are expected to follow the Code of Conduct related to their personal professional qualifications and also abide by the National Code of Conduct. The role that colleagues are expected to play in the school's framework of internal control, should be featured in employees induction procedures.

All Governors and employees of the school are required to declare in a public register any interests or offers of gifts or hospitality which are in any way related to the performance of their duties in relation to the school.

Governors and employees must comply with Council's Regulations. These standing orders and financial regulations place a duty on all employees to act in accordance with best practice when dealing with the affairs of the school and notify the Director of Children & Families and the Head of Internal Audit immediately, of all suspected irregularities affecting the well being, finances or property of the school and council.

Significant emphasis is placed on the thorough documentation of financial systems, and every effort is made to continually review and develop these systems in line with best practice to ensure efficient and effective internal controls. Internal Audit appraises the adequacy and appropriateness of the school's financial systems. The Governing Body place great weight on being responsive to audit recommendations.

In addition to the above, the school will participate fully in other controls / mechanisms the City Council has in place to detect and prevent fraud including National Fraud Initiative

5. Detecting and Investigating

The array of preventative systems, particularly internal control systems, within the school has been designed to provide indicators of any fraudulent activity, although generally they should be sufficient in themselves to deter fraud.

It is often the alertness of employees and the public to such indicators that enables detection to occur and the appropriate action to take place when there is evidence that fraud or corruption may be in progress.

Despite the best efforts of Governing Bodies, Head Teachers and Auditors, many frauds are discovered by chance or 'tip-off', and the school has in place arrangements to enable such information to be properly dealt with.

Notification should be given to the Head of Internal Audit (Telephone 0115 8764245) or fraud hotline (Telephone 0115 8764243), who will provide the appropriate advice regarding the conduct of any investigation. Any concerns should be reported immediately in the knowledge that such concerns will be treated in confidence and properly investigated. **Appendix A** to this Strategy outlines the decision process involved.

No investigation / action should be taken by the Head Teacher or Governing Body before the Director of Children and Families has been informed, and the Head of Internal Audit has been advised of the situation. Head of Internal Audit will take such steps as it considers necessary after taking into account the views of the Director of Children and Families.

Depending on the nature and anticipated extent of the allegations, the Head of Internal Audit will normally work closely with the Head Teacher or Governing Body, Human Resources and other agencies (such as the Police), to ensure that all allegations are properly investigated and reported upon and, where appropriate, maximum recoveries are made for the school and Council. The Head Teacher, Governing Body, Director of Children and Families, Director of Resources, Head of Internal Audit and the Chief Executive will be kept briefed as the investigation continues.

If the investigation is into a significant or sensitive manner, the Chief Executive, in conjunction with the Director of Resources, will inform the appropriate persons, subject to the investigation not being prejudiced. The information given at this stage will normally be restricted to the fact that an investigation has commenced into a particular school.

Where allegations are sustained, the employee will be subject to the school's disciplinary procedures.

Where financial impropriety is discovered, it will be referred to the Police and prosecution pursued. Formal referral to the police is a matter for the Director of Resources. Any exception to this clause may only be made by the Director of Resources in consultation with the Chief Executive, Director of Children and Families and Head of Legal Services.

6. Training

The Governing Body recognises that the continuing success of the Counter Fraud Strategy and its general credibility will depend largely on the effectiveness of programmed training and responsiveness of employees throughout the school.

To facilitate this, the Governing Body supports the concept of induction and training particularly for employees involved in internal control system, to ensure that their responsibilities and duties in this respect are regularly highlighted and reinforced.

Links with Other Policies

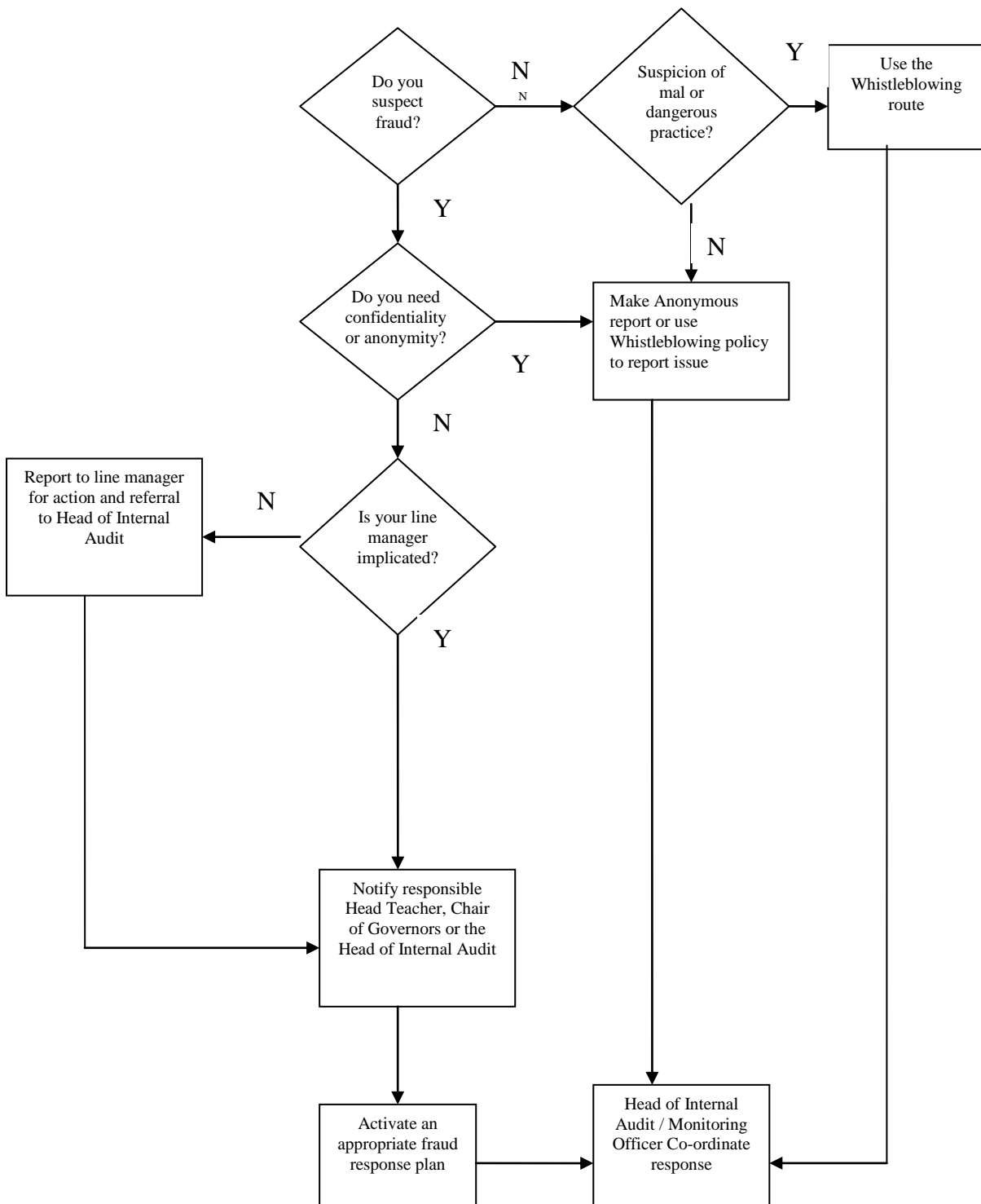
The Governing Body is committed to preventing fraud and corruption. To help achieve this objective there is a clear network of systems and procedures in place for the prevention, detection and investigation of fraud and corruption. This Counter Fraud Strategy attempts to consolidate those in one document and should be read in conjunction with the following School and Council policies, which may be obtained from the Head of Internal Audit or the Schools Finance Section, or following the hyperlink where available

Useful Policies and Guidance

- Confidential Reporting Policy (Whistle-Blowing)
[Whistleblowing](#)
- Fair Funding Scheme and Financial Regulations
[Fair Funding](#)
- Code of Conduct
[Code of Conduct](#)

- Financial Administration and Control Policy
[Financial Administration and Control](#)
- Manual of Financial Guidance
[Financial Guidance](#)

Decision tree where a Potential Fraud or Whistleblowing issue is suspected



AUDIT COMMITTEE - 27 NOVEMBER 2015

Title of paper:	AUDIT COMMITTEE TERMS OF REFERENCE AND ANNUAL WORK PROGRAMME	
Director(s)/ Corporate Director(s):	Geoff Walker Acting Director of Strategic Finance	Wards affected: All
Report author(s) and contact details:	Shail Shah - Head of Internal Audit ☎ 0115-8764245 ✉ shail.shah@nottinghamcity.gov.uk	
Other colleagues who have provided input:		
Recommendation(s):		
1	Note the functions of the Audit Committee and the benefits arising from its existence	
2	Endorse the outline work programme at Appendix 1 and the terms of reference at Appendix 2 .	

1. REASONS FOR RECOMMENDATIONS

1.1 Although an Audit Committee is not a legal requirement it reflects best practice reinforces the importance of probity, and performance and risk management. This report outlines the core functions of the Audit Committee, the benefits that will arise for the City Council and an updated annual work programme.

Role of the Audit Committee

1.2 The purpose of an Audit Committee is to provide independent assurance on the adequacy of the governance and control environment, effectiveness of the Risk Management Framework, and to oversee the annual financial reporting process.

Benefits of the Audit Committee

1.3 The benefits to be gained from operating an effective Audit Committee are that it:

- Raises greater awareness of the need for internal control and the implementation of audit recommendations;
- Increases public confidence in the objectivity and fairness of financial and other reporting;
- Reinforces the importance and independence of internal and external audit and any other similar review process eg providing a view on the annual governance statement;
- Provides additional assurance through a process of independent and objective review.

Governance Role

- 1.4 The Audit Committee aims to improve corporate focus on governance by:
- Providing assurance on the adequacy of the Risk Management Framework and the associated control environment;
 - Scrutinising the Council's financial and non-financial performance to the extent that it affects the Council's exposure to risk and weakens the control environment;
 - Overseeing the financial reporting process
 - Approving the Council's Statement of Accounts;
 - Commenting on the scope and nature of external audit;
 - Overseeing proposed and actual changes to the Council's policies and procedures pertaining to governance

2. BACKGROUND

- 2.1 An Audit Committee is central to the provision of effective corporate governance, which partly depends on a systematic strategy, clear framework and processes for managing risk. Good governance also maintains and increases public confidence in the objectivity and fairness of financial and other reporting as well as helping to deliver improved services. It is important that local authorities have independent assurance about the mechanisms underpinning these aspects of governance.
- 2.2 It is recognised that high performing councils develop effective financial and non-financial control mechanisms. The development of expertise made available by the establishment of an Audit Committee, meeting on a regular cycle, and with Terms of Reference focussed on the key audit control and risk management areas critical to the Council's performance is a key part of these mechanisms.
- 2.3 The Committee's outline work programme is attached as **Appendix 1**. The work programme supports the Council's aim to improve its efficiency and effectiveness and has been developed to address the Terms of Reference for the Committee approved by the City Council included as **Appendix 2**. In accordance with CIPFA guidance, the Committee is politically balanced and will not have Executive membership.

Membership will continue to be reviewed in accordance with guidance from the Department of Communities & Local Government (DCLG).

3. BACKGROUND PAPERS OTHER THAN PUBLISHED WORKS OR THOSE DISCLOSING EXEMPT OR CONFIDENTIAL INFORMATION

None

4. PUBLISHED DOCUMENTS REFERRED TO IN COMPILING THIS REPORT

Advice note from CIPFA Technical Audit Committees – Practical Guidance for Local Authorities (CIPFA)

Appendix 1

Audit Committee Programme of work 2015 / 2016

REPORT TITLE	DATE ▷	27.11.15	26.02.16	29.04.16		
	LEAD ▽					
					KEY : PEOPLE	
Audit Committee Role & Annual Work Programme	GW/SS				JA	Jeff Abbott
Audit Committee Training Activity	GW/SS				KPMG	External Auditor
Counter Fraud Strategy	GW/SS				NC	Nigel Cooke
					LN	Lynne North
Internal Audit Annual Report & Audit Charter	GW/SS				JO	Jane O'Leary
Internal Audit Performance Report	GW/SS				SS	Shail Shah
Internal Audit Reports Selected for Examination	GW/SS				GW	Geoff Walker
Annual Governance Statement Mid Year Update	GW/SS				CC	Chris Common
KPMG – Annual Audit Letter	KPMG					
KPMG – Certification of Claims & Returns Annual Report	KPMG					
KPMG – Regular update/statement progress	KPMG					
KPMG – External Audit Plan	KPMG				KEY : PURPOSE	
LGO Annual Report	LN					As required
Partnership Governance Framework	NC					For approval
Risk Management	GW/JO					
Treasury Management Strategy & Key Issues Update	GW/JA					
Performance Management Framework	AP/CC					

Audit Committee Terms of Reference

TITLE	AUDIT COMMITTEE
POWERS / REMIT	
<p>(a) <u>Main Purposes:</u></p> <ol style="list-style-type: none"> 1. Provide assurance of the adequacy of the risk management framework and the associated control environment; 2. Scrutinise the council's financial and non-financial performance to the extent that it affects the council's exposure to risk and weakens the control environment; 3. Oversee the financial reporting process; 4. Approve the council's Statement of Accounts; 5. Comment on the scope and nature of external audit; 6. Oversee proposed and actual changes to the council's policies and procedures pertaining to governance. <p>(b) <u>Main Functions:</u></p> <ol style="list-style-type: none"> 1. Reviewing the mechanisms for the assessment and management of risk; 2. Approving the council's statement of accounts; 3. Receiving the council's reports on the Statement on the Annual Governance Statement and recommending their adoption; 4. Approving Internal Audit's strategy, planning and monitoring performance; 5. Receiving the Annual Report and other reports on the work of Internal Audit; 6. Considering the external auditor's annual letter, relevant reports and the report to those charged with governance and the council's responses to them; 7. Considering arrangements for and the merits of operating quality assurance and performance management processes; 8. Considering the exercise of officers' statutory responsibilities and of functions delegated to officers; 9. To recommend external audit arrangements for the council; 10. To receive and consider the results of reports from external inspectors, ombudsman and similar bodies and from statutory officers; 11. Overseeing the Partnership Governance Framework, including annual health checks and the Register of Significant Partnerships. 	
ACCOUNTABLE TO: Council	
MEETINGS: Normally six per annum plus specials where required	
MEMBERSHIP: 9 non-executive members (politically balanced) plus 1 independent member.	
ESTABLISHED SUB COMMITTEES: None.	