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MEETING: AUDIT AND GOVERNANCE COMMITTEE

DATE: Wednesday 10th September, 2014

TIME: 3.00 pm.

VENUE: Town Hall, Southport

Member

Substitute

Councillor Roberts (Chair)
Councillor McGinnity (Vice-Chair)
Councillor Ashton
Councillor Brennan
Councillor Mark Dowd
Councillor Lord Fearn
Councillor John Joseph Kelly
Councillor Lappin
Councillor Papworth
Councillor Shaw

Councillor Friel
Councillor Byrom
Councillor Robertson
Councillor Mahon
Councillor Dams
Councillor Weavers
Councillor Kermode
Councillor Atkinson
Councillor Dutton
Councillor Lewis

COMMITTEE OFFICER: Mike Morris
Senior Democratic Services Officer
Telephone: 0151 934 2045
Fax: 0151 934 2034
E-mail: mike.morris@sefton.gov.uk

If you have any special needs that may require arrangements to facilitate your attendance at this meeting, please contact the Committee Officer named above, who will endeavour to assist.

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AGENDA

1. **Apologies for absence**
2. **Declarations of Interest**

Members are requested to give notice of any personal or prejudicial interest and the nature of that interest, relating to any item on the agenda, in accordance with the Members Code of Conduct.
3. **Minutes** (Pages 5 - 8)

Minutes of the meeting held on 25 June 2014
4. **Health Scrutiny Guidance - Proposed Amendments to the Constitution** (Pages 9 - 14)

Report of the Director of Corporate Services
5. **Statement of Accounts 2013/2014**

Report of the Head of Corporate Finance and ICT to follow
6. **Treasury and Capital Activity - Outturn 2013/14** (Pages 15 - 26)

Report of the Head of Corporate Finance and ICT
7. **Treasury Management 2014/15 - Position to July 2014** (Pages 27 - 34)

Report of the Head of Corporate Finance and ICT
8. **Risk Services Update - April to September 2014** (Pages 35 - 42)

Report of the Head of Corporate Finance and ICT
9. **Audit Plan 2014/15 - Internal Audit Performance Report - April to August 2014** (Pages 43 - 58)

Report of the Head of Corporate Finance and ICT
10. **Internal Audit Fraud Report** (Pages 59 - 64)

Report of the Head of Corporate Finance and ICT
11. **Internal Audit Report and Confidential Reporting Policy** (Pages 65 - 76)

Report of the Head of Corporate Legal Services

- 12. Constitution Update** (Pages 77 - 82)
Report of the Head of Corporate Legal Services
- 13. Exclusion of Press and Public**
To consider passing the following resolution:

That, under Section 100A(4) of the Local Government Act, 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Paragraphs 3 and 7 of Part 1 of Schedule 12A to the Act. The Public Interest Test has been applied and favours exclusion of the information from the Press and Public.
- 14. Internal Audit Fraud Report** (Pages 83 - 88)
Report of the Head of Corporate Finance and ICT
- 15. Corporate Risk Register** (Pages 89 - 96)
Report of the Head of Corporate Finance and ICT

THIS SET OF MINUTES IS NOT SUBJECT TO "CALL-IN"

AUDIT AND GOVERNANCE COMMITTEE

MEETING HELD AT THE TOWN HALL, BOOTLE ON 25 JUNE 2014

PRESENT: Councillor Roberts (in the Chair)
Councillors Brennan, Lord Fearn, John Joseph Kelly,
Lappin and Shaw
ALSO PRESENT: Mr. E. Davies (Independent Member)

1. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Ashton and his substitute Councillor Robertson, Councillor M. Dowd and his substitute Councillor Dams, Councillor McGinnity and Councillor Papworth and his substitute Councillor Dutton.

2. DECLARATIONS OF INTEREST

No declarations of interest were received.

3. MINUTES

RESOLVED:

That the Minutes of the meeting held on 16 April 2014 be confirmed as a correct record.

4. HEARINGS SUB-COMMITTEE RECOMMENDATIONS - RESPONSE BY CLERK OF MAGHULL TOWN COUNCIL

Further to Minute No. 55 (2) of the meeting on 16 April 2014, the Committee considered the report of the Director of Corporate Services which set out the response of the Clerk of Maghull Town Council to the recommendations made by the Hearings Sub-Committee following a recent investigation of a complaint made against a Maghull Town Councillor.

RESOLVED: That

- (1) the Clerk's response be noted; and
- (2) Maghull Town Council be recommended to consider minuting meetings on any future occasions when the circumstances are similar to those referred to in this complaint.

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AUDIT AND GOVERNANCE COMMITTEE- WEDNESDAY 25TH JUNE, 2014

5. INTERNAL AUDIT ANNUAL REPORT 2013/14

The Committee considered the report of the Head of Corporate Finance and ICT reviewing Internal Audit and Risk Management activity for 2013/14 and setting out the Chief Internal Auditor's opinion on the overall adequacy and effectiveness of the Council's internal control environment. The annual report included a summary of work to investigate cases of suspected fraud.

The Head of Corporate Finance and ICT presented the report and answered questions thereon. She also thanked and commended the Audit Team for their work and positive response to challenges over the past year.

RESOLVED: That

- (1) the report be noted;
- (2) it be noted that the Chief Internal Auditor is satisfied that the Council continues to operate within an adequate and generally effective overall control environment; and
- (3) the Head of Corporate Finance and ICT be requested to submit details of the progress of the asbestos audit within the Health and Safety Audit Plan to future meetings of this Committee.

6. INTERNAL AUDIT ANNUAL PLAN 2014/15

The Committee considered the report of the Head of Corporate Finance and ICT which attached the proposed Internal Audit Annual Plan for 2014/15.

RESOLVED:

That the Internal Audit Annual Plan for 2014/15, as attached to the report, be approved.

7. HEALTH AND SAFETY AUDIT ANNUAL PLAN 2014/15

The Committee considered the report of the Head of Corporate Finance and ICT setting out a proposed Health and Safety Audit Plan for 2014/15, which included a detailed methodology for selecting areas of audit which was flexible enough to accommodate departmental requests or heightened risk as a result of change or other evidence, as agreed at the Corporate Health and Safety Committee on 21 May 2014.

RESOLVED: That

- (1) the Health and Safety Audit Plan for 2014/15, as attached to the report, be approved; and
- (2) in relation to the “dealing with aggression in children’s social care settings”, the Head of Corporate Finance and ICT be requested to inform this Committee, at a future meeting, whether restraint is being used in such settings and what procedures are in place for monitoring the mental health of children in those settings.

8. EXCLUSION OF PRESS AND PUBLIC

RESOLVED:

That, under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it would involve the likely disclosure of exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A to the Act. The Public Interest Test has been applied and favoured exclusion of the information from the press and public.

9. CORPORATE RISK REGISTER - QUARTERLY UPDATE

Further to Minute No. 49 of 26 March 2014, the Committee considered the report of the Head of Corporate Finance and ICT setting out a revised Corporate Risk Register which had been updated to reflect the Council’s current risks and associated controls. Some of the risks had been re-worded to provide clarity and four new risks had been added.

RESOLVED: That

- (1) the report be noted;
- (2) the updated Corporate Risk Register be approved; and
- (3) the Head of Corporate Finance and ICT be requested to forward a copy of the Corporate Risk Register handbook to all Members of the Committee.

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Report to:	Audit and Governance Committee	Date of Meeting:	10 September 2014
Subject:	Health Scrutiny Guidance – Proposed Amendments to the Constitution	Wards Affected:	All Wards
Report of:	Director of Corporate Services		
Is this a Key Decision?	No	Is it included in the Forward Plan?	No
Exempt/Confidential	No		

Purpose/Summary

To advise on amendments to the Council’s Constitution, to be submitted by the Overview and Scrutiny Committee (Health and Social Care)

Recommendation(s)

That the following additional amendments to the Council’s Constitution be approved:-

1. The text attached at Appendix A to the report to be added to the terms of reference for the Overview and Scrutiny Committee (Health and Social Care) in Chapter 6 of the Council’s Constitution.
2. The function to allow the full Council to formally respond to consultations by relevant NHS bodies and relevant service health providers on substantial reconfiguration proposals.

How does the decision contribute to the Council’s Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Jobs and Prosperity		√	
3	Environmental Sustainability		√	
4	Health and Well-Being	√		
5	Children and Young People		√	
6	Creating Safe Communities		√	
7	Creating Inclusive Communities		√	
8	Improving the Quality of Council Services and Strengthening Local	√		

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	Democracy			
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Reasons for the Recommendation:

To report on proposed amendments to the Council’s Constitution and to ensure that it is up to date.

Alternative Options Considered and Rejected: Non-reporting would not be conforming to the proper procedures for implementation of amendments to the Council’s Constitution.

What will it cost and how will it be financed? N/A

(A) Revenue Costs None

(B) Capital Costs None

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Financial	
Legal	
Human Resources	
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact of the Proposals on Service Delivery:

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT (FD.....) has been consulted and any comments have been incorporated into the report.

The Head of Corporate Legal Services (LD.....) has been consulted and any comments have been incorporated into the report.

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer: Debbie Campbell
Tel: 0151 934 2254
Email: debbie.campbell@sefton.gov.uk

Background Papers:

There are no background papers available for inspection

1. Introduction/Background

- 1.1 At the time of drafting this report, the Overview and Scrutiny Committee (Health and Social Care) is anticipated to consider a report by the Director of Corporate Services on the new Health Scrutiny Guidance, at its meeting on 2 September 2014.
- 1.2 The report includes recommendations for amendments to be made to the Council's Constitution.

2. Overview and Scrutiny Committee (Health and Social Care) – Terms of Reference

- 2.1 The new Health Scrutiny Guidance contains a number of key messages and it is deemed necessary to amend the Terms of Reference of the Overview and Scrutiny Committee (Health and Social Care), in order to reflect those key messages.
- 2.2 The additional Terms of Reference are attached to this report at **Appendix A**.

3. Consultations on Substantial Variations/Reconfigurations

- 3.1 In addition, mechanisms for responding to any future consultations by relevant NHS bodies and health providers on substantial reconfiguration proposals need to be considered and put in place.
- 3.2 At present this function is not included within the Council's Constitution. The Constitution will require amending to allow the full Council to respond to consultations by relevant NHS bodies and relevant service health providers on substantial reconfiguration proposals.
- 3.3. The Committee is requested to approve an addition to the Council's Constitution to allow the full Council to formally respond to consultations by relevant NHS bodies and relevant service health providers on substantial reconfiguration proposals.

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4. Matters for Consideration

An update on the decisions taken by the Overview and Scrutiny Committee (Health and Social Care) at its meeting to be held on 2 September 2014, on the new Health Scrutiny Guidance, will be provided at the meeting.

APPENDIX A

OVERVIEW AND SRUTINY COMMITTEE (HEALTH AND SOCIAL CARE)

ADDITIONAL TERMS OF REFERENCE TO REFLECT KEY MESSAGES WITHIN THE HEALTH SCRUTINY GUIDANCE

1. To strengthen the voice of local people, ensuring that their needs and experience are considered as an integral part of the commissioning and delivery of health services and that those services are effective and safe.
2. To take a strategic overview of how well integration of health, public health and social care is working, including how well the Health and Wellbeing Board is carrying out its duty to promote integration, and to make recommendations for improvement.
3. To seek information about the performance of local health services and institutions; to challenge information provided by commissioners and providers of health services; and to test this information by drawing on different sources of intelligence.
4. To engage with relevant NHS bodies, with a view to understanding local health needs and services across the whole health care system.
5. To understand and appreciate respective roles between the health scrutiny function, the NHS, the local authority, health and wellbeing boards and local Healthwatch.
6. To keep effective channels open, by which the public can communicate concerns about the quality of NHS and public services. Individual complaints cannot be considered, although the information can be used to obtain an impression of services overall and to question commissioners and providers about patterns and trends.
7. To independently verify information provided by relevant NHS bodies and health service providers, e.g. by seeking the views of Healthwatch.
8. To focus on health outcomes, consider cross-cutting issues, including general health improvement, wellbeing and how well health inequalities are being addressed, as well as specific treatment services.
9. Where concerns exist about proposals for substantial developments or variation in health service (or reconfiguration), to work with the local NHS to attempt to resolve concerns locally, if at all possible. External support may be sought from the Independent Reconfiguration Panel and/or Centre for Public Scrutiny. If the decision is ultimately taken to request the Council to support a formal referral of the reconfiguration proposals to the Secretary of State for Health, the referral must include an explanation of all steps taken to try to reach agreement in relation to the proposals.

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10. To recognise the resource envelope within which the NHS operates, in considering reconfiguration proposals and take into account the effect of the proposals on the sustainability of services, in addition to their quality and safety.
11. To ensure that all the health scrutiny functions are discharged in a transparent manner that will boost the confidence of local people in health scrutiny. In addition to being held in an open forum, members of the public will be permitted to use any communication methods, such as filming and tweeting, to report proceedings. This is in line with the transparency measures in the Local Audit and Accountability Act 2014, and will allow local people not present at health scrutiny meetings to have an opportunity to see and/or hear the proceedings.

Report to: Audit & Governance Committee **Date of Meeting:** 10 September 2014

Subject: Treasury and Capital activity – Outturn 2013/14.

Report of: Head of Corporate Finance & Information Services

Wards Affected: All

Is this a Key Decision? No

Is it included in the Forward Plan? No

Exempt/Confidential No

Purpose/Summary

To inform members of Prudential Indicators, and Treasury Management activities undertaken for 2013/14. The report also includes the Treasury Management position to July 2014.

Recommendation(s)

Audit & Governance is asked to note the contents of this report.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Jobs and Prosperity		√	
3	Environmental Sustainability		√	
4	Health and Well-Being		√	
5	Children and Young People		√	
6	Creating Safe Communities		√	
7	Creating Inclusive Communities		√	
8	Improving the Quality of Council Services and Strengthening Local Democracy		√	

Reasons for the Recommendation:

To ensure that Audit & Governance Committee is fully appraised of activity undertaken against prudential indicators in 2013/14, and for the period to July 2014.

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What will it cost and how will it be financed?

(A) Revenue Costs

There are no financial implications as a result of this report. The net underspending on the Capital Programme during 2013/14, will be carried forward into 2014/15 single capital pot.

(B) Capital Costs

None.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	The Council has a statutory duty under the Local Government Act 2003 to review its Prudential Indicators and Treasury Management Activities
Human Resources	None
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

None.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT has been involved in the preparation of this report. (FD 3142/14)

Legal Services (LD/2434/14) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

None.

Implementation Date for the Decision

Immediately following the Committee Meeting.

Contact Officer: Margaret Rawding

Tel: 0151 934 4082

Email: Margaret.Rawding@sefton.gov.uk

Background Papers:

None.

BACKGROUND:

1. Introduction

- 1.1. The CIPFA Prudential Code for Capital Finance in Local Authorities (The Prudential Code) was introduced following the Local Government Act 2003. The Prudential Code details a number of measures/limits/parameters (Prudential Indicators) that, to comply with legislation, must be set in respect of each financial year to ensure that the Council is acting prudently and that its capital expenditure proposals are affordable. Original Prudential Indicators for 2013/14 were approved on 6 March 2013.
- 1.2. A requirement of the Prudential Code is the reporting to Audit & Governance Committee of the outturn position of Prudential Indicators following the end of financial year. In accordance with this requirement, this report outlines the 2013/14 outturn for the following Prudential Indicators:-
 - (i) Capital Expenditure (Sections 2);
 - (ii) Financing Costs/Net Revenue Stream (Section 3);
 - (iii) Capital Financing Requirement (Section 4);
 - (iv) Borrowing Limits (Section 5);
 - (v) Treasury Management Indicators (Section 6).
- 1.3. The Treasury Management Policy and Strategy Statements are agreed annually by the Council as part of the budget process. A requirement of the Policy Statement is the reporting to Audit & Governance of the results of the Council's treasury management activities in the previous year. Treasury management in this context is defined as:

'The management of the authority's cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.'
- 1.4. In accordance with the above this report outlines the results of treasury management activities undertaken in 2013/14 covering the following issues:
 - borrowing strategy and practice
 - the Council's current Debt Portfolio
 - compliance with Treasury Limits
 - compliance with Prudential Indicators
 - investment strategy and practice.
- 1.5. The results of treasury management activities in 2013/14 are also reflected in the net expenditure on Capital Financing Costs included within the Council's Revenue Budget.
- 1.6. The Capital Programme is also agreed annually as part of the budget process. It sets out the anticipated capital expenditure to be incurred within the year.

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2. Prudential Indicator – Capital Expenditure

- 2.1. The original estimate for 2013/14 expenditure together with the actual capital expenditure calculated on an accruals basis for the financial year is as follows:

	£'000
Estimate	28.470
Actual	29.458

- 2.2 The Capital Programme shows an increase in expenditure of £0.988m when compared to the original estimate of £28.470m. This movement has been caused by slippage from 2012/13.
- 2.3 An analysis of spend in the year against revised estimate is at **Annex A**.

3. Prudential Indicator – Financing Costs/Net Revenue Stream

- 3.1. This indicator measures the financing costs of capital expenditure as a proportion of the net resource expenditure of the General Fund.
- 3.2. The actual percentage achieved against estimate is as follows:

Estimate	6.4%
Actual	5.3%

- 3.3 The reduction has been caused by lower than estimated borrowing costs, as a result of not borrowing for the Capital Programme (see paragraph 5.4.3 below), and higher than estimated return on investments.

4. Prudential Indicator – Capital Financing Requirement

- 4.1. The Capital Financing Requirement indicator reflects the Authority's underlying need to borrow for capital purposes. The Council is currently internally borrowed which is temporary and at some point the decision will be made to borrow. This is based on historic capital financing decisions and the borrowing requirement arising from the financing of actual capital expenditure incurred in 2013/14. The original and the actual Capital Financing Requirement at 31/03/14 are detailed below:

	£'000
Estimate	221.000
Actual	208.314

- 4.2. The level of actual Total Capital Financing Requirement as at 31 March 2014 is lower than the revised estimate due to the reduced borrowing requirement for the capital programme.

- 4.3. CIPFA's Prudential Code for Capital Finance in Local Authorities includes the following statement as a key factor of prudence:

"In order to ensure that over the medium term net borrowing will only be for a capital purpose, the local authority should ensure that net external borrowing does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional capital financing requirement for the current and next two financial years".

- 4.4. In the report to Cabinet in March 2013, it was stated that the Authority would comply with this requirement in 2013/14. During the financial year, net external borrowing did not exceed the total of the Capital Financing Requirement.

5. **Prudential Indicator – Borrowing Limits**

- 5.1. External borrowing undertaken by the Council arises as a consequence of all the financial transactions of the authority, both capital and revenue, and not simply those arising from capital spending. During 2013/14, the Council managed its Treasury position in terms of its external borrowings and investments in accordance with its approved Treasury Management Strategy and established an Operational Boundary and Authorised Limit to manage the level of external debt. These items are described below.

5.2. **The Operational Boundary**

- 5.2.1. The Operational Boundary sets a limit on the total amount of long term borrowing that the Council can enter into. It reflects the Authority's current commitments, existing capital expenditure plans, and is consistent with its approved Treasury Management Policy Statement and practices.

- 5.2.2. The estimate and actual outturn for 2013/14 are presented below:

	£'000
Estimate	185.500
Actual	144.161

- 5.2.3 The actual borrowing is lower than the revised estimate, reflecting the internally borrowed position of the Council, with the projected £14.3m of borrowing budgeted for 2013/14 not being taken, and £14.3m of borrowing not being undertaken in 2012/13. The estimate also assumed that £7.2m of loans repaid in March 2013 would be replaced, and £2.7m of loans repaid in September 2013 but they were not replaced due to internal borrowing.

5.3. **The Authorised Limit**

- 5.3.1. The Authorised Limit sets a limit on the amount of external borrowing (both short and long term) that the Council enters into. It uses the Operational Boundary as its base but also includes additional headroom to allow, for example, for exceptional cash movements.

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5.2.3. The estimate and actual outturn for 2013/14 are presented below:

	£'000
Estimate	200.500
Actual	144.161

5.4. Borrowing Strategy and Practice

5.4.1 In 2013/14 repayments of £0.140m were made to The Public Works Loan Board (PWLB) in respect of the repayment of the principal element of annuity loans.

5.4.2 The Council's external debt activity in the year is summarised in the following table:

		£'000
	Opening PWLB Debt 01/04/2013	123.291
Less	Repayment Principal Loans	(0.140)
Add	New borrowing	Nil
	Closing PWLB Debt 31/03/2014	123.151

5.4.3 It can be noted that the policy of internally borrowing, running down the Authority's cash balances rather than taking out new borrowing or replacing maturing loans, continues. Under present economic conditions, it is considered prudent not to borrow for capital purposes. This provides a financially beneficial position, in revenue terms, for the Council. As the economy improves and interest rates increase, this strategy will need to be reviewed, with external borrowing re-starting as interest rates allow. Our new treasury management advisors, SECTOR, will provide support to the Council in determining the most appropriate timing for any new borrowing.

5.5. Current External Debt Portfolio

The Council's current debt portfolio, taking account of the transactions detailed in paragraph 5.4, can be summarised as follows:

DEBT PORTFOLIO		
	<u>2012/13</u>	<u>2013/14</u>
Average Interest Rate		
Payable on PWLB Debt in Year	4.51%	4.50%
<u>Debt Outstanding</u>	<u>31 March 2013</u>	<u>31 March 2014</u>
	<u>£'000</u>	<u>£'000</u>
PWLB	123.291	123.151
Finance Leases	17.881	15.760
Merseyside Residuary Body	6.134	5.250

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5.5.1 The movement in debt reflects the financing decisions taken in paragraph 5.4.3.

5.5.2 The level of the Council's actual external debt has also been monitored throughout the financial year and for information had remained within both of the Prudential Indicators set.

6 Debt Maturity Profile

6.1 This is a profile measuring the amount of borrowing that is fixed rate maturing in each period as a percentage of total borrowing that is fixed rate.

Fixed Rate Debt Maturity	Upper Limit %	Lower Limit %	Actual 31/03/2014 %
Under 12 months	35	0	2.15
12 months and within 24 months	40	0	8.39
24 months and within 5 years	40	0	8.12
5 years and within 10 years	40	0	19.56
10 years and above	90	25	61.78

6.2 As can be seen our debt profile highlights that most of our debt is due to mature in 10 years and above, reflecting the internal borrowing position of the Council, as no new borrowing has been undertaken in recent years.

7. Compliance with Treasury Limits

7.1 The following Treasury Limits were approved by Council during the 2013/14 Budget Setting process:

Treasury Limits 2013/14	Limit	Actual
Authorised Borrowing Limit	£200.5m	£144.161m
Short Term Borrowing Limit	£15.0m	£0.0m
Proportion of variable interest rate External Borrowing	15%	Nil

7.2.1 During the financial year the Council operated within these limits.

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8. Interest rate exposure

8.1. The following Prudential Indicators were approved for the 2013/14 financial year:

i) **Interest Rate Exposure Indicators**

a) an upper limit of debt outstanding less investments held at fixed interest rates of 340% and a lower limit of 120% of the value of total debt outstanding less total investments;

ACTUAL AT 31/03/2014 -FIXED INTEREST RATE 148%

b) an upper limit of debt outstanding less investments held at variable interest rates of -20% and a lower limit of -240% of the value of total debt outstanding less total investments.

ACTUAL AT 31/03/2014 - VARIABLE INTEREST RATE -48%

Hence all of the above are within the limit set.

ii) **Non Specified Investment Indicator**

An upper limit on the value of non-specified investments of 40% of total investments. Non specified investments are defined as over 2 years but less than 5 years;

ACTUAL AT 31/03/2014 – None.

Once again this is within the limit set.

9. Investment Strategy and Practice

9.1. The Council invests all available cash balances, which includes school balances and the insurance fund, following a policy of obtaining maximum returns whilst minimising risks.

i) **Externally Managed Investments**

No externally managed funds are held.

ii) **Internally Managed Investments**

The Council's available funds averaged £74.829m and were managed internally with advice from our Treasury Consultants.

In 2013/14 a return of 0.58% was achieved. This is more than the benchmark 7 day LIBID figure of 0.35% and is considered to be an acceptable return. The key objective when investing funds is to firstly to ensure security, then liquidity, and then yield.

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9.2. The level of the Council's investments is summarised in the following table:

<u>Investments</u>	<u>31 March 2013</u>	<u>31 March 2014</u>
	£m	£m
Total Investment of Cash Balances	40.18	56.61

ANNEX A

<u>Committee</u>	<u>Revised</u>			
	<u>Estimate</u>	<u>Actual</u>	<u>Rephasing</u>	
	£'000	£'000	£'000	
Corporate Services	61	21	40.00	65.57%
Built Environment				
Economy & Tourism	3,351	2,220	1,131.00	33.75%
Environmental	837	753	84.00	10.04%
Investment Programme & Infrastructure - Admin Bldgs & Other				
Props	789	245	544.00	68.95%
Investment Programme & Infrastructure - Transport	9,347	6,734	2,613.00	27.96%
Investment Programme & Infrastructure - Housing Services	5,026	4,650	376.00	7.48%
Older People				
Health & Wellbeing	2,270	2,359	89.00	-3.92%
Vulnerable People	64	65	- 1.00	-1.56%
Street Scene	4,940	5,647	707.00	-14.31%
Young People & Families	7,769	5,759	2,010.00	25.87%
Capitalisation - Maintenance Projects	1,000	1,005	- 5.00	-0.50%
Total Service Based Capital Expenditure	35,454.00	29,458.00	5,996.00	16.91%

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Agenda Item 7

Report to: Audit & Governance Committee **Date of Meeting:** 10 September 2014

Subject: Treasury Management 2014/15 – Position to July 2014

Report of: Head of Corporate Finance & Information Services

Wards Affected: All

Is this a Key Decision? No

Is it included in the Forward Plan? No

Exempt/Confidential No

Purpose/Summary

To inform members of Treasury Management Activities undertaken to 31 July 2014.

Recommendation(s)

Audit & Governance is requested to note the Treasury Management update to 31 July 2014.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		√	
2	Jobs and Prosperity		√	
3	Environmental Sustainability		√	
4	Health and Well-Being		√	
5	Children and Young People		√	
6	Creating Safe Communities		√	
7	Creating Inclusive Communities		√	
8	Improving the Quality of Council Services and Strengthening Local Democracy		√	

Reasons for the Recommendation:

To ensure that Audit & Governance are fully appraised of treasury activity undertaken to 31 July 2014.

What will it cost and how will it be financed?

(A) Revenue Costs

The financial position on the external investments to the end of July indicates a surplus of £11,000 compared to the proportion of the budget to date. The position as at the end of the year will depend upon market conditions and the investment rates available.

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(B) Capital Costs

None.

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	The Council has a statutory duty to review its Treasury Management activities from time to time during the financial year. The CIPFA Treasury Management Code of Practice recommends that regular reports are prepared and considered on the implementation of treasury management policies; on the effects of decisions taken and transactions executed in pursuance of those policies
Human Resources	None
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

None.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance & ICT has been involved in the preparation of this report. (FD/3143/14)

Legal Services (LD/2435/14) have been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

None.

Implementation Date for the Decision

Immediately following the Committee Meeting.

Contact Officer: Margaret Rawding

Tel: 0151 934 4082

Email: Margaret.rawding@sefton.gov.uk

Background Papers:

None.

1 BACKGROUND TO THE REPORT

- 1.1 The Treasury Management Policy and Strategy document for 2014/15 (approved by Council on 6 March 2014) included a requirement for regular updates to be provided to the Audit & Governance Committee on the investment activity of the Authority. This report is the first of such reports for the year and presents relevant Treasury Management information for the period ending 31 July 2014.
- 1.2 The report includes information on the investments held / entered into during the period and the interest rates obtained (with a comparison of performance against a standard benchmark figure). In addition, the report highlights whether there has been any variance from the Treasury Management Policy Strategy and the Prudential Indicators (the operational boundaries within which the Council aims to work).

2 INVESTMENTS HELD

Investments held at the end of July 2014 comprise the following:

Overnight deposits

Institution	Deposit £m	Rate %	Maturity date	On current counterparty list?
Santander	8.200	0.40	N/A	Yes
Lloyds	2.570	0.40	N/A	Yes
Sevenska Handelsbanken	3.090	0.40	N/A	yes
Invesco	4.240	0.40	N/A	Yes
Goldman Sachs	8.090	0.40	N/A	Yes
PrimeRate	2.950	0.36	N/A	Yes
Aviva	8.090	0.40	N/A	Yes
BNP Paribas	8.150	0.43	N/A	Yes
IGNIS	8.090	0.45	N/A	Yes
Insight MMF	8.090	0.41	N/A	Yes
Total	61.560			

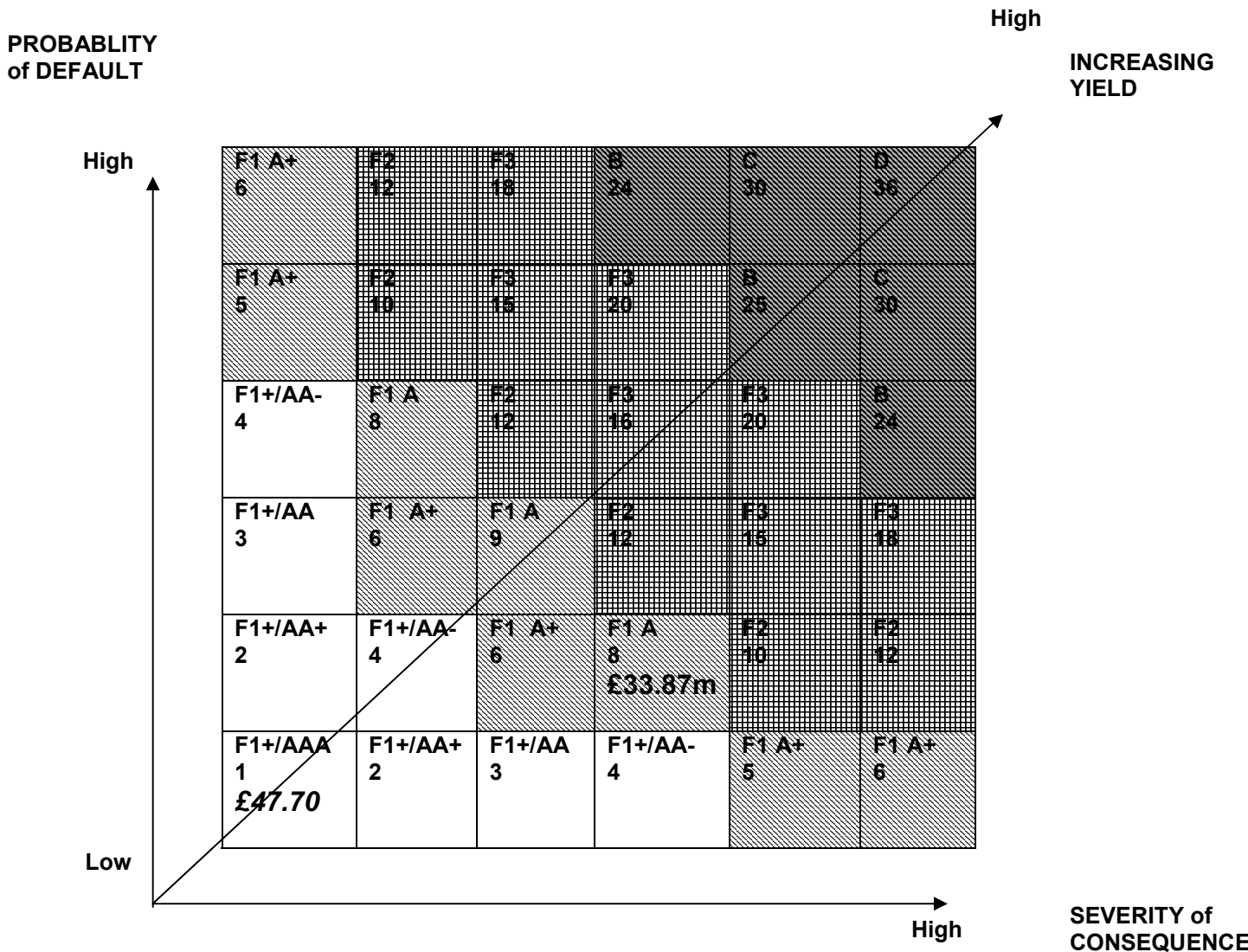
Fixed term deposits

Sevenska Handelsbanken	5.000	0.45	90 day call	Yes
HBOS	5.000	0.95	29/05/2015	Yes
Barclays	5.000	0.61	09/01/2015	Yes
Funding Circle	0.010	See para 2.3	N/A	N/A
CCLA	5.000	See para 2.4	N/A	Yes
Total	20.010			
TOTAL	81.570			

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- 2.1 All of the investments made since April 2014 have been with organisations on the current counterparty list. The maximum level of investment permitted in the Treasury Management Strategy in any one institution, or banking group, is currently £25m. Whilst the maximum should be retained, in case economic conditions change, a day to day operational maximum of £15m is currently being imposed. This will spread the risk of investments for the Council, but will have a small detrimental impact on the returns the Council will receive in the future. The Council has remained within that boundary during the year. At present, it is not expected that there will be any need to review this limit.
- 2.2 The Council will only invest in institutions that hold a minimum Fitch rating of A- for banking institutions, or Aaa/Mr1+ for money market funds. The ratings applied to investment grade institutions, and the much riskier speculative grade institutions, as defined by Fitch, have been placed into a risk matrix.
- 2.3 A sum of £10,000 has been placed with the Funding Circle, a body that helps businesses access funding at a lower interest rate than is charged commercially by bidding for funding. Interest of around 6% will be earned once funding has been placed on loan to businesses. No loans have yet been made and hence no interest has been earned on this balance.
- 2.4 An investment has been made with the Church, Charities and Local Authority Investment Fund (CCLA) in June 2014. CCLA invest in commercial property which is rented out to enterprises as retail units, warehousing, and offices. The majority of properties owned are in the south of the country which is more buoyant than the north. The Council has in effect bought a share of the property portfolio, and returns paid are in the region of 5% to 6%. This is seen as a long term investment with the potential for capital growth of the investment as property prices potentially increase. However, when the investment is made fees are deducted from the initial investment, hence in the first year any income in covers these fees.
- 2.3 The matrix shows how the Council has set its risk appetite by being risk averse and putting security and liquidity before yield.

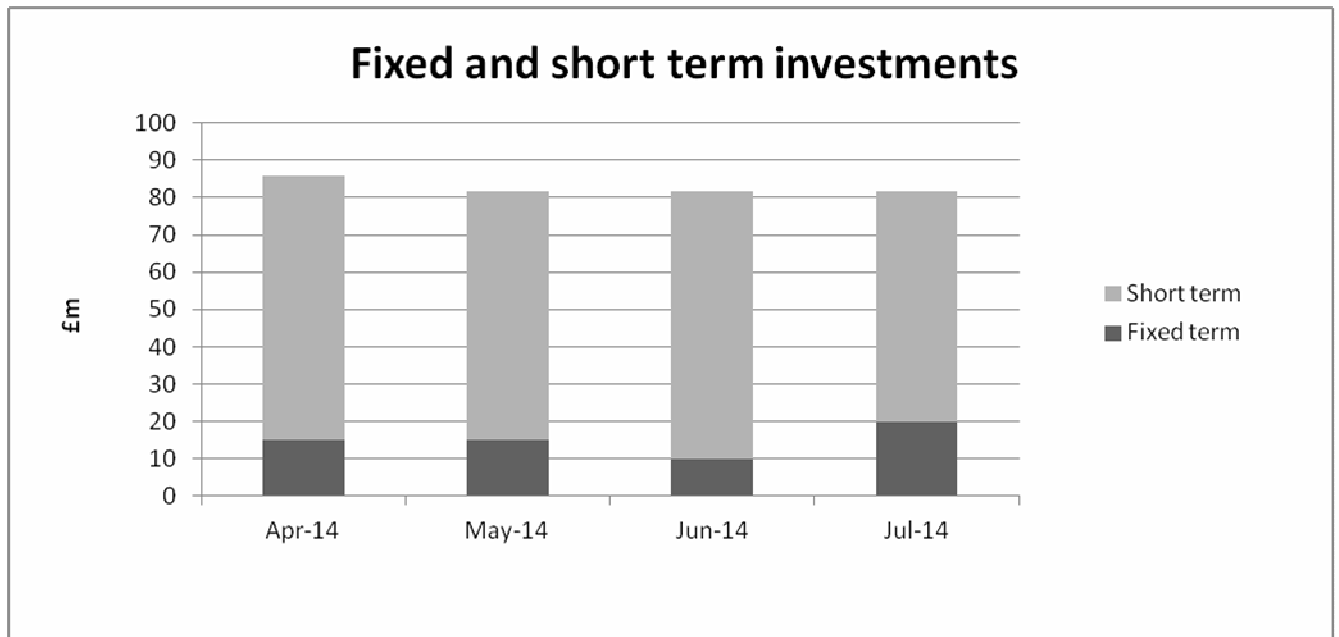
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SEFTON RISK TOLERANCE	4		INVESTED
LOW RISK	1 - 4	Investment Grade	£47.70m
LOW - MEDIUM RISK	5 - 9	Investment Grade	£33.87m
MEDIUM RISK	10 - 20	Investment Grade	Nil
HIGH RISK	21 - 36	Speculative Grade	Nil

2.4 The ratio of overnight deposits (i.e. short term) to fixed term investments is illustrated below:

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- 2.5 In June additional fixed term investments with higher financial return were made with organisations that are viewed as financially robust such as Barclays and Lloyds.
- 2.6 Looking to longer term investments for better returns will be key, as advised by SECTOR, our Treasury Advisors. However timing of the decision is key as SECTOR project that the bank rate will rise to 0.75% in Q1 2015, to 1% in Q3 2015, and to 1.25% in Q1 2016.

3 INTEREST EARNED

- 3.1 The actual performance of investments against the profiled budget for the period to 31 July 2014 is shown below:

2014/15 Quarterly Investment Income

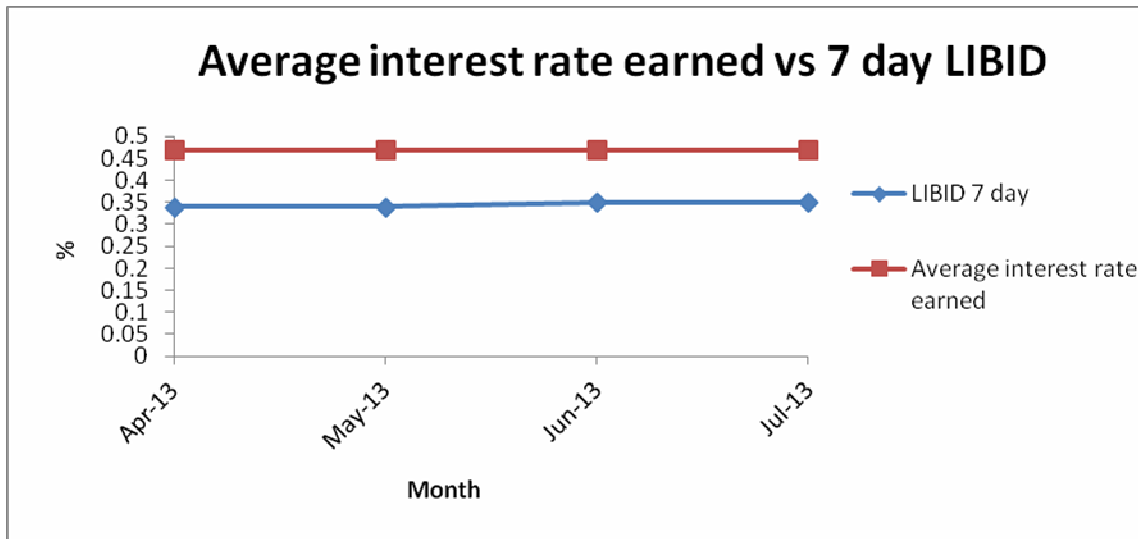
	Budget '000s	Actual '000s	Variance '000s
To July 2014	103	114	11

- 3.2 The budgeted investment average interest rate for 2014/15 is 0.5%, which equates to £0.379m income for the year. This figure assumes the income from investments already in place at 1st April 2014 and new returns based upon Bank of England's Base Rate projection as supplied by Arlingclose, our previous treasury consultants.

- 3.3 The investment income achieved to 31 July is £0.114m, which equates to an average interest rate of 0.47%. This is lower than the budgeted average interest rate as the budgeted investment income assumes lower cash balances than actually held.

As noted in paragraph 2.6 it is anticipated that the bank rate will rise which may increase returns towards the end of the financial year.

We have outperformed the 7 day LIBID average as follows:



4 PRUDENTIAL INDICATOR MONITORING

- 4.1 Prudential indicators are an integral component of measuring how prudently a Council is acting with regard to its finances. They were introduced into all local authorities (by CIPFA) following the Local Government Act 2003. A number of measures/limits/parameters including capital financing, external debt, impact on council tax, and treasury management are set prior to the start of the year and are monitored on a monthly basis.
- 4.2 None of the indicators have been breached as at the end of July.

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Report to:	Audit & Governance Committee	Date of Meeting:	10 th September 2014
Subject:	Risk Services Update Apr – Sept 2014	Wards Affected:	None Directly
Report of:	Head of Corporate Finance & ICT		
Is this a Key Decision?	No	Is it included in the Forward Plan?	No
Exempt/Confidential	No		

Purpose/Summary

To present to Members of the Audit & Governance Committee an update relating to Risk Management Services.

Recommendation(s)

Members are requested to:-
i) Note the report

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Jobs and Prosperity		✓	
3	Environmental Sustainability		✓	
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities		✓	
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

Reasons for the Recommendation:

The terms of reference for this Committee includes responsibility for Risk Management, including the review of the effectiveness of the Council's Risk Management framework and review of the Corporate Risk Register. The recommendations are made in order to highlight to the Audit and Governance Committee how Risk and Audit will ensure that Sefton Council achieves effective corporate risk management

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Alternative Options Considered and Rejected:

None

What will it cost and how will it be financed?

(A) Revenue Costs N/A

(B) Capital Costs N/A

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Financial	
Legal	
Human Resources	
Equality	
1. No Equality Implication	<input type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact of the Proposals on Service Delivery:

The Council can only achieve effective governance with an awareness of the risks and opportunities it faces in striving to achieve its strategic and operational objectives. The Council needs an effective strategy to manage those risks in order to provide the Council with a means of improving strategic operational and service performance which will improve service delivery to the community.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT (FD 3139/14) and Head of Corporate Legal Services (LD 2431/14) have been consulted and any comments have been incorporated into the report.

Implementation Date for the Decision

Immediately following the Audit & Governance Committee meeting.

Contact Officer: Janice Bamber

Tel: 0151 934 4051

Email: janice.bamber@sefton.gov.uk

Background Papers:

There are no background papers available for inspection

1. Introduction/Background

1.1 This Committee has responsibility under its terms of reference:-

“To monitor the effective development and operation of risk management and corporate governance in the Council”

To this end this report is provided to update Members on the changes that have occurred within the first period of 2014/15 (April to August 2014) in Risk Management, Emergency Planning, Health and Safety and Insurance services

2. Risk Management

2.1 The Corporate Risk Register (CRR) has been reviewed in detail and in consultation with each of the risk owners.

2.2 The CRR has been submitted in a separate report which is contained within Part 2 of the meeting as a confidential item.

3. Emergency Planning

3.1 A series of training sessions for Heads of Service and Directors took place during May and July to introduce the newly revised Merseyside Emergency Response Manual (MERM). All of these officers perform the duty of Emergency Duty Coordinator for the council on a weekly rota; as such they need to be aware of the arrangements outlined in the MERM in order to fulfil the Council's linkage to any multi agency response to an incident as required. Sessions also included an overview of the Joint Emergency Services Interoperability Programme (JESIP) which is a national programme of change currently being trained into the blue light services to enhance a joined up approach to emergency response.

3.2 These sessions were well attended with much opportunity for open discussion during which suggestions and ideas were put forward by all to support further training and development of the EDC role.

3.3 During September and October there will be a number of National Exercises taking place;

- i) Exercise Dragon 10th & 11th September 2014 Marine / Shoreline Pollution
- ii) Exercise Joint Endeavour 18th September 2014 JESIP
- iii) Exercise Cygnus 14/15/16 October 2014 Pandemic Flu

Some officers of the Council will participate either as players or observers at these events and the Risk & Resilience officers have been involved in various planning exercises and consultation meetings to prepare for this.

3.4 No major incidents to declare to date.

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4. Health & Safety

- 4.1 Work on the Health & Safety Audit Plan has begun, the plan runs from June 2014 to March 2015, in order to bring the reporting in line with the Internal Audit Plan which runs from April to March. Progress against the plan is outlined at Annex A to this report.
- 4.2 The Health and Safety Advisers continue to attend Departmental Committees and liaise with trade unions over how the Corporate Health and Safety Plan is implemented throughout the organisation.
- 4.3 The team have undertaken a number of awareness sessions including delivering joint briefing sessions with legal on corporate manslaughter to senior managers; the team have also planned a Health and Safety conference entitled Getting the Balance Right has been planned for Head Teachers at the beginning of October which will see a number of outside speakers including a representative from HSE provide update and awareness sessions to Head Teachers.
- 4.4 Several training sessions have been planned for frontline staff on accident investigation and reporting. The aim is to improve the quality of information collated so that immediate and root causes can be identified and preventive measures can be taken. This will in turn reduce risks and support the defence of insurance claims.

5. Insurance

- 5.1 The Council has in place a Long Term Agreement for Insurance cover, however, this requires an annual renewal process to ensure appropriate cover is in place, this is currently underway, this could mean changes to the premiums dependant on required coverage, this will be reported to the next Audit & Governance Committee as renewal date is 29th September 2014.
- 5.2 As monies for insurances were devolved to schools the Council were required to provide coverage under a Service Level Agreement as with other services. All schools with the exception of Roman Catholic Schools for Material Damage have now agreed to a 3 year SLA effective from 1st April 2014. (Roman Catholic Schools are insured via the Archdiocese for Material Damage).
- 5.3 The Insurance Team continue to work with Departments and external partners to ensure Claims Handling contracts are fully utilised and to enable a more efficient and effective approach to the handling and investigation of claims reported.

6. Response to Issues Raised

- 6.1 At the previous meeting of this Committee a request was made to outline what will be covered under the Intervention and Prevention Audit and the Audit of Vulnerable Children: the areas to be covered are outlined below.

Intervention & Prevention

The audit will review the pressures that social care staff may be under whilst dealing with verbal and potential physical abuse during the course of their duties.

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The audit will be scoped to allow direction to be given to the auditor in the areas of most need. It will consider whether existing systems and procedures are sufficient to provide the necessary control measures to ensure that risks of potential harm to employees are mitigated.

Vulnerable Children

This audit will focus on work related stress amongst children's social workers, the review will examine the systems / processes in place to consider whether these are sufficient to provide the necessary control measures to ensure that risks arising from work related stress are mitigated. The auditor will incorporate the Health & Safety Executives (HSE) Management Standards Indicator Tool into the stress audit.

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Annexe A

Planned Work	Status	Opinion	Recommendations		Comment
			Proposed	Agreed	
2014 - 2015 (June – August 2014)					
Young People & Families					
Dealing with aggression in children’s social care settings	Due to start September				
Work related stress in amongst social workers	Due to start September				
Compliance with health and safety policies and their effectiveness in primary schools	In progress				
Street Scene					
Night working among amongst Sefton security Staff	In progress				
Older People					
Stress amongst social workers	Due to start in September				
Health and safety ,management at the Atkinson	In progress				
Built Environment					
Working at height	In progress				
Cross cutting					
Safe use of portable electrical appliances	In progress				
RIDDOR reportable incidents and investigation	In progress				
Control measures for slips and trips	Due to start November				
Managing safely training for senior managers	Due to start in October				
Legionella management in non IPI establishments	In progress				
Support for staff affected by the impact of transformation and budgetary cuts.	Due to start in September				

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Report to: Audit & Governance Committee **Date of Meeting:** 10 September 2014

Subject: Audit Plan 2014/15 – Internal Audit Performance Report
April 2014 to August 2014

Report of: Head of Corporate Finance & ICT **Wards Affected:** None Directly

Is this a Key Decision? No

Is it included in the Forward Plan?
No

Exempt/Confidential

No

Purpose/Summary

To provide Audit and Governance Committee with a summary of Internal Audit work undertaken during the period April 2014 to August 2014.

Recommendation(s)

Members are requested to:-

- (i) Consider and Note the content of the report.

How does the decision contribute to the Council’s Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	✓		
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities	✓		
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

Reasons for the Recommendation:

Audit and Governance Committee require to be informed of and review Internal Audit work as part of their review of the internal control environment and overall Governance arrangements.

What will it cost and how will it be financed?

There are no financial costs associated with the proposals in this report

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(A) Revenue Costs

(B) Capital Costs

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal		
Human Resources		
None		
Equality		
1.	No Equality Implication	<input checked="" type="checkbox"/>
2.	Equality Implications identified and mitigated	<input type="checkbox"/>
3.	Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

Internal Audit provide assurance to the Council that Internal Controls are provided for within systems utilised across the Council providing for effective and efficient service delivery for the community.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance is the owner of the report (FD3134) and notes that there are no financial implications implied within this report

The Head of Corporate Legal Services (LD2426/14) has been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

No

Implementation Date for the Decision

Immediately following the Audit & Governance Committee meeting.

Contact Officer: Janice Bamber, Chief Internal Auditor

Tel: 0151 934 4051

Email: janice.bamber@sefton.gov.uk

Background Papers :

The following papers are available for inspection by contacting the above officer :

Completed Internal Audit Client Satisfaction Surveys

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1. Introduction/Background

- 1.1. The Chief Internal Auditor, under the Public Sector Internal Audit Standards, is required to provide periodic reports on the performance of Internal Audit to Audit and Governance. These progress reports support the Chief Internal Auditor's Annual Report and opinion and allow the Committee to assess the level of assurance it can gain over the Council's governance and control arrangements. The work of the Internal Audit Section, which is drawn from the Annual Audit Plan, is fundamental in enabling this opinion to be formed. This opinion also contributes to the review of internal control and the Annual Governance Statement (AGS).

2. Report April to August 2014

- 2.1. This is the first progress report of 2014/15 on the work of the Internal Audit Section. It provides Members with a summary of Internal Audit work both completed and at various stages of progress (i.e. draft report, final report, in progress) for the above mentioned period. As part of the Public Sector Internal Audit Standards, the Chief Internal Auditor is required to provide a written report to those charged with governance, i.e., this Committee, which compares the work actually undertaken with that which was agreed as planned work in the Audit Plan. The summary has been compiled taking into account this requirement and identifies the status of each audit (as outlined above) against the plan, the report includes dates of issue and response.
- 2.2. For each relevant Audit Area the numbers of Proposed / Agreed Recommendations are shown together with the following dates; Draft Report Issued, Final Report Issued, Action Plan Returned and Job Closed. For each area reviewed an opinion has been given on the overall control environment pertaining at the time of the review and based on the Auditors assessment on the extent to which the system control objectives identified for the specific audit review have been met and the risks mitigated. Audit opinion classifications given are: 'Very Good', 'Good', 'Fair', 'Weak' or 'Poor'. In the case of VFM Reviews, opinions are expressed in terms of whether the VFM indicators are achieved, partially achieved or not achieved. Where audit reviews are 'In Progress' or 'Pre Draft Report' the outcome of these will be reported on in the next quarterly report. The summary is attached at Annex A.
- 2.3. The performance report for the Benefit Fraud Investigation Team (BFIT) provided by arvato Government Services is attached at Annex B.
- 2.4. Details of investigations undertaken in this period are reported in the separate Internal Audit Fraud Report.

3. Matters Arising from Audit Reports issued between April 2014 and August 2014

- 3.1. There are no significant issues arising from reviews completed in this period to report.

Audit Performance April 2014 to August 2014

- 3.2. As part of the planning process every effort has been made to ensure that there has been a reasonable spread of audit work across Departments. As the table below shows, with regard to completed audits, recommendations for improvement identified by Internal Audit continue to have a high level of acceptance by clients (100%). It is expected that a similar level of acceptance will apply to audits in progress.

Analysis of Audit Recommendations and Client Responses April 2014 to August 2014

	Proposed	Agreed	Not Agreed	Awaiting Confirmation
Audit Reviews				
– Completed Audits	29	29	0	
– In Progress/Draft etc	119			119
Total	148	29	0	119

- 3.3 Details of any recommendations that are not agreed will continue to be reported to this Committee during 2014/15.
- 3.4 Response to Audit Reports is generally good and there are no significant non response issues requiring referral to Members at this stage. Internal Audit continues to receive a very positive response to their Client Satisfaction Surveys with 100% considering services to be Very Good/Good.

Monitoring Report (Annexe A)

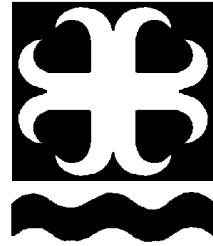
- 3.5 Annexe A shows that fewer audits than expected have been completed at this stage of the year. It should be noted that a number of reviews are at Draft Report stage and a number of other audits in progress are almost complete. However, it needs to be acknowledged that progress against the Plan is not in line with expectations and it is appropriate to provide the Committee with an outline of the main factors that have impacted on delivery of the 2014/15 Audit Plan to date :
- **Sickness** – Sickness absence to the end of August is approximately 51 days. No contingency for sickness was included in the Plan. Sickness is largely attributable to 2 incidents of non work-related sickness involving 2 different auditors.
 - **Authorised Absence** – Unplanned authorised absences accounted for approximately 22 days to the end of August. This is attributable to compassionate leave following a bereavement, a phased return to work and the industrial action in July.
 - **Annual Leave** – A higher proportion of annual leave has been taken over the Summer period than will be taken during the remainder of the year. It is estimated that the impact of this is approximately 45 days to the end of August.

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- **Project Support** – 15 days was included in the Plan to provide support to the Integrated Adults Social Care System. However, the level of support required has proved greater than anticipated and approximately 30 days will have been spent supporting this project as at the end of August 2014.
- 3.6 Audit management will continue to monitor the impact of any factors that impact on the delivery of the Plan. If necessary, priorities will be reviewed and any significant changes to the Plan that are required will be agreed with Senior Management and reported to the Audit and Governance Committee in accordance with the Public Sector Internal Audit Standards.

Sefton Council

FINANCE DEPARTMENT



**Internal Audit Section
Summary of Internal Audit Work
1st April 2014 – 31st August 2014**

	Audit Type	Status	Opinion	Recommendations		Draft	Action	Final	Job
Work in Progress/Completed				Proposed	Agreed	Sent	Plan Ret	Sent	Closed

YOUNG PEOPLE & FAMILIES									
Vulnerable Children									
Children with Disabilities B/F	Assurance	Completed	Fair	4	4	08/05/2014	02/06/2014	09/06/2014	09/06/2014
Adoption Reform Grant	Grant Certification	Completed	N/A	N/A	N/A	13/05/2014	N/A	27/05/2014	27/05/2014
Early Intervention & Prevention									
Troubled Families - Quarter 1	Grant Certification	Completed	N/A	N/A	N/A	13/05/2014	N/A	13/05/2014	13/05/2014
Troubled Families - Quarter 2	Grant Certification	In Progress							
Children's Centres	Assurance								
Family Centres	Assurance								
Youth Service	Assurance								
Learning & Support									
Cambridge Road Adult Education Centre	Assurance	In Progress							
Schools - Employees B/F	Assurance	DR	Good	15					
St Gregorys Primary School	Assurance	DR	Fair	15		To be issued September 2014			
Schools - Income Systems & Funding	Assurance								
Schools Charge Cards	Assurance								
Free School Meals	Assurance								
OLDER PEOPLE									
Health & Wellbeing									
Atkinson Centre	Assurance	In Progress							
Formby Pool & Crosby PFI B/F	Assurance	Completed	Fair	2	2	08/05/2014	15/05/2014	15/05/2014	15/05/2014
Netherton Activity Centre & Litherland Sports Park	Assurance								
Crosby Lakeside Adventure Centre	Assurance								

	Audit Type	Status	Opinion	Recommendations		Draft	Action	Final	Job
Work in Progress/Completed				Proposed	Agreed	Sent	Plan Ret	Sent	Closed

Commissioning & Partnerships									
Contracts & Commissioning	Assurance								
Domiciliary Care	Assurance								
Vulnerable People									
Adult Social Care Complaints	Assurance								
Adult Social Care Assessment Team Workflows (Inc Adult Safeguarding)	Assurance								
Public Health									
Performance Management Framework	Assurance								
CORPORATE SERVICES									
Corporate Finance & ICT									
Payments to Self Employed B/F	Assurance	DR	Weak	6					
Client Team - arvato Contract Management	Assurance	Completed	Very Good	0	0	13/08/2014	N/A	29/08/2014	29/08/2014
Income Systems	VFM	In Progress							
Debt Management	Assurance	In Progress							
Leasing	Assurance								
Procurement	Assurance								
Budget Monitoring	Assurance								
Banking Contract	VFM								
Benefits Verification Policy (Follow Up)	Assurance								
Annual Billing Checks	Assurance								
Corporate Legal Services									
Case Management	Assurance								

	Audit Type	Status	Opinion	Recommendations		Draft	Action	Final	Job
Work in Progress/Completed				Proposed	Agreed	Sent	Plan Ret	Sent	Closed

Corporate Personnel									
HR Transactional Services B/F	Assurance	DR	Weak	4		20/08/2014			
Payroll Client Team	Assurance								
Casual Employees	Assurance								
Occupational Health Unit	Assurance								
Pre Employment Screening Checks	Assurance								
Neighbourhoods									
Neighbourhoods									
Corporate Communications									
Marketing & Advertising	VFM								
Governance & Civic Services									
Mayors Charity	Assurance								
BUILT ENVIRONMENT									
Investment Programme & Infrastructure									
Renovation Grants / DFG B/F	Assurance	DR	Good	6					
Integrated Capital Transport Grant	Grant Certification	Completed	N/A	N/A	N/A	N/A	N/A	11/08/2014	11/08/2014
KADOE - Phase 1	Assurance	Completed	N/A	N/A	N/A	N/A	N/A	01/05/2014	01/05/2014
KADOE - Phase 2	Assurance								
Local Sustainable Transport Fund Grant	Grant Certification								
Asset & Property Management	VFM								
Environment									
Licencing & Regulation B/F	Assurance	DR	Weak	12					
Pest Control	Assurance	In Progress							

	Audit Type	Status	Opinion	Recommendations		Draft	Action	Final	Job
Work in Progress/Completed				Proposed	Agreed	Sent	Plan Ret	Sent	Closed

<u>Economy & Tourism</u>									
Southport Market	Assurance								
Events e.g. Fireworks, Airshow, Classical Concerts	Assurance								
<u>STREETSCENE</u>									
<u>Landscape Services</u>									
Golf Courses	Assurance	In Progress							
Grounds Maintenance	Assurance								
Registrars	Assurance								
<u>Direct Services</u>									
Building Cleaning	Assurance								
Assistive Technology (Follow Up)	Assurance								
Cleansing Traded Services	Assurance								
Waste Collection Service	VFM								
<u>Corporate Governance</u>									
Assurance Mapping	N/A								
<u>ANTI FRAUD</u>									
Review of Confidential Reporting Arrangements	Anti Fraud	In Progress							
NFI - Suppliers / Salary B/F	Anti Fraud	DR	N/A		4				
Direct Payments	Anti Fraud								
Local Council Tax Reduction Scheme	Anti Fraud								
Blue Badge	Anti Fraud								
Business Rates	Anti Fraud								

	Audit Type	Status	Opinion	Recommendations		Draft	Action	Final	Job
Work in Progress/Completed				Proposed	Agreed	Sent	Plan Ret	Sent	Closed

PROJECT SUPPORT									
Integrated Adults Social Care System	Project Support	In Progress							
Financial System Upgrade/Replacement	Project Support	In Progress							
ICT									
IS Policy Compliance Follow-up B/F	ICT	Completed	Fair	3	3	17/03/2014	21/05/2014	04/06/2014	04/06/2014
Inegrated Adult System (IAS)	ICT	Completed	N/A	N/A	N/A	N/A	N/A	N/A	12/08/2014
Information Governance	ICT	In Progress							
Internet	ICT	In Progress							
Payment Card Industry - Data Security	ICT	In Progress							
Mobile Devices/Computing	ICT								
Information Governance - Schools	ICT								
ICT Assurance Mapping	ICT								
Sefton at Work ICT Security Audit	ICT								
CONSULTANCY									
St Gregorys Primary School - Income B/F		Completed	Poor	18	18	14/04/2014	09/05/2014	22/05/2014	22/05/2014
My View Disclaimer		Completed	N/A	2	2	05/06/2014	26/06/2014	26/06/2014	26/06/2014
Employee HB Fraud Protocol		Completed	N/A	N/A	N/A	N/A	N/A	18/08/2014	18/08/2014
Travel Team Ipads		Completed	N/A	N/A	N/A	N/A	N/A	23/07/2014	23/07/2014
Skip Invoicing B/F		DR	Weak	6		19/08/2014			
Linaker Primary School - Controls Report		DR	Weak	22		To be issued September 2014			
Trading Standards IS Security & ICT Usage		PDR							
Network Data Usage		In Progress							
Schools External Bank Accounts		In Progress							
Library Review		In Progress							
ADVICE									
There have been 22 requests for Advice in the period									

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Benefit Fraud Investigation Team (BFIT)

Summary of Work 1st April 2014 – 20th August 2014

1. Caseload and Results

1.1. The following table shows the number of investigations undertaken by BFIT and analyses the results.

Result Outcome	Period April14– Aug14 (incl)	As % of cases investigated
Cases Closed	216	100
Results		
Fraud Proven	38	18
Not Resident	22	10
Incorrect Benefit	<u>15</u>	<u>7</u>
Total Positive Results	<u>75</u>	<u>35</u>
No fraud	<u>106</u>	<u>65</u>
	181	100
 Not Investigated/passed to DWP	 35	
 Total Cases	 216	

1. It can be seen that the Team has returned an investigation success rate between April – 20 August 2014 of 75 cases out of 181, a success rate of 41%. 106 cases have been closed no fraud during the period, 44 (42%) were as a result of data match referrals. The quality of the data in respect of recent HBMS referrals appears to have deteriorated during the last couple of matches. For example, some of the information provided on capital matches (suggesting undeclared bank/building society accounts) have actually been established as loan/mortgage accounts and some of the possible undeclared employment referrals, when investigated further, have shown the data to be incorrect – e.g., pension providers. These referrals have not, therefore, had any effect of the customer's claim for Housing Benefit (HB) /Council Tax Reduction (as applicable) – although they have been investigated by BFIT as usual.

2. Sanctions and Prosecutions

2.1. Sanctions in the period 1st April 2014 to 20th August 2014 are as follows:

Type	Apr 14 – 20 Aug 14
Convictions	11
Cautions	11
Ad Pens	<u>1</u>
Total	<u>23</u>

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ANNEXE B

The BFIT sanction target remains at a minimum of 85 for the year 2014/2015.

Other aspects of BFIT work highlighted for Members is noted below.

3. Housing Benefit Matching Service (HBMS)

- 3.1. HBMS is a branch of the Department for Work and Pensions (DWP) dealing with data-matching. Each month the Council submits HB data to the HBMS who then match this against a range of other data from the DWP, Revenue and Customs, Pensions etc. Matches, which are normally of high quality, are then returned to the Council for further investigation. Between April 2014 – 20 August 2014 the BFIT received 133 referrals from the HBMS; 129 of the referrals have been and/or currently being investigated. In the same period, 44 cases derived from HBMS were closed after investigation. Positive results have so far been recorded on 17 cases (13%). This represents a decrease in the number of positive results recorded by the BFIT, as has already been mentioned in paragraph 1.2.

4. Joint Working

Of the 11 convictions obtained by BFIT during the period April – 20 August 2014, 6 were as a result of joint working with the Department for Work & Pensions (DWP). Sefton MBC continues to enjoy a good working relationship with DWP Investigators. During this period, Housing Benefit overpayments totalling £165,909 were raised as a result of all fraud investigations, with £109,988 (67%) specifically as a result of joint working with the DWP;

5. Single Fraud Investigation Service

The DWP has announced that local authority investigators dealing with Housing Benefit fraud will transfer to the newly-formed Single Fraud Investigation Service. Sefton's staff are due to transfer in October 2015. arvato and the Sefton MBC Client are currently considering options for investigating local Council Tax Reduction fraud. A proposal relating to the creation of a small dedicated team to focus on investigations for Council Tax Reduction fraud will be considered by the Finance & Information Services Operational Board on 26th August 2014.

Report to: Audit & Governance Committee **Date of Meeting:** 10 September 2014

Subject: Internal Audit Fraud Report

Report of: Head of Corporate Finance & ICT **Wards Affected:** None Directly

Is this a Key Decision? No **Is it included in the Forward Plan?** No

Exempt/Confidential No

Purpose/Summary

To provide Audit and Governance Committee with a summary of proactive anti fraud and corruption and investigation work undertaken by Internal Audit during 2014/15 and to provide brief details of completed investigations.

Recommendation(s)

Members are requested to:-

- (i) Consider and Note the report.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community	✓		
2	Jobs and Prosperity	✓		
3	Environmental Sustainability	✓		
4	Health and Well-Being	✓		
5	Children and Young People	✓		
6	Creating Safe Communities	✓		
7	Creating Inclusive Communities	✓		
8	Improving the Quality of Council Services and Strengthening Local Democracy	✓		

Reasons for the Recommendation:

The Audit and Governance Committee, as those charged with governance, are required to be apprised of and review work undertaken in respect of the reactive and proactive response to fraud, work undertaken to investigate allegations received and significant fraud risks identified as part of Internal Audit's work as part of their review of the internal control environment and overall Governance arrangements.

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What will it cost and how will it be financed?

The Internal Audit service is budgeted for as part of the Finance Service.

(A) Revenue Costs

The audits referred to in the report have led to the recovery of £750 of fraudulently obtained grant monies.

(B) Capital Costs

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal	
Human Resources	None
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

Internal Audit provide assurance to the Council that appropriate actions are undertaken in respect of fraud risks within the service areas delivered by the Council ensuring that the public purse is protected in order to provide for effective and efficient service delivery for the community.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance is the report owner (FD3135) and confirms that there are no financial implications as the purpose of the report is to update members on new and ongoing work carried out by the Audit service within their budgeted running costs. The Head of Corporate Legal Services (LD2427/14) has been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

Audit & Governance Committee could choose not to receive Fraud and Investigation reports but this would weaken its involvement in the Council's Internal Control Framework and overall governance.

Implementation Date for the Decision

Immediately following the Audit & Governance Committee meeting.

Contact Officer: Janice Bamber, Chief Internal Auditor
Tel: 0151 934 4051
Email: janice.bamber@sefton.gov.uk

Background Papers :

There are no background papers available for inspection.

Agenda Item 10

1. Introduction/Background

- 1.1 The statement by CIPFA's Audit Panel on the role of the Audit Committee in local government states that "Audit Committees are a key component of corporate governance and are a key source of assurance about the organisations arrangements for managing risk, maintaining an effective control environment and reporting on financial and non financial performance". The Council's terms of reference for the Audit Committee includes the requirement to monitor Council policies on 'whistle-blowing', the anti-fraud, bribery and corruption strategy and the Council's complaints process. In order for the Audit & Governance Committee to fulfil its requirement in regard to governance arrangements in respect of fraud the Chief Internal Auditor will produce reports on fraud to be submitted to each meeting of the Audit & Governance Committee for their information and an annual report at each year end summarising all Fraud / Investigation work undertaken in each financial year.
- 1.2 Details of any proactive anti fraud work and a summary of cases completed since the March Audit & Governance Committee are presented in this report which is not considered exempt / confidential. The report focuses on the work undertaken by Internal Audit but will include details of investigations undertaken by other Sections / Departments in order to ensure that those charged with governance within the Council are made aware of frauds perpetrated or suspected. A second report providing a brief summary of new referrals and ongoing investigations is presented later in the agenda as an Exempt / Confidential item.
- 1.3 The report will also inform Members of the continual development of anti fraud policies and procedures within the Council, areas of compliance with these policies and areas for development over the coming year.

2. Key Issues

- 2.1 As part of the External Auditor's (PWC) work they are required to obtain from those charged with governance, their perspective of fraud within the Council. As part of this they ask a number of key questions including:-

"Are you (Audit & Governance Committee) aware of any fraud that has either been perpetrated or is suspected?"

"What incentives and pressures do you perceive to be on management and how are the related fraud risks managed?"

"How do you exercise oversight over activities regarding the risks of fraud and the programme and controls established to mitigate risks?"

"Were any matters relating to fraud reported to members of the Audit & Governance Committee, where we (PWC) were not present during the year? What action did Management and the Committee take?"

- 2.2. The Chief Internal Auditor has produced this report to the Audit & Governance Committee in order to ensure they are made aware of any fraud issues arising within the Council and the action taken by Management. Further, the risk register identifies the Managers perceived pressures and the controls put in place to

minimise the risks and the risk of fraud in those areas. The Audit Plan for 2014/15 includes a programme of proactive anti fraud, bribery and corruption work, which will include a review of the areas where there is significant risk of fraud, the work undertaken and actions required will be reported to Audit & Governance during the 2014/15 financial year.

3. DCLG Counter Fraud Fund

- 3.1 In July 2014, Local Government Secretary, Eric Pickles, announced a multi-million pound fund to help Councils fight fraud. Councils are invited to bid for a share of the £16.6m fund but to be eligible they must demonstrate how their proposals will recoup money owed or tighten controls to prevent fraud occurring. The fund will give Councils 2 years of support to step-up how they tackle unnecessary losses from non-benefit related fraud, such as Council Tax fraud, blue badge fraud or theft of grants.
- 3.2 Sefton is represented on a new Officer Group – the Mersey Region Fraud Group (MRFG) that has been established in order to compile a joint bid for funding. Should the bid be successful, it will increase each authority's capability and capacity to tackle fraud as resources will be combined, intelligence shared and duplication minimised. It will raise the profile of counter fraud which will act as a deterrent to fraudsters. It will also establish an additional reporting mechanism in respect of receiving fraud referrals which could lead to additional financial savings. The draft bid will be submitted to the Chief Executive for agreement to continue and, if agreed, will be signed off by the Head of Finance & ICT. Further updates regarding the progress of the bid will be provided to future meetings of the Audit & Governance Committee.

4. arvato Benefit Fraud Investigation

- 4.1 The Government are in the process of establishing a Single Fraud Investigation Service (SFIS) to tackle all welfare benefit fraud. SFIS will be based within DWP and will bring together welfare benefit fraud investigations currently undertaken by DWP, local authorities and HMRC. Sefton will no longer be responsible for investigating Housing Benefit fraud and arvato staff will transfer into DWP to be part of SFIS in October 2015.
- 4.2 Council Tax Reduction Scheme (CTRS) and Council Tax Benefit fraud investigations will remain the responsibility of the Council. In order to deliver on this and further develop the overall approach to fraud, arvato have proposed a pilot scheme for the investigation of CTRS and CTax Benefit fraud, e.g. Single Person Discount, for the period October 2014 to September 2015. Outcomes from these investigations will be reported as part of the quarterly Audit and Governance Committee updates.

5. Bank Mandate Fraud Attempt

- 5.1 The National Anti-Fraud Network (NAFN) has recently highlighted an increased number of bank mandate fraud attempts being directed against local authorities. One Council was defrauded of £300k in one such scam. Bank mandate fraud can be described as 'change of bank account scams', 'payment diversion fraud' or 'supplier account takeover fraud'. It occurs when a fraudulent request to change a

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direct debit, standing order or bank transfer mandate is received by an organisation from someone purporting to be the supplier to benefit from payments to a different account. Details of suppliers can be obtained from different sources including corrupt staff, published contract information and on-line logs of supplier contracts.

- 5.2 Sefton has recently avoided being the victim of a mandate fraud attempt. A letter purporting to be from one of the Council's suppliers was received by arvato requesting a change to the bank account details held by arvato and used to make payments to the supplier on behalf of the Council. Previous work has been undertaken to establish robust controls in order to detect and prevent such attempts being successful. These established protocols were followed and it was confirmed that the letter received was not genuine thus preventing the Council suffering any financial loss. The police were informed and Internal Audit also passed the details to the National Anti-Fraud Network.

6. Completion of 2013/14 Investigations

Internet & Mobile Phone Usage (YP & F)

- 6.1 An investigation was undertaken after it was alleged that an employee had been accessing and browsing the Council's internet facility for personal use during working hours and while being paid overtime. There was also a further allegation in respect of breaches of the Council's Dignity at Work Policy. It was confirmed that the employee had clearly breached the Council's Internet Acceptable Use Policy. The employee was dismissed following a disciplinary hearing in May 2014.

Stepclever Legacy Funding

- 6.2 An investigation confirmed that bogus invoices had been submitted fraudulently by a local small business to substantiate expenditure of £2,462.98 of grant money it had received. The matter was reported to the police and the Council is in the process of recovering the money via its normal debt recovery procedures.

7. Update Regarding Previously Reported Case

- 7.1 A case involving £750 of grant money being obtained fraudulently by a small business was reported to the Audit & Governance Committee in March. It has now been confirmed that, as a result of the investigation, this money has now been recovered in full.

8. Conclusion

- 8.1 The Council has a zero tolerance approach to dealing with fraud and corruption and this is endorsed by Members and Management. Internal Audit will continue to raise awareness of the potential for fraud and promote the anti-fraud culture across the authority and will continue to report on our work to this Committee in 2014/15.

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Reasons for the Recommendation:

Whistleblowing/Confidential Reporting Policy underpins good governance of the Council. It is important that the policy is accessible to those that may have cause to use it. Setting up a working group will assist with the revision of the policy in accordance with the recommendations made by Warrington Borough Council.

If members decide to adopt the working group, they may also have some views on how the policy can be promoted to staff and general awareness raised.

Alternative Options Considered and Rejected:

- To not set up the working group.
- For officers to make recommendations to the next meeting of the Audit and Governance Group.

What will it cost and how will it be financed?

(A) Revenue Costs - Nil

(B) Capital Costs - Nil

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Financial There are no financial implications arising from the contents of this report
Legal Review of the policy will assist the Council to ensure that it meets its responsibilities in accordance with the Public Interest Disclosure Act 1998 (as amended)
Human Resources
Equality 1. No Equality Implication <input type="checkbox"/>
2. Equality Implications identified and mitigated <input type="checkbox"/>
3. Equality Implication identified and risk remains <input type="checkbox"/>

Impact of the Proposals on Service Delivery:

Nil

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT (FD 3153/14) have been consulted and any comments have been incorporated into the report.

Head of Corporate Legal Services (LD 2445/14) is the author of the report

Implementation Date for the Decision

Immediately following the Committee meeting.

Contact Officer: Jill Coule, Head of Corporate Legal Services

Tel: 0151 934 2031

Email: jill.coule@sefton.gov.uk

Background Papers:

There are no background papers available for inspection

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Agenda Item 11

1. Introduction/Background

- 1.1 A review was undertaken as part of the Internal Audit Plan approved by the Audit and Governance Committee on 27 March 2013 to review the Council's Confidential Reporting Policy. This policy is commonly referred to as Whistleblowing. An internal audit report has been prepared by Warrington Borough Council. Warrington have had their own policies reviewed by Public Concern at Work, and as a result have expertise to share with Sefton in this regard.
- 1.2 Internal Audit fieldwork took place between March and July 2014.
- 1.3 The Audit Opinion has rated the Council's confidential reporting arrangements as *fair* which means there are some weaknesses in key areas which will not impact greatly on financial controls with the areas examined. It also means that there are some areas of non compliance but the weaknesses identified will not contribute to an overall failure of the system.

2 Audit Report Recommendations

- 2.1 The report has made a number of recommendations. There are 0 Critical recommendations, 2 High recommendations and 9 Medium recommendations.
- 2.2 The main recommendation is that the Authority adopts and customises, where required, the Public Concern at Work model whistleblowing policy which is annexed to this report. This is recognised as good practice in this sensitive policy area. The customisation should take into account the recommendations made in the audit report in relation to the content and style of the current policy (Recommendation 1).
- 2.3 The Authority should consider setting up a group of 'trusted individuals' who would be the second line of contact for referrals after the employee's line manager.

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Options could include head of Audit, Solicitor in the Legal Department, or the Council's nominated Employee Support Workers (Recommendation 2).

- 2.4 Sefton will be required to update the Confidential Reporting Policy to reflect the changes and additional requirements arising from the Enterprise and Regulatory Reform Act 2013 which is now in force (Recommendation 3). Legal and Personnel would then ensure that all employees and officers are briefed regarding the changes.
- 2.5 Sefton will be required to review current training arrangements and consider implementing whistleblowing training for new staff and also consider the use of e-learning modules as a method of training delivery (Recommendation 4).
- 2.6 The Confidential Reporting Policy is to be made available on the external internet in addition to the access currently provide on the intranet. This will mean agency workers or contractors will have access to the policy. Sefton should also consider whether an online reporting form and 24 reporting telephone line could be introduced. (Recommendations 5 and 6).
- 2.7 As the Code of Practice recommends regular publicity via intranet messages and posters, the Authority should consider promoting the policy further (Recommendation 7). This publicity should demonstrate Sefton's commitment and openness and encourage staff to raise concerns at the earliest opportunity.
- 2.8 As there has been relatively low reporting in terms of whistleblowing referrals the Authority should obtain feedback on the Council's whistleblowing arrangements, for example by, using a dedicated survey or including questions in a general survey (Recommendation 8)
- 2.9 As there should be a systematic process for reporting on whistleblowing Sefton should ensure there are processes in place for gathering all relevant information on whistleblowing referrals. The information should be reporting to Audit and Corporate Governance Committee. This could be via regular fraud reports or as a separate item (Recommendation 9)

- 2.10 Other policies should refer to the Confidential Reporting Policy to assist staff in knowing where referrals should be made to. The Dignity at Work, Disciplinary and Grievance procedure should be reviewed to ensure the Confidential Reporting Policy is referred to (Recommendation 10).
- 2.11 Whistleblowing referral can related to an allegation of financial irregularity so we should liaise with Sefton's Internal Audit team to ensure that the Fraud Response Plan is developed in line with the whistleblowing procedures (Recommendation 11).
- 2.12 Recommendations 1 and 3 should be given high priority and the remaining 9 recommendations have been categorised as medium priority.

3 **Next Steps**

- 3.1 In light of these recommendations the Authority can form a small member task group to assist officers with the review of this important policy so that this can be reported back to the meeting of Audit and Governance in December 2014.
- 3.2 Following completion of the first recommendation, as this policy is included in the Council's constitution Council would need to formally adopt this policy in 2015.

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PCaW DRAFT MODEL WHISTLEBLOWING POLICY

NOTE FOR ORGANISATIONS: for effective implementation of this policy, please consult the Public Concern at Work Best Practice Guide for Subscribers.

INTRODUCTION

All of us at one time or another have a concern about what is happening at work. Usually these are easily resolved. However, when the concern feels serious because it is about a possible fraud, danger or malpractice *[insert here the particular risks your organisation faces or the issues you want people to raise]* that might affect others or the organisation itself, it can be difficult to know what to do.

You may be worried about raising such a concern and may think it best to keep it to yourself, perhaps feeling it's none of your business or that it's only a suspicion. You may feel that raising the matter would be disloyal to colleagues, managers or to the organisation. You may decide to say something but find that you have spoken to the wrong person or raised the issue in the wrong way and are not sure what to do next.

The Board and Chief Executive of *[organisation name]* are committed to running the organisation in the best way possible and to do so we need your help. We have introduced this policy to reassure you that it is safe and acceptable to speak up and to enable you to raise any concern you may have about malpractice at an early stage and in the right way. Rather than wait for proof, we would prefer you to raise the matter when it is still a concern.

This policy applies to all those who work for us; whether full-time or part-time, employed through an agency or as a volunteer. If you have a whistleblowing concern, please let us know.

If something is troubling you which you think we should know about or look into, please use this policy. If, however, you wish to make a complaint about your employment or how you have been treated, please use the grievance policy or bullying / harassment policy - which you can get from your manager or personnel officer. *[If you have a concern about financial misconduct or fraud, please see our Anti-Fraud Policy.]* This Whistleblowing Policy is primarily for concerns where the public interest is at risk, which includes a risk to the wider public, customers, staff or the organisation itself.

If in doubt - raise it!

OUR ASSURANCES TO YOU

Your safety

The Board and Chief Executive are committed to this policy. Provided you are raising a genuine concern, it does not matter if you are mistaken. Of course we do not extend this assurance to someone who maliciously raises a matter they know is untrue.

If you raise a genuine concern under this policy, you will not be at risk of losing your job or suffering any form of reprisal as a result. The harassment or victimisation of anyone raising a genuine concern will be viewed as a disciplinary matter.

Your confidence

With these assurances, we hope you will raise your concern openly. However, we recognise that there may be circumstances when you would prefer to speak to someone confidentially first. If this is the case, please say so at the outset. If you ask us not to disclose your identity, we will not do so without your consent unless required by law. You should understand that there may be times when we are unable to resolve a concern without revealing your identity, for example where your personal evidence is essential. In such cases, we will discuss with you whether and how the matter can best proceed.

Please remember that if you do not tell us who you are (and therefore you are raising a concern anonymously) it will be much more difficult for us to look into the matter. We will not be able to protect your position or to give you feedback. Accordingly you should not assume we can provide the assurances we offer in the same way if you report a concern anonymously.

If you are unsure about raising a concern you can get independent advice from Public Concern at Work (see contact details under Independent Advice).

HOW TO RAISE A CONCERN INTERNALLY

Please remember that you do not need to have firm evidence of malpractice before raising a concern. However we do ask that you explain as fully as you can the information or circumstances that gave rise to your concern.

Step one

If you have a concern about malpractice, we hope you will feel able to raise it first with your manager or team leader. This may be done verbally or in writing.

Step two

If you feel unable to raise the matter with your manager, for whatever reason, please raise the matter with:

[Insert name and contact details of appropriate senior managers across a number of key functions (depending on the size of your organisation)]

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These people have been given special responsibility and training in dealing with whistleblowing concerns.

If you want to raise the matter confidentially, please say so at the outset so that appropriate arrangements can be made.

Step three

If these channels have been followed and you still have concerns, or if you feel that the matter is so serious that you cannot discuss it with any of the above, please contact

[Chief Executive and/or Company Secretary and /or Board member (NED, Chair, Audit Committee) and contact details]

NB Smaller organisations may decide to combine stages two and three.

For NHS bodies and non-departmental public bodies

If you prefer you may raise the matter directly with our sponsoring department.

[Name]

[Contact details]

HOW WE WILL HANDLE THE MATTER

We will acknowledge receipt of your concern within **[7 days or insert other reasonable timeframe]**. We will assess it and consider what action may be appropriate. This may involve an informal review, an internal inquiry or a more formal investigation. We will tell you who will be handling the matter, how you can contact them, and what further assistance we may need from you. If you ask, we will write to you summarising your concern and setting out how we propose to handle it and provide a timetable for feedback. If we have misunderstood the concern or there is any information missing please let us know.

When you raise the concern it will be helpful to know how you think the matter might best be resolved. If you have any personal interest in the matter, we do ask that you tell us at the outset. If we think your concern falls more properly within our grievance, bullying and harassment or other relevant procedure, we will let you know.

Whenever possible, we will give you feedback on the outcome of any investigation. Please note, however, that we may not be able to tell you about the precise actions we take where this would infringe a duty of confidence we owe to another person.

While we cannot guarantee that we will respond to all matters in the way that you might wish, we will strive to handle the matter fairly and properly. By using this policy you will help us to achieve this.

If at any stage you experience reprisal, harassment or victimisation for raising a genuine concern please contact **[insert appropriate personnel e.g. HR, or managers with a designated role under the policy]**

INDEPENDENT ADVICE

If you are unsure whether to use this policy or you want confidential advice at any stage, you may contact the independent charity Public Concern at Work on 020 7404 6609 or by email at helpline@pcaw.org.uk. Their lawyers can talk you through your options and help you raise a concern about malpractice at work.

You can also contact your union (where applicable) for advice.

EXTERNAL CONTACTS

While we hope this policy gives you the reassurance you need to raise your concern internally with us, we recognise that there may be circumstances where you can properly report a concern to an outside body. In fact, we would rather you raised a matter with the appropriate regulator - such as *[name your key regulators here and provide their contact details, e.g. the Financial Conduct Authority, the Health and Safety Executive, the Care Quality Commission]* - than not at all. Public Concern at Work (or, if applicable, your union) will be able to advise you on such an option if you wish.

MONITORING / OVERSIGHT

The Board / Audit Committee is responsible for this policy and will review it annually. The Risk Team *[Compliance / HR]* will monitor the daily operation of the policy and if you have any comments or questions, please do not hesitate to let one of their team know.

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Report to: Audit and Governance **Date of Meeting:** 10 September 2014

Subject: Constitution Update

Report of: Director of Corporate Services **Wards Affected:** All

Is this a Key Decision? No

Is it included in the Forward Plan?
No

Exempt/Confidential

No

Purpose/Summary

To inform members of the ongoing work in relation to the Constitution. To set up a working group of members to review the proposed constitutional amends in detail and to make recommendations to Council

Recommendation

1. To consider the proposed amendments to the constitution in light of the Openness of Local Government Bodies Regulations 2014/2095 and to make a recommendation to Council.
2. To set up a working group of members to review in detail the remaining proposed amendments to the constitution. Following which the group would make recommendations to the next meeting of the Audit and Governance Committee in December 2014.

How does the decision contribute to the Council's Corporate Objectives?

	<u>Corporate Objective</u>	<u>Positive Impact</u>	<u>Neutral Impact</u>	<u>Negative Impact</u>
1	Creating a Learning Community		✓	
2	Jobs and Prosperity		✓	
3	Environmental Sustainability		✓	
4	Health and Well-Being		✓	
5	Children and Young People		✓	
6	Creating Safe Communities		✓	
7	Creating Inclusive Communities		✓	

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8	Improving the Quality of Council Services and Strengthening Local Democracy		✓	
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Reasons for the Recommendation:

To ensure that the constitution remains up to date, transparent and an integral framework for the Council's decision making process.

To ensure that the professional standards of good governance are met.

What will it cost and how will it be financed?

(A) Revenue Costs

Nil

(B) Capital Costs

Nil

Implications:

The following implications of this proposal have been considered and where there are specific implications, these are set out below:

Legal - Legal implications are contained in the contents of the report where appropriate	
Human Resources – Nil	
Equality	
1. No Equality Implication	<input checked="" type="checkbox"/>
2. Equality Implications identified and mitigated	<input type="checkbox"/>
3. Equality Implication identified and risk remains	<input type="checkbox"/>

Impact on Service Delivery:

To improve good governance of the Council's business by updating the constitution to incorporate developments in legislation, and to improve current working practices.

What consultations have taken place on the proposals and when?

The Head of Corporate Finance and ICT (FD.....) has been consulted and any comments have been incorporated into the report.

Are there any other options available for consideration?

To not review the constitution as outlined in the report.

Implementation Date for the Decision

Immediately following consideration by the Committee

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Background Papers:

Nil

Agenda Item 12

1. Introduction/Background

Update on Constitution

- 1.1 Members will be aware that as part of good governance the Council's Constitution is now being reviewed twice a year. It is an obligation contained in the Constitution for the Monitoring Officer to ensure that the Council's Constitution is kept up to date and in good order (Chapter 10, Section E paragraph 29 refers). It is recognised that this is important to keep the Constitution up to date, meaningful and integral to the workings of the Council.
- 1.2 An amendment for the constitution which requires immediate referral to Council, following consideration and recommendations by the Committee concerns the Reporting of Meetings
- 1.3 On the 6 August 2014 the Openness of Local Government Bodies Regulations 2014/2095 came into force. The regulations provide that whilst a meeting of a local authority is open to the public any person attending is to be permitted to report on the meeting. The regulations further provide that a person attending a local authority meeting for the purpose of reporting on the meeting must, so far as practicable, be afforded reasonable facilities for doing so. Further, any person who attends a local authority meeting for the purpose of reporting on the meeting may use any communication method, including the internet, to publish, post or otherwise share the results of the person's reporting activities. Publication and dissemination may take place at the time of the meeting or occur after the meeting.
- 1.4 "Reporting" is defined in the regulations as:
 - (a) filming, photographing or making an audio recording of proceedings at a meeting;
 - (b) using any other means for enabling persons not present to see or hear proceedings at a meeting as it takes place or later; or
 - (c) reporting or providing commentary on proceedings at a meeting, orally or in writing, so that the report or commentary is available as the meeting takes place or later to persons not present
- 1.5 There is no requirement for a local authority to permit oral reporting or oral commentary on a meeting as it takes place if the person reporting or providing the commentary is present at the meeting.
- 1.6 However, should a person cause a disturbance at a meeting whilst reporting on them, for example by:
 - moving to areas outside the areas designated for the public without the consent of the Chairman,
 - making excessive noise in recording or setting up or re-siting equipment during the debate/discussion,
 - intrusive lighting and use of flash photography; or
 - asking for people to repeat statements for the purposes of recording

then the provisions within the Council's Rules of Procedure allowing the public and Members to be removed from a meeting for causing a disturbance shall apply.

1.7 It is accordingly recommended that the Rules of Procedure (Chapter 4) be amended so as to incorporate the following:

- (1) While a meeting of the Council, Cabinet, a Committee or Sub Committee is open to the public, any person attending is permitted to report on the meeting by filming, photographing or making an audio recording of proceedings at the meeting. They may also use any other means for enabling persons not present to see or hear proceedings at such a meeting as it takes place or later and may use any communication method, including the internet, to publish, post or otherwise share the results of the person's reporting activities.
- (2) Should a person cause a disturbance at a meeting whilst reporting on the proceedings, for example by:
 - moving to areas outside the areas designated for the public without the consent of the Chairman,
 - making excessive noise in recording or setting up or re-siting equipment during the debate/discussion,
 - intrusive lighting and use of flash photography; or
 - asking for people to repeat statements for the purposes of recordingthen the provisions of rules 103 to 106 (Chapter 4) (Members' conduct and disturbance by the public) shall apply.
- (3) Nothing in this rule shall allow any person to report on any part of a meeting, without the consent of the meeting, whilst the public is excluded to allow it to debate confidential or exempt matters.

1.8 Further since the last meeting of the Audit and Governance Committee the following areas have been identified for review in the Constitution:

- Terms of reference for Planning Committee so that power is delegated to from Council to Planning Committee to approve Conservation Area Appraisals
- Terms of reference for Overview and Scrutiny following receipt of the Department of Health Guidance on Health Scrutiny
- Consideration of the terms of reference of the Health and Wellbeing Board to ensure that there is clarity of purpose between the Board and Overview and Scrutiny function
- Review of processes and procedures with respect to Standards Hearings

It is proposed by officers that members form a small task group to consider these issues in more detail and to report back to the next meeting of the Audit and Governance Committee.

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