



GOVERNANCE COMMITTEE
MONDAY 26 SEPTEMBER 2022 AT 10:00AM
CIVIC CENTRE, RIDLEY STREET, REDCAR, YORKSHIRE, TS10 1TD

CONTACT

Mr David Boville
(01642) 444617
15 September 2022

CIRCULATION

Councillors Morgan (Chair) B Clarke, Foley-McCormack, Gallacher, Holyoake, G Jeffery, I Nightingale, L Quartermain, Rider, V Smith and Waterfield.
Ms Lavelle, Mr Monson, Parish Councillor Clayton and a representative from Loftus Town Council.
Councillor G Nightingale (Cabinet Member – for information)
Managing Director (Head of Paid Service)
The Press [except for Confidential item(s)]

Questions on Governance Committee Agenda Items

In order that Members questions can be answered more fully at Governance Committee and to ensure good use of time, please would Members submit any questions they may have on the agenda items in advance of the meeting.

Questions should be sent to David Boville in advance of the meeting. The sooner questions are submitted the more likely it will be that the relevant information can be collected in time for the meeting. Questions can be submitted via email or hard copy using the form overleaf. Your Group Assistants will have a copy of this form. The questions received will be referred to the relevant officer to enable a response to be prepared in readiness for the meeting.

This does not preclude questions being asked at the meeting itself, however, it may not be possible to provide a full answer to these questions. In these circumstances, the question will be referred to the appropriate officer following the meeting and a response will be provided.

Questions should be sent to:

David Boville, Democratic Services Assistant
Civic Centre
01642 444617
David.boville@redcar-cleveland.gov.uk

Governance Committee Questions

Date of Meeting _____

Question submitted by _____

Agenda item	Para Ref	Question



GOVERNANCE COMMITTEE
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A G E N D A

	<u>Pages</u>
1. To elect a vice chair of the Governance Committee.	
2. Apologies for Absence.	
3. To confirm the Minutes of the meeting held on 25 July 2022.	4-7
4. Declarations of Interest.	
5. Internal Audit and Counter Fraud Progress Report. (Veritau)	8-30
6. Counter Fraud Framework Report. (Veritau)	31-69
7. Business Continuity Annual Member Update.	70-74
8. Committee Work Programme.	75
9. Any items the Chair certifies as urgent.	

GOVERNANCE COMMITTEE

25 July 2022

GOVERNANCE COMMITTEE

A meeting of the Governance Committee was held on 25 July 2022 at the Redcar & Cleveland Leisure and Community Heart.

PRESENT Councillor Morgan (Chair);
Councillors Berry, B Clarke, Foley-McCormack,
Gallacher, G Jeffery, I Nightingale,
L Quartermain, V Smith and Waterfield.

OFFICIALS G Barker (Director – External Audit),
D Boville (Democratic Services Officer),
R Davisworth (Chief Accountant),
S Newton (Governance Director),
A Pearson (Governance Manager),
V Smith (Business Manager – Corporate
Resources),
M Thomas (Chief Executive – Veritau) and
P Winstanley (Assistant Director – Finance).

IN ATTENDANCE Councillor G Nightingale.

APOLOGIES FOR ABSENCE were submitted on behalf of Councillor Holyoake and Ms Lavelle and Mr Monson (Independent Members).

1. **MINUTES**

RESOLVED that the minutes of the Governance Committee meeting held on 26 April 2022 be confirmed and signed by the Chair as a correct record.

2. **INTERNAL AUDIT AND COUNTER FRAUD ANNUAL REPORT**

The Chief Executive of Veritau presented the internal audit and counter fraud work programmes for 2022/23 for approval.

A debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- The volunteers policy needed to be flexible.
- All local authorities needed to ensure that their volunteers were appropriately trained.
- The protocol for members ward allowances were not sufficiently detailed.
- More details should be provided on audit areas where limited assurance was given:-**NOTED**

25 July 2022

RESOLVED that the Governance Committee approved the internal audit and counter fraud work programmes for 2022/23.

3. **AUDIT PROGRESS REPORT**

The External Audit Manager presented an update on progress made in the delivery of external audit responsibilities.

There would likely be a delay in the approval of the final accounts due to the need to await guidance from the National Audit Office on proposed changes to the valuation of Council infrastructure. This issue was affecting all local authorities:-**NOTED**

4. **ANNUAL INSURANCE UPDATE**

The Business Manager – Corporate Resources, on behalf of the Managing Director (Head of Paid Service), presented an update on insurance claims made against the Council:-**NOTED**

5. **DRAFT STATEMENT OF ACCOUNTS FOR 2021/22 AS OF 31 MARCH 2022**

The Chief Accountant, on behalf of the Managing Director (Head of Paid Service), presented the unaudited statement of accounts for consideration:-**NOTED**

6. **DRAFT ANNUAL GOVERNANCE STATEMENT 2021/22 AND LOCAL CODE OF GOVERNANCE**

The Governance Director, on behalf of the Managing Director (Head of Paid Service), presented the draft Annual Governance Statement and Local Code of Governance for consideration.

A debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- There may be a risk regarding the conflict between the Council's net zero carbon ambitions and the need to develop the Teesworks site.
- Progress on the issues raised through the completion of the self-assessment against CIPFA's Financial Management Code would be reported back to the Committee in April 2023:-**NOTED**

7. **SENIOR STRUCTURE & SCRUTINY ARRANGEMENTS**

The Governance Director, on behalf of the Managing Director (Head of Paid Service), presented a Cabinet report proposing changes to the Council's senior management structure and scrutiny arrangements, which

25 July 2022

if approved would require a change to the Council's constitution.

A debate took place on the issues contained in the report. Some of the matters raised and discussed included:

- There were no current proposals to reduce the membership size of the Scrutiny & Improvement Committees, but this could be considered should Members wish or if difficulty arose in filling the places.
- If approved, it was expected that the changes to the Scrutiny arrangements would take immediate effect.
- The Executive Director for Growth, Enterprise & Environment post was currently out for recruitment.

RESOLVED that the Governance Committee approved the proposed changes to the Council's constitution.

8. **COMMITTEE WORK PROGRAMME**

The Chief Accountant, on behalf of the Managing Director (Head of Paid Service), presented the Governance Committee Work Programme for information:-**NOTED**

Governance Committee

ATTENDANCE RECORD - 2022/23

Surname	First name	25.07.22	26.09.22	dd.mm.yy	dd.mm.yy	dd.mm.yy	dd.mm.yy	dd.mm.yy	dd.mm.yy	dd.mm.yy	Total Meetings Attended / total possible
Foley McCormack	Chris	✓									
Quartermain	Leah	✓									
Brady	Charlie	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Gallacher	Chris	✓									
Morgan	Carol	✓									
Nightingale	Irene	✓									
Jeffery	Graham	✓									
Berry	Peter	✓	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Lockwood	Mike	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	
Clarke	Bill	✓	Apols1								
Smith	Vince	✓									
Waterfield	Stephen	✓									
Holyoake	Shelagh	Apols 1									
Monson	Mr	Apols3									
Lavelle	Mrs	Apols1									
Clayton	Anne	X									
Rider	Vera	n/a									
Substitutes											

Key	
✓	Attended
RA	Apologies Submitted (replacement attended)
Apols	Apologies Submitted (no replacement)
X	Did Not Attend (no apologies received)
C	Cancelled Meeting
n/a	Not a Member

Reason for Absence (NB Full details may not be provided for reasons of confidentiality)	
1	Personal Commitment
2	Work Commitment
3	Illness/Medical
4	Conflicting Council Commitment
5	Other



Member Report

Internal Audit and Counter Fraud Progress Report

Public

To:	Governance Committee	Date:	26.9.22
From:	Managing Director (Head of Paid Services)	Decision type:	For information
Portfolio:	Resources	Forward Plan Reference:	
Priority:	All Priorities		

HEADLINE POSITION

1 Summary of report

- 1.1 The report provides an update on internal audit and counter fraud work undertaken to date in 2022/23.

2 Recommendation

- 2.1 It is recommended that the Governance Committee notes the progress of and outcomes from internal audit and counter fraud work to date, in 2022/23.

DETAILED PROPOSALS

3 What are the objectives of the report and how do they link to the Council's priorities?

- 3.1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 3.2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3.3 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom. Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3.4 The purpose of this report is to provide Members with an update on audit reports issued, counter fraud activity and other work completed since the last update report to this committee. It also provides an update on ongoing work.

Internal audit progress report

- 3.5 The internal audit progress report is contained in annex 1. It reports on progress against the internal audit work programme. This includes a summary of current work in progress, revised internal audit priorities for the year, completed work, and follow-up of previously agreed audit actions.
- 3.6 Work is now complete on the majority of 2021/22 work and details on five completed audits are included in the annex. In addition to this, work has started on a number of new audits including Council Tax and NNDR, ICT strategy and governance, and creditors.

Counter fraud progress report

- 3.7 The counter fraud progress report is contained in annex 2. It reports on progress against the counter fraud work programme. A range of work is detailed including activity to promote awareness of fraud, work with external agencies, and information on the level of fraud reported to date.
- 3.8 The counter fraud team supported the Council in their duty to administer £150 rebates to qualifying households liable for Council Tax by running pre-payment bank account verification checks. It also raised awareness of whistleblowing practices as part of an annual campaign.

4 What options have been considered

- 4.1 There are no other options, the report is for information and comment.

5 Impact assessment

Type of Risk/ Implication	Details
Climate Emergency Impact	There are no direct implications from this report, although elements of council arrangements for managing climate risks may be considered as part of the internal audit plan. This applies to a number of the other risk areas below.
Health and Safety	The work of Veritau contributes to the effective management of the council's health and safety risks
Social Value	The work of Veritau supports overall aims and priorities by promoting probity, integrity and honesty and by helping to make the council a more effective organisation.
Legal	The work of Veritau contributes to the effective management of the council's legal and regulatory risks
Financial	The work of Veritau contributes to the effective management of the council's financial risks
Human Resources	The work of Veritau contributes to the effective management of employment related risks
Equality and Diversity	The work of Veritau contributes to the effective management of risks associated with equalities and diversity

Other (please specify)	No other specific risks
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6 Consultation and Engagement

6.1 Not relevant for the purposes of the report.

7 Appendices and background papers

7.1 Annex 1 – internal audit progress report September 2022
Annex 2 – counter fraud progress report September 2022

8 Contact officer

8.1 Name: Max Thomas
Position: Head of Internal Audit – Veritau
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Telephone: 01904 5529340
Email: max.thomas@veritau.co.uk

INTERNAL AUDIT PROGRESS REPORT 2022/23

Date: 26 September 2022

Annex 1





BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 The internal audit work programme was agreed by this committee in April 2022. The plan is flexible in nature and work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 4 The purpose of this report is to update the committee on internal audit activity up to 31 August 2022.



INTERNAL AUDIT PROGRESS

- 5 Our current priorities are to complete the remaining work which commenced during 2021/22. Good progress has been made on these audits and a number have been finalised. In addition, we have commenced work on a number of new areas including Council Tax and NNDR, ICT strategy and governance, and creditors.
- 6 We also continue to review quarterly Supporting Families claims and other grant claims including those relating to Covid-19 support. A summary of internal audit work currently underway as well as work finalised in the year to date is included in appendix 1.
- 7 The work programme showing current priorities for internal audit work is included at appendix 2. Alongside the work in the 'do now' and 'do next' categories are indicative timescales for when work has commenced or is expected to commence and for when final reports will be produced. These timescales are subject to change and work priorities may also change during the year depending on an ongoing consideration of risk.
- 8 The programme includes a number of audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over programmed).
- 9 Overall, we are on schedule to complete our planned work during 2022/23. We recognise that priorities and risks may change during the year and we will therefore adjust our programme of work accordingly.

- 10 Five audit reports have been finalised since the last report to this committee in July 2022 and details on these are included at appendix 3.
- 11 Appendix 4 lists our current definitions for action priorities and overall assurance levels.



FOLLOW-UP OF AGREED ACTIONS

- 12 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. A summary of the current status of actions being followed up is included at appendix 5.

APPENDIX 1: 2022/23 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Supplier relief	In progress
Project management	In progress
Homecare	In progress
Performance management and data quality	In progress
Benefits & Council Tax support	In progress
Council Tax and NNDR	In progress
Payroll – expenses	In progress
Creditors	In progress
ICT strategy and governance	In progress
Payroll – IR35	Draft report issued

Final reports issued

Audit	Reported to Committee	Opinion
Schools audit – governance	July 2022	Reasonable Assurance
ICT asset management	July 2022	Substantial Assurance
Emergency planning	July 2022	Reasonable Assurance
Main accounting	September 2022	Substantial Assurance
Debtors	September 2022	Substantial Assurance
Adult Social Care debt	September 2022	Reasonable Assurance
Working from home	September 2022	Reasonable Assurance
Members' ward allowances	September 2022	Limited Assurance

Other work in 2022/23

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- A review of grant claims including the Bus Service Operators Grant, Tees Valley Combined Authority grants and claims relating to Scambusters.
- A review of returns completed by the Council for the Supporting Families scheme.
- A review of grant claims for Covid-19 support including Track & Trace and the Contain Outbreak Management Fund

- An investigation into highways related issues at Saltburn.
- An ongoing pilot of assurance mapping to review how the Council receives assurance on its risks from various sources including internal audit.

APPENDIX 2: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale	Actual / Expected start	Expected finish
<p>Corporate & cross cutting</p> <p>Category 1 (do now)</p> <p>Project governance and management</p> <p>Covid-19 response including supplier relief</p> <p>Performance management and data quality</p>	<p>Key assurance area. Delay requested by the service area and not started until April 2022.</p> <p>Significant priority for the Council. We have had delays in obtaining information from the external providers and subsequent additional work has been agreed.</p> <p>Key assurance area and significant risk for the Council. Some initial support and advice has been provided and an audit will start later in the year.</p>	<p>April 2022</p> <p>November 2021</p> <p>October 2022</p>	<p>October 2022</p> <p>October 2022</p> <p>December 2022</p>

Audit / Activity	Rationale	Actual / Expected start	Expected finish
Category 2 (do next)			
Procurement & Contract Management	Key assurance area. Outstanding issues remain from previous audits, resulting in a request for delay from the service area.	September 2022	Q3 2022/23
Interests, gifts, hospitality	Follow-up of previous audit which had an opinion of limited assurance.	September 2022	Q3 2022/23
Category 3 (do later)			
Financial planning and resilience	These areas will be considered later in 2022/23 due to other priorities.		
Governance and decision making			
Workforce planning			
Corporate complaints			
Insurance			
Budgeting and savings plans	The audits listed here are not considered an immediate priority. This is due to relative risk or where prior assurance can be taken, including from any recent internal audit work.		
Strategic planning			
Risk management			

Audit / Activity	Rationale	Actual / Expected start	Expected finish
Partnerships HR Information governance Health & safety Business continuity			
Financial / corporate systems Category 1 (do now) Payroll – IR35 Payroll – mileage claims Council Tax/NNDR Benefits and Council Tax Support Creditors	Considered a higher risk area due to changes in legislation. The report is now in draft and we are awaiting a response from officers before we can finalise it. Payroll is a fundamental financial system and duplicate payments were identified as an issue in previous audit. These audits are key financial systems and have a high inherent risk.	December 2021 May 2022 August 2022 August 2022 July 2022	September 2022 October 2022 November 2022 November 2022 September 2022

Audit / Activity	Rationale	Actual / Expected start	Expected finish
<p>Category 2 (do next)</p> <p>Payroll</p> <p>Category 3 (do later)</p> <p>Capital accounting and assets Treasury Management VAT accounting</p>	<p>Payroll is a key financial system with a high inherent risk. The audit will commence following the audit of mileage claims.</p> <p>The audits listed here are not considered an immediate priority. This is due to relative risk or where prior assurance can be taken, including from any recent internal audit work.</p>	<p>October 2022</p>	<p>Q4 2022/23</p>
<p>ICT</p> <p>Category 1 (do now)</p> <p>ICT Strategy and governance</p>	<p>Key assurance area and not reviewed in previous 2 years.</p>	<p>September 2022</p>	<p>December 2022</p>

Audit / Activity	Rationale	Actual / Expected start	Expected finish
<p>Category 2 (do next)</p> <p>Category 3 (do later)</p> <p>ICT risk management ICT information security Cyber security ICT change management Digitalisation and automation</p> <p>Operational audits</p> <p>Category 1 (do now)</p> <p>Homecare</p>	<p>Potential audits and priorities for ICT will be discussed with officers later in 2022.</p> <p>Requested by the Chief Accountant to perform a process review about reconciliations and invoicing.</p>	<p>April 2022</p>	<p>September 2022</p>

Audit / Activity	Rationale	Actual / Expected start	Expected finish
Category 2 (do next)			
Place Planning (Children's)	Raised as an area for review by the DMT.	October 2022	Q4 2022/23
Direct payments	Significant risk area and raised as a potential area for review by the Governance Committee.	Q2 2022/23	Q3 2022/23
Home to school transport	Raised as a priority area for review by the DMT.	September 2022	Q3 2022/23
Energy management / air quality	Emerging national risk; the focus to be agreed at a later date.	September 2022	Q3 2022/23
Recruitment & Retention	This is an increasing risk for the Council, particularly in Children's and Adult Services. The audit will include the use of agency staff.	October 2022	Q4 2022/23
Category 3 (do later)			
Recruitment of foster carers	These have been agreed at the relevant DMTs as priority audits for 2022/23, timings will be agreed in due course.		

Audit / Activity	Rationale	Actual / Expected start	Expected finish
Public health governance Schools themed audit Liberty Protection Safeguards Domestic abuse Environmental health Homelessness Special Educational Needs Contracts and commissioning Highways and fleet management Planning Economic Development Waste management	The audits listed here are not considered an immediate priority. This is due to other work taking priority, relative risk or where prior assurance can be taken, including from any recent internal audit work.		

APPENDIX 3: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Debtors	Substantial Assurance	Paperless direct debit procedures, raising of invoices, write-offs, system reconciliations.	11 July 2022	No major issues were identified; systems are working well.	None.
Adult Social Care debt	Reasonable Assurance	Financial assessments, debt management.	11 August 2022	Complaints are being made due to a lack of awareness of care contributions. Financial assessment forms are not always completed.	A number of suggested improvements to the process have been agreed and will be adopted.
Main accounting	Substantial Assurance	Feeder system reconciliations, suspense/control accounts, journals, bank reconciliations and the Council's 'making tax digital' arrangements.	15 August 2022	No major issues were identified; systems are working well.	None.
Working from home	Reasonable Assurance	Corporate guidance, health and safety, contact with staff at home, safety testing on electronic equipment.	25 August 2022	Not all staff had completed mandatory Display Screen Equipment (DSE) training and there is not a process in place to identify electrical equipment which requires safety testing.	Improved reporting on training completion will be introduced; electrical safety testing will be monitored at line manager level.

Limited assurance reports

System/area	Opinion	Area reviewed	Date issued	Comments / Issues identified	Management actions agreed
Members' Ward Allowances	Limited Assurance	Guidance, declarations of interest, monitoring of expenditure	18 July 2022	The audit found that the guidance was out-of-date, forms to record expenditure are not always completed, monitoring is not being carried out consistently, declarations of interests are not always completed, and evidence is not always retained for spending decisions.	<p>6 Priority 2 actions have been agreed:</p> <p>1 New guidance will be produced</p> <p>2 Documentation and procedures will be standardised</p> <p>3 Declaration of interest protocols will be clarified and shared</p> <p>4 All expenditure will be evidenced, and this will be clarified in the new guidance</p> <p>5 and 6 Monitoring information will be standardised.</p>

APPENDIX 4: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

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

Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX 5: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Follow up work is carried out through a combination of questionnaires completed by responsible managers, risk assessment, and by further detailed review by the auditors where necessary. Where managers have not taken the action they agreed to, issues are escalated to more senior managers, and ultimately may be referred to the Governance Committee.

Actions completed

No further actions have been completed since the last report to this committee in July 2022. This is in part due to less actions becoming due in August and a relatively short period since the last report to this committee.

Actions Outstanding

A total of 22 actions with original due dates that have passed are still outstanding. A summary of the priority of these actions is included below.

Actions agreed		Actions agreed by directorate			
Priority of actions	Number of actions agreed	Priority of actions	Resources and Growth	Adults & Communities	Children & Families
1	0	1	0	0	0
2	8	2	0	8	0
3	14	3	6	2	6
Total	22	Total	6	10	6

Of the 22 actions outstanding, 13 have had a revised date agreed. The remaining 9 actions are currently being followed-up with the relevant service.

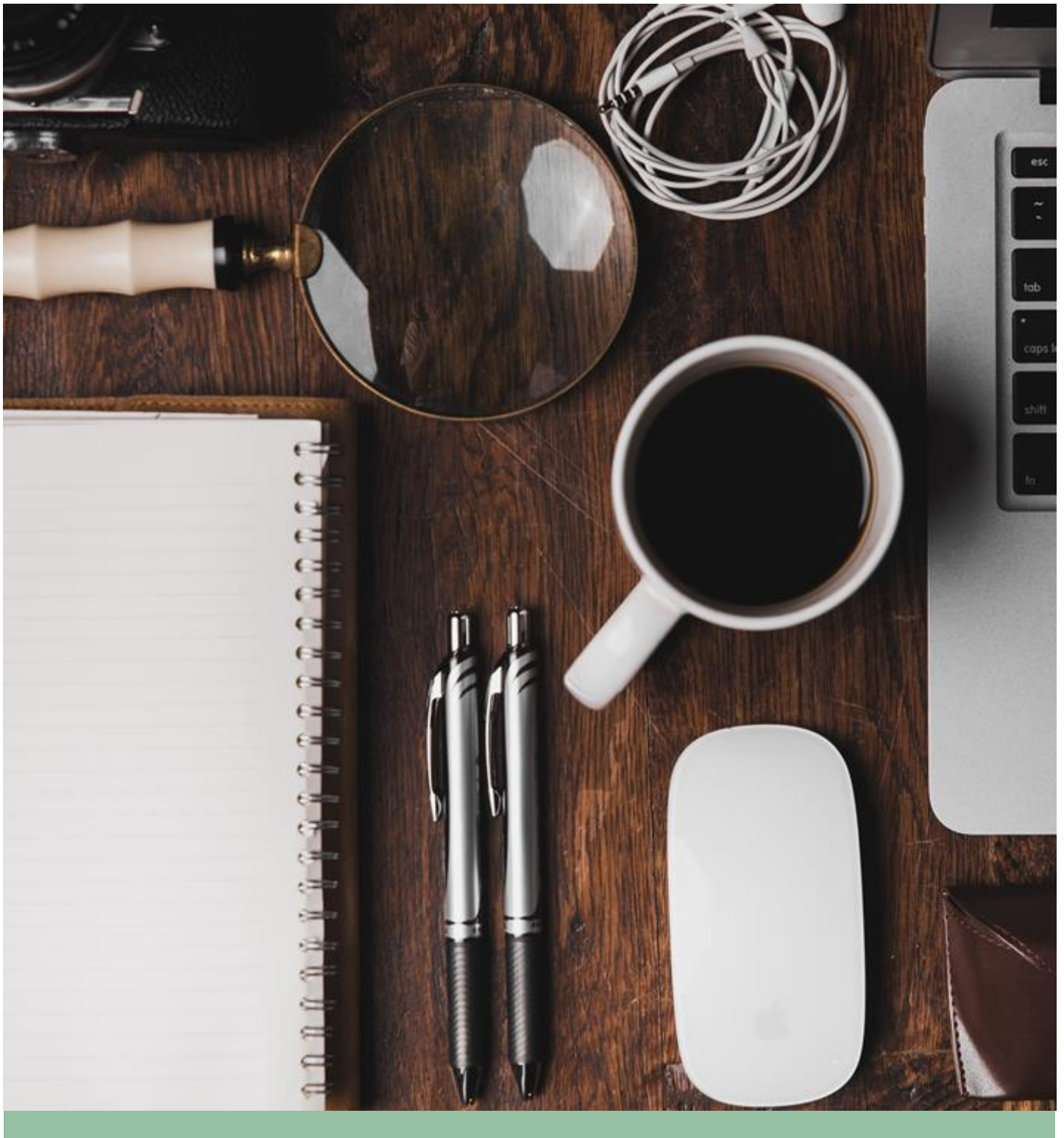
Actions outstanding for more than 6 months (Priority 1 and 2)

Eight priority 1 and 2 actions have currently been outstanding for longer than 6 months beyond the agreed implementation date. These all relate to the 2020/21 audit of volunteers which has been previously reported to this committee. A corporate lead has now been identified for the work and a revised date of 30 November 2022 has been agreed for all actions.

COUNTER FRAUD PROGRESS REPORT 2022/23

Date: 26 September 2022

Annex 2





BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimates that the taxpayer loses up to £51.8 billion to fraud and error in public spending every year¹. Financial loss due to fraud can reduce a council's ability to support public services and cause reputational damage.
- 2 Veritau delivers a corporate fraud service to the Council which aims to prevent, detect and deter fraud and related criminality. We employ qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate any suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The purpose of this report is to update the Governance Committee on counter fraud activity up to 31 August 2022.



FRAUD MANAGEMENT

- 4 The Council has been responsible for administering government rebates of £150 to most households in council tax bands A to D from April 2022. The Department for Levelling Up, Housing & Communities, who funded the scheme, required checks to be completed prior to payment. The counter fraud team accessed government resources to undertake bank account checks on payment recipients.
- 5 Veritau have been working with Liberata – the company that supports administration of the Council's revenues and benefit services – to strengthen mechanisms for reporting suspected fraud. The team recently provided fraud awareness training to Liberata staff. Training was also delivered to Council officers working in children's social care in August. This highlighted issues such as Direct Payment misuse and gave guidance on how to protect against fraud.
- 6 The counter fraud team raised awareness of whistleblowing on World Whistleblowers' Day in June. It is important that workers are aware that they should raise concerns in the public interest and that there are protections in place if they do. It is equally important that managers respond to whistleblowing concerns in the correct way.
- 7 In May the Council's counter fraud transparency data was updated to include data on counter fraud work in 2021/22, meeting the council's obligation under the Local Government Transparency Code 2015.

¹ Fraud and Error (Ninth Report of Session 2022/23), Public Accounts Committee, House of Commons



MULTI-AGENCY WORK

- 8 The Cabinet Office have set the timetable for 2022/23 National Fraud Initiative exercise. Data from Council systems will be gathered at the end of September, processed, and then securely sent to the National Fraud Initiative in October.
- 9 The council provides information to the Department for Work and Pensions (DWP) to facilitate the investigation of Housing Benefit fraud. In cases where council tax support is also in payment, the counter fraud team can jointly investigate with DWP counterparts. Veritau has establish contacts with the DWP's Tees Valley investigation team, however, no joint working cases have been identified to date.



INVESTIGATIVE WORK

- 10 Five referrals of potential fraud have been reported to Veritau in the year to date. These relate to council tax support, business rates, and adult social care funding.
- 11 The counter fraud team has completed 7 investigations. Investigative work resulted in NNDR liabilities of £2.8k per year being established, and £2.5k in Covid-19 support payments that required recovery. Thirteen cases remain under investigation.
- 12 Members of the public can contact Veritau directly to report fraud on 0800 9179 247, or email counter.fraud@veritau.co.uk.



Member Report

Counter Fraud Framework Report

Public

To: Governance Committee **Date:** 26.9.22

From: Please select **Decision type:** Choose an item.

Portfolio: Resources **Forward Plan Reference:**

Priority: Please select

HEADLINE POSITION

1 Summary of report

1.1 The report provides details of the annual review of the Council's counter fraud framework.

2 Recommendation

2.1 It is recommended that the Governance Committee:

- notes the counter fraud framework report at annex 1
- approves the revised Anti-Fraud, Bribery and Corruption Policy contained at annex 2.

DETAILED PROPOSALS

3 What are the objectives of the report and how do they link to the Council's priorities?

3.1 Veritau delivers a corporate counter fraud service to the Council. This includes maintenance of the counter fraud framework to ensure processes are in place to prevent, detect and deter fraud. The framework is reviewed annually. A summary of the latest review is included in annex 1. This includes updates to the strategy action plan and fraud risk assessment. The Council's Anti-Fraud, Bribery and Corruption Policy has also been updated. A proposed revision is attached at annex 2.

3.2 When fraud is committed against the public sector, money is diverted from vital public services into the hands of criminals. The counter fraud framework sets out the Council's approach to minimising losses to fraud. Protecting funds helps the Council fulfil its aims and priorities as set out in the 2021-2024 Corporate Plan.

3.3 The revised counter fraud framework reviews the national fraud picture including increased reports of fraud as a result of the "cost of living crisis" and the prevalence of cybercrime. The framework introduces new activities to the counter fraud strategy action plan to develop the Council's counter fraud response, and updates the Council's fraud risk assessment to help direct counter fraud resources to the most appropriate areas. The framework review also identified a need to update the Anti-Fraud, Bribery and Corruption Policy to reflect changes in legislation and names of government departments.

4 What options have been considered

4.1 Not applicable.

5 Impact assessment

Type of Risk/ Implication	Details
Climate Emergency Impact	There are no direct implications from this report.
Health and Safety	There are no direct implications from this report.
Social Value	Counter fraud work assesses the effectiveness of fraud risk management arrangements and the governance environment of the Council to support it in maximising the use of its resources for the benefit of the local community.
Legal	Legal guidelines have been considered in writing and reviewing counter fraud framework policies.
Financial	Fraud is a risk to the public sector in the UK. Fraud committed against the Council results in funding being diverted from public services.
Human Resources	The counter fraud framework alongside training for members of staff helps to embed a strong counter fraud culture at the Council.
Equality and Diversity	The minimisation of loss through counter fraud work could mean that the Council has more resource to focus on providing services for people with the greatest needs, which is fundamental in tackling inequality and poverty.
Other (please specify)	No other specific risks

6 Consultation and Engagement

6.1 This report and associated annexes have also been shared with the Council's Resources Directorate Management Team.

7 Appendices and background papers

7.1 Annex 1 – Counter fraud framework report
Annex 2 – Anti-Fraud, Bribery and Corruption Policy

8 Contact officer

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COUNTER FRAUD FRAMEWORK REPORT

26 September 2022



ANNEX 1

Corporate Fraud Manager: Daniel Clubb

Head of Internal Audit: Max Thomas



INTRODUCTION

- 1 Fraud is a significant risk to the UK public sector. The government estimates that the taxpayer loses up to £51.8 billion to fraud and error in public spending every year¹. Financial loss due to fraud can reduce a council's ability to support public services and cause reputational damage.
- 2 To effectively combat fraud the council needs to have a counter fraud framework that helps it prevent, detect and deter fraud. Fraudsters continually develop their approach to exploit systems and obtain funds. Counter fraud responses must respond to this evolving threat by also continuing to develop.



NATIONAL PICTURE

- 3 The Institute for Fiscal Studies reports that the UK is experiencing a "cost of living crisis"² as a result of a number of financial factors. Fraud may become more prevalent during this period. The insurance company Zurich reports a "sharp increase in insurance fraud as cost of living pressures contribute to a rise in bogus claims"³. Councils may also see an increase in false claims for discounts and benefits. The Government has warned that criminals will attempt to divert "support for energy bill" payments that are being made to UK households⁴. Members of the public have already been targeted by scam telephone calls and text messages purporting to offer financial support but are in fact attempts to gain sensitive banking information.
- 4 Cybersecurity and cybercrime continue to be an area of focus for the public and private sector as organisations rely more on online resources to deliver services and facilitate productivity (e.g. homeworking). RSM UK's latest survey of a number of medium sized businesses found that successful cyber-attacks have risen by 35% compared to the previous year⁵.
- 5 The World Economic Forum's 2022 Global Risk Report states that 95% of cybersecurity issues stem from human error⁶. Luton Council was subject to a payment diversion fraud (aka mandate fraud) perpetrated by organised criminals. A compromised user account was used to request a change of bank account, resulting in the diversion of £1.1m which to date has not been recovered. This highlights the importance of strong controls and regular awareness messaging.

¹ [Fraud and Error \(Ninth Report of Session 2022/23\)](#), Public Accounts Committee, House of Commons

² [Response to Government Cost of Living Statement](#), Institute for Fiscal Studies, May 2022

³ [Cost of Living Press Release](#), Zurich Insurance Group, July 2022 -

⁴ [Support for energy guidance](#), HM Government, May 2022

⁵ [The Real Economy - Cyber Security report](#), RSM UK, April 2022

⁶ [Global Risks Report 2022](#), World Economic Forum, January 2022

- 6 Council managed government funded support schemes resulting from the Covid-19 pandemic have come to an end. While no new payments are to be made, local authorities must still provide submissions to the Department for Business, Energy and Industrial Strategy as part of post-assurance verification.



LOCAL PICTURE

- 7 In February 2022, the Department for Levelling Up, Housing & Communities announced that most households in council tax bands A to D would receive a rebate of £150. Veritau supported the Council by facilitating pre-assurance payment checks. Any case of potential fraud will be reviewed for investigation.
- 8 The counter fraud team is working with Council departments and contractors to develop counter fraud processes. This includes the Council's risk and insurance team, and insurance provider to review anti-fraud measures. Veritau is working with staff in children's social care to raise awareness of Direct Payment misuse. Veritau is also continuing engage with Liberata, who support the Council's delivery of revenues and benefits services.
- 9 Maintaining awareness of fraud is key to identifying and tackling fraud. Veritau continue to engage staff and investigate reported allegations of fraud. A number of campaigns, including cybersecurity awareness, are run each year.
- 10 Veritau will continue to identify opportunities to raise awareness with the public. The Council's website has recently been updated provide more information on fraud affecting the authority⁷. Members of the public can contact Veritau directly to report fraud on 0800 9179 247, or email counter.fraud@veritau.co.uk.



COUNTER FRAUD FRAMEWORK

- 11 A review of the Council's counter fraud framework is conducted annually. The framework contains a counter fraud strategy and associated action plan, a counter fraud policy, a fraud risk assessment, and a number of related policies (e.g. whistleblowing).
- 12 The counter fraud and corruption strategy 2020-2023 was adopted by the Council in November 2020. The strategy, which sets out the Council's aims for counter fraud work and action needed to develop counter fraud arrangements. It takes into account the national counter fraud strategy for local government in the UK (Fighting Fraud & Corruption Locally). The associated strategy action plan is reviewed and updated annually. This year's update is contained in appendix A, below. It details progress made against last year's plan and introduces new priorities for the counter fraud team in 2022/23. New objectives this year include:

⁷ <https://www.redcar-cleveland.gov.uk/about-the-council/fraud>

- completion of a data matching exercise to proactively identify potential fraud and error
 - reviewing anti-fraud measures alongside risk and insurance officers.
- 13 The Anti Fraud, Bribery and Corruption Policy has been refreshed and is included as a separate item to main report to the Committee. The most significant change is the removal of the section on cautions, from the prosecution policy. This reflects changes due to be implemented as part of the Police, Crime, Sentencing and Courts Act 2022. The legislation removes the ability of councils to administer simple cautions. A new system for formal warnings has been introduced at section 4 of annex A (the Fraud and Corruption Prosecution Policy) to allow alternatives to prosecution. Other updates have been made to reflect changes to make the policy more readable and up to date – for example to names of government departments.



FRAUD RISK ASSESSMENT

- 14 Veritau completes an annual Fraud Risk Assessment, designed to identify the areas of fraud that present the greatest risk to the Council. The risk assessment is informed by national and regional reports of fraud affecting local authorities as well as the fraud reported to and investigated by the counter fraud team. The results of the assessment are used to:
- develop or strengthen existing fraud prevention and detection measures
 - revise the counter fraud policy framework
 - focus future audit and counter fraud work.
- 15 Covid-19 related fraud has been downgraded to a low risk level. The Council is not currently distributing any new Covid-19 related grants and considerable work has been undertaken to prevent fraud from occurring throughout the pandemic. The risk level of fraudulent insurance claims has been upgraded following reports of increased false claims from the Zurich Insurance Group.
- 16 The 2022/23 Fraud Risk Assessment is included at appendix B, below.

APPENDIX A: COUNTER FRAUD STRATEGY ACTION PLAN

Veritau have responsibility for maintaining, reviewing, and strengthening counter fraud arrangements at the Council. This includes an annual review of the counter fraud strategy action plan. Progress against the strategy action plan, including new actions for 2022/23 are detailed below.

Veritau also provide a number of other ongoing activities including:

- a rolling programme of fraud awareness training for officers based on priorities identified through the fraud risk assessment and any emerging issues
- annual campaigns to promote key issues, including cyber security, fraud awareness, anti-bribery and money laundering, and whistleblowing
- regular reporting of counter fraud activity to the Governance Committee.

New one off and developmental activity:

Ref	Action Required	Target Date	Responsibility	Notes
1	Update the Council's Anti Fraud, Bribery and Corruption Policy.	September 2022	Veritau	The Fraud and Corruption Prosecution Policy requires updating to reflect changes to cautions introduced by the Police, Crime, Sentencing and Courts Act 2022.
2	Review the Council's Whistleblowing Policy.	March 2023	Veritau / Monitoring Officer	The Whistleblowing Policy should be reviewed and updated as necessary to reflect relevant legislation and best practice.
3	Increase awareness of fraud with staff working in children's social care.	March 2023	Veritau / Children and Families Services	Veritau will deliver fraud awareness to staff working in children's social care.

Ref	Action Required	Target Date	Responsibility	Notes
				This will include potential misuse of the Direct Payment scheme.
4	Review anti-fraud measures that protect the Council from false claims for compensation.	September 2023	Veritau / Risk and Insurance Team	The counter fraud team are working with Council officers to review practices that deter and prevent fraud. This includes discussions with the Council's insurer.
5	Complete local data matching exercise of council tax and parking records to detect fraud and error.	January 2023 (was 2022)	Veritau / Relevant service areas	This ongoing project is carried over from the previous strategy. Work to ensure compliance with UK data protection requirements has been completed. Data collection and processing is in progress.

Completed activities:

Ref	Action Required	Responsibility	Update
1	Increase sharing of counter fraud intelligence to enhance fraud prevention.	Veritau	A system for sharing counter fraud intelligence from regional and national forums has been established.
2	Develop communication strategy to publicise counter fraud and corruption news internally.	Veritau / Communications Team	The communications team have publicised counter fraud messages to keep members of staff informed of counter fraud news and developments. This work will continue to ensure staff remain updated.

Ref	Action Required	Responsibility	Update
3	Review additional verification tools for social care financial assessment process.	Veritau / Adult Social Care Services	Adult social care will trial new online tools where necessary to help complete financial assessments and assist with the recovery of debts.

Appendix B: Fraud Risk Assessment (September 2022)

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Adult and Children's Social Care Fraud	<p>For adult social care, losses can occur through deprivation or non-declaration of capital which can involve the transfer or disguise of property in order to avoid paying for residential or domestic care provision. Residential homes could also continue to claim for customers who are no longer in residence (e.g. after they pass away).</p> <p>For both adult and children's care fraud can occur through the misuse of the Direct Payment scheme, where monies allocated to meet a customer's assessed needs are not then used to procure these services.</p>	<p>Applications for care funding are carefully assessed to ensure that recipients meet the eligibility criteria and that any financial contribution for care by the customer is correctly calculated.</p> <p>Use of Direct Payments is monitored by council officers who check for possible false claims and overstated needs.</p> <p>Direct Payments have been moving to pre-paid accounts. These allow Council officers greater control in monitoring use of funds and provide opportunity for earlier intervention where mismanagement is identified.</p> <p>Annual reviews of all pre-paid accounts are conducted and new Direct Payments are monitored within the first eight weeks.</p>	High	<p>Counter Fraud Team (CFT) to deliver a rolling programme of fraud awareness with staff in safeguarding, financial assessments and with relevant legal services team members.</p> <p>Periodic reviews of the control environment through internal audits will further assist the Council in ensuring robust processes are in place.</p> <p>Concerns of fraud should be reported to the CFT who can determine if criminal investigation would be effective.</p>
Council Tax & Business Rates Frauds (discounts and exemptions)	Council Tax fraud is a common occurrence. CIPFA report that 65% of all local government related fraud, recorded as part of their annual survey, involved Council	The Council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information on application forms,	High	CFT to deliver periodic fraud awareness training with staff in revenues, customer services, and contractors (ie Liberata) about frauds

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>Tax. Council Tax fraud accounted for £35.9m of loss due to fraud in 2019/20 according to the survey.</p> <p>Depending on the scheme, there are several ways in which fraud can occur. These include applicants providing false information and recipients failing to notify the Council when they no longer qualify.</p> <p>Revenue from Council Tax and Business Rates is a key income stream. Fraud in this area threatens this source of funding.</p>	<p>visits to properties (where necessary) and an annual canvass requiring businesses to confirm that they continue to be entitled to a discount or exemption.</p> <p>Controls including separation of duties between collection and administration, restriction of access to records and management oversight of action such as recovery suppressions help prevent internal fraud and error.</p> <p>Messages reminding residents and businesses to update their circumstances when necessary appear on annual bills issued by the Council.</p> <p>The Council routinely takes part in the National Fraud Initiative.</p>		<p>affecting Council Tax and Business Rates.</p> <p>The CFT has developed data matches to detect incorrectly received discounts and exemptions.</p> <p>An audit of Council Tax and Business Rates was been completed in 2021/22. A substantial assurance opinion was given.</p> <p>Concerns of fraud can be investigated by the CFT.</p>
Council Tax Support Fraud	<p>Council Tax Support (CTS) is a council funded reduction in liability introduced in 2013 to replace Council Tax Benefit. Unlike its predecessor, it is resourced entirely through Council funds.</p> <p>Frauds in this area can involve</p>	<p>The Council undertakes eligibility checks on those who apply for support. There are established lines of communication with the Department for Work and Pensions (DWP) where claims for support are linked to externally funded benefits.</p>	High	<p>CFT have raised awareness of fraud with staff processing claims for CTS (including staff at Liberata).</p> <p>Concerns of fraud are reported to the CFT who determine if criminal</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>applicants failing to declare their total assets, correct household composition or household income. Those receiving support are also required to notify relevant authorities when they have a change in circumstances that may affect their entitlement to support.</p> <p>The Department for Work and Pensions reported an increase in fraud within the Universal Credit system during 2020/21 as a result of Covid-19. As CTS claims are linked to Universal Credit claims there is likely to be an associated increase in CTS fraud against the Council.</p> <p>Fraudulently obtained CTS represents a loss of Council funds.</p>	<p>The Council is able to report Housing Benefit and other benefit frauds to the DWP but this does not necessarily allow the Council control over resolving false claims for CTS.</p>		<p>investigation is required. The CFT can undertake joint working with the DWP where it is mutually beneficial (e.g. joint claims for benefit).</p> <p>An audit of Housing Benefit and Council Tax Support was completed in 2021/22. A substantial assurance opinion was given.</p>
Creditor Fraud	<p>A range of frauds can be committed against the Council as a result of publicly available creditor payment data. Criminals undertaking these types of fraud are often found to be operating from overseas.</p> <p>The most common issue is</p>	<p>The Council has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details. This includes contacting companies to confirm that any requested change of bank account details for payments</p>	High	<p>The CFT undertake work to raise staff awareness of these types of frauds. Increased awareness provides greater chances of stopping fraudulent attempts before losses occur.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in bank details. Other types of fraud in this area include whaling, where senior members of the Council are targeted and impersonated in order to obtain fraudulent payments.</p> <p>Remote working is still prevalent across the UK and can increase opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications to divert funds.</p>	<p>is genuine.</p> <p>A Creditors audit in 2020/21 found robust processes are in place in line with the Council's Financial Regulations.</p>		<p>Specific work to review change of bank account processes and mandate fraud training was delivered by the CFT in 2021/22.</p> <p>All instances of whaling fraud reported to CFT will be reported to the relevant agencies, such as the National Cyber Security Centre, as well as directly to the host from where the false emails originated from.</p>
Cybercrime	<p>Cybercrime is a constantly evolving area where criminals are continually refining their techniques in order to overcome controls put in place to protect organisations, to obtain unauthorised access and information, and to frustrate systems.</p> <p>Types of cybercrime experienced by local authorities in recent years include ransomware, phishing,</p>	<p>The Council has a highly skilled ICT department which helps mitigate the threat of cybercrime.</p> <p>In the event of a ransomware attack it is important that the Council is able to recover a backup of their systems. An audit conducted in 2020/21 of cybersecurity awareness amongst staff and Members found the Council has good measures in place. A substantial assurance opinion was given.</p>	High	<p>Raising awareness with staff can be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce cybersecurity messages to members of staff.</p> <p>A cybersecurity awareness campaign took place in October 2021 and will be repeated annually.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds or systems access/data, impacting service delivery.</p> <p>There have been a number of high profile cyber-attacks on public and private sector organisations in the last 12 months. Attacks stemming from the hacking of software or IT service providers have become more prevalent. These are known as supply chain attacks and are used by hackers to target the clients of these types of companies.</p> <p>The Council suffered a significant cyberattack in early 2020 which resulted in significant costs and disruption to services.</p>	<p>Following the cyberattack, defences have been significantly strengthened. New and updated software is in place to detect and stop malicious software being run on Council systems. The Council worked with the National Cyber Security Centre to help increase defences that protect against attacks.</p>		
Procurement Fraud	<p>Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority (CMA) estimates that having a cartel within a supply chain can raise prices by 30% or more.</p>	<p>The Council has established Contract Procedure Rules. The rules are reviewed regularly and ensure the requirement for a competitive process (where required) through an e-tender system. A team of procurement professionals provide guidance and advice, through the</p>	High	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. The CFT will continue to provide training to raise awareness of fraud risks in this area.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>CIPFA reported losses of £1.5m in 2019/20 for local authorities, due to procurement fraud. It found that 8% of fraud detected in this area involved 'insider fraud'.</p> <p>The Ministry of Housing, Communities and Local Government (MHCLG) published a report in June 2020 regarding the risks of procurement fraud in local government. It recommended a series of actions to identify, record and tackle procurement fraud.</p>	<p>Procurement tool kit, to ensure that procurement processes are carried out correctly.</p> <p>A tendering and evaluation framework is in operation to help prevent fraud. It also sets out the requirements for declarations of interest to be made.</p> <p>Contract monitoring is implemented to help detect and deter fraud.</p>		<p>CFT and Internal Audit will monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p>
Fraudulent Insurance Claims	<p>The Council may receive exaggerated or fabricated insurance claims. Zurich report a rise in false claims due to the "cost of living crisis". The Council carries a £5 million excess on all policies. Where claims are paid by insurers, costs relating to fraud may be passed on through increased premiums. Fraudulent claims pose a serious risk of loss to the authority.</p>	<p>From 1 April 2022 the Council has appointed Zurich Municipal for public liability, motor and employer's liability claims. Protector insure the Council's properties.</p> <p>Claims against the Council are passed to insurers to investigate and decide on liability. The Council must be proven negligent before claims are paid.</p>	Medium (upgraded from low)	<p>The counter fraud team are working with Council officers to review practices that deter and prevent fraud. This includes discussions with the Council's insurer.</p> <p>The risk and insurance team are also working with Veritau to populate an assurance map which will include a review of financial governance and risk management.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Internal Fraud	<p>There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party on Council time. Some staff have access to equipment and material that may be misused for private purposes.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p> <p>Corruption and bribery is a significant risk to all public sector organisations, however, only low levels have ever been detected.</p>	<p>The Council has a whistleblowing policy through which concerns can be raised. It also has an anti-bribery policy that asks staff and members to report concerns through the whistleblowing policy.</p> <p>Controls are in place surrounding flexitime, annual leave and sickness absence.</p> <p>Participation in the National Fraud Initiative helps the Council identify potential cases of internal fraud.</p>	Medium	<p>The CFT can investigate any suspicions of corruption while internal audit ensure that appropriate checks and balances are in place to help prevent it.</p>
Recruitment Fraud	<p>Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK.</p>	<p>The Council has controls in place to mitigate the risk of fraud in this area. DBS checks are undertaken where necessary.</p> <p>Additional checks are made on applications for roles involving children and vulnerable adults.</p>	Medium	<p>Where there is a suspicion that someone has provided false information to gain employment, the CFT will be consulted on possible criminal action in tandem with any disciplinary action that may be taken.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Theft of Assets	The theft of assets can cause financial loss and reputational damage. It can also negatively impact on employee morale and disrupt the delivery of services. The Council owns large numbers of physical items, such as IT equipment, vehicles and tools.	<p>Specific registers of physical assets (e.g. capital items, property and ICT equipment) are maintained.</p> <p>Controls such as door access cards help manage security arrangements for many physical assets.</p> <p>The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft.</p>	Medium	Members of staff should be vigilant and report all possible thefts promptly to the Police and CFT.
Blue Badge Fraud	<p>Blue Badge fraud carries low financial risk to the authority but can affect the quality of life for disabled residents and visitors. There is a risk of reputational damage to the Council if abuse of this scheme is not addressed.</p> <p>People using a Blue Badge that does not belong to them and without the badge holder present are acting contrary to the law. They may also incorrectly be exempted from parking charges or pay reduced fees, in addition to being able to park in restricted areas including on many double yellow lines.</p>	<p>Measures are already in place to control the legitimate issue of blue badges. The Council participates in the National Fraud Initiative which flags badges issued to deceased users, and badge holders who have obtained a blue badge from more than one authority, enabling their recovery to prevent misuse.</p> <p>Enforcement officers make checks of badges seen in use. Where an issue is identified, the badge is confiscated and returned to the issuing authority.</p>	Low	<p>Periodic proactive days of action between the CFT and the Council's enforcement team raises awareness and act as a deterrent to badge misuse.</p> <p>Instances of misuse should be reported to the CFT who can investigate any criminal misuse.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
COVID-19 related fraud	<p>Throughout the Covid-19 pandemic local authorities were responsible for providing support to businesses and residents. The Council had to respond quickly to deliver a number of support schemes.</p> <p>These schemes were subject to attempted fraud at a local, national and international level due to the significant amount of funding available.</p> <p>While funding was provided by central government, the Council was charged with the responsibility of identifying genuine applicants and investigating and recovering incorrect payments.</p> <p>Support schemes have now ended, however, the Council is still required to participate in post-payment verification activity with central government departments.</p>	<p>The CFT shared details of all known frauds occurring regionally and nationally. It will continue to support any national investigations which affect the Council.</p> <p>Government mandated post-assurance activities have been undertaken to review the success of controls in place.</p>	Low (downgraded from medium)	<p>Any instances of fraud are investigated by the CFT. Where payments were found to have been fraudulently or incorrectly made a recovery process was instigated.</p> <p>The National Fraud Initiative data matching exercise reviewed cross border grant awards for fraud and error.</p>
Resident, Visitor and Business Parking	The Council operates a residents' parking scheme in a number of residential areas. The scheme allows residents to park close to	The issue of permits is controlled through an application process. Residents must submit suitable	Low	The CFT can undertake work to raise staff awareness with enforcement officers and parking/customer service

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Schemes Fraud	<p>their homes, and business owners close to their premises. Visitor permits are also available for guests of residents.</p> <p>Fraud may occur through false applications for permits when someone misleads the Council about their eligibility. Permit holders may fail to notify the Council of a change in address which would end their eligibility, but the holder continues to use and benefit from the permit instead of seeking alternative parking. Residents can also sell on visitor permits to those who want to park in restricted zones rather than pay for legitimate parking. Frauds can also involve forgery of permits.</p> <p>While the immediate financial impact of these frauds are low, there is a risk of reputational damage. Permit abuse can represent a potential loss of parking revenue.</p>	proofs before they will be issued a permit.		staff.

Annex 2: Anti Fraud, Bribery and Corruption Policy
(September 2022)



ANTI FRAUD, BRIBERY AND CORRUPTION POLICY

1 Introduction

1.1 Fraud committed against the Council represents the theft of taxpayer's money. It is unlawful and deprives the Council of resources which should be available to provide services to the public. The Council must have effective measures in place to counter risks of fraud and corruption, to help reduce losses and to minimise the impact on services.

1.2 This document sets out the Council's policy on countering fraud and corruption risks. It includes overall arrangements and responsibilities for preventing, detecting and deterring fraud. It includes the Fraud and Corruption Prosecution Policy at annex A and the Anti-Bribery Policy at annex B. It forms part of the Council's overall policy framework for combating fraud and corruption and should be read in conjunction with other relevant guidance and policies including the following.

- The Constitution
- Financial Procedure Rules
- Procurement and Contract Procedure Rules
- Counter Fraud and Corruption Strategy
- Whistleblowing Policy
- Anti-Money Laundering policy
- Disciplinary Procedures

2 Definitions and Scope

2.1 For the purpose of this policy, the term fraud is used broadly to encompass:

- acts which would fall under the definition in the Fraud Act (2006)
- anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
- any offences which fall under the Council Tax Reduction Schemes Regulations (2013) and the Prevention of Social Housing Fraud Act (2013)
- any act of bribery or corruption including specific offences covered by the Bribery Act (2010)
- acts of theft
- any other irregularity which is to the detriment of the Council whether financially or otherwise, or by which someone gains benefit they are not entitled to.

2.2 This policy does not cover fraud or corruption against third parties, except in circumstances where there may also be a detriment to the Council. It does not cover other acts – for example offences involving violence – which

may affect the Council, which in most cases should be reported directly to the police.

3 Principles

- 3.1 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whoever commits it. This includes, for example:
- councillors
 - officers
 - customers receiving services
 - third party organisations contracting with the Council
 - organisations or individuals receiving funding from the Council
 - any other agencies the Council has business dealings with
- 3.2 There is a basic expectation that councillors, employees, and contractors' staff will act with integrity and with due regard to matters of probity and propriety. All representatives of the Council are required to act lawfully and comply with all rules, procedures and practices set out in legislation, the Constitution, the Council's policy framework, and all relevant professional and other codes of practice.
- 3.3 The Council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud to help minimise this risk.
- 3.4 The Council will take all allegations and suspicions of fraud seriously, regardless of the source. It will consider any issues raised and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine appropriate outcomes. Investigations undertaken will be proportionate to the circumstances of the issues raised. The Council may refer any incident of suspected fraud to the police or other agencies for investigation, where appropriate.
- 3.5 To act as a deterrent, the Council will take action in all cases where fraud (or an attempt to commit fraud) is proven, in proportion to the act committed and through any appropriate route. This may include prosecution, application of internal disciplinary procedures, referral under relevant codes of conduct or to a professional body, or any other action appropriate to the offence. Prosecution decisions will be made in accordance with the Fraud and Corruption Prosecution Policy which is contained in annex A.
- 3.6 As a further deterrent, and to minimise losses, the Council will attempt to recover any losses incurred through civil or legal action. In addition, the

Council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.

- 3.7 The Council will not tolerate any form of bribery. This includes bribes offered to or by employees, councillors, or suppliers. Any act of bribery puts the Council at risk of committing a criminal offence. Further details about the Council's measures to prevent and detect bribery are contained in the Anti-Bribery Policy which is attached at annex B.

4 Responsibilities

- 4.1 Overall responsibility for counter fraud arrangements rests with the Council's Chief Finance Officer (CFO), on behalf of the Council. The CFO has a responsibility for ensuring the Council has appropriate measures for the prevention and detection of fraud and corruption.
- 4.2 The Governance Committee has responsibility consider the effectiveness of counter fraud and anti-corruption arrangements at the Council. This includes monitoring of Council policies on raising concerns at work and countering the risks of fraud and corruption.
- 4.3 The Executive Management Team are collectively responsible for ensuring that the Council has effective counter fraud and corruption procedures; that these comply with best practice and good governance standards; and that they are embedded across the organisation.
- 4.4 Veritau (who provide internal audit and counter fraud services to the Council) is responsible for reviewing the Council's counter fraud and corruption policies on a regular basis and recommending any changes needed. In addition, Veritau leads on fraud prevention and detection for the Council and is responsible for investigating suspected cases of fraud or corruption. The internal audit team carries out audit work to ensure that systems of control are operating effectively. This helps to reduce opportunities for fraud to be committed.
- 4.5 All managers have a responsibility for preventing and detecting fraud within their service areas. This includes maintaining effective systems of control and ensuring that any weaknesses identified are addressed promptly.
- 4.6 The Governance Director (Monitoring Officer) is the Council's nominated officer for the purposes of the Money Laundering Regulations (2007).
- 4.7 All staff should be aware that fraud and corruption is a threat to the Council and are required to report any suspicions of fraud to Veritau. Where appropriate, staff can use the Whistleblowing Policy to raise concerns anonymously.

- 4.8 Officers within Human Resources are responsible for supporting service departments when pre-disciplinary investigations are required, or disciplinary processes are to be applied.

5 Overall Counter Fraud Arrangements

Introduction

- 5.1 The purpose of this section is to set out the Council's overall framework for countering the risk of fraud and corruption. The Council aims to follow best practice in countering fraud risks¹, but recognises that new and emerging fraud risks will require a dynamic approach to fraud prevention and detection.

Measurement

- 5.2 The Council will assess potential risks and losses due to fraud and corruption. It will use these to prioritise counter fraud activity, and will review the resources available to counter those risks. A summary of fraud risks and proposed counter fraud activity will be reported to the Audit Committee on an annual basis.

Culture

- 5.3 The Council will promote a culture where all employees, councillors, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:
- ensure that there are clear arrangements in place for anyone to report suspicions of fraud or corruption (including employees, councillors, partners, contractors, the public or any other stakeholders)
 - investigate suspicions reported and take appropriate action wherever evidence of fraud or corruption is found
 - ensure that the consequences of committing fraud or taking part in fraud or corruption are widely publicised.

Prevention and Detection

Controls

- 5.4 As part of normal operations the Council aims to ensure that proper systems of internal control are in place. This includes controls that can directly prevent and detect fraud. For example, separation of duties, management

¹ For example the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

review, vetting as part of recruitment processes, and systems for declaring interests or gifts and hospitality. The effectiveness of the systems of control are monitored by internal audit and reported to the Governance Committee.

- 5.5 Services will be encouraged to consider the risk of fraud as part of the Council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

Proactive Work

- 5.6 The Council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk areas. This work will be carried out by Veritau as part of its annual work plan. Resources will be prioritised based on an annual assessment of fraud and corruption risks. Work may include joint exercises with other agencies, including other councils.

- 5.7 The Council will take part in projects led by other agencies that can help to identify potential fraud and corruption – for example the Cabinet Office's National Fraud Initiative. Resources will be allocated to take part in these exercises and to follow up any high risk data matches identified. Veritau will support service departments to ensure data is available to be used for matching exercises – for example advising on data protection considerations.

Relationships

- 5.8 The Council will establish and maintain relationships with external agencies that can help it prevent and detect fraud. These include:

- the police
- the courts
- the Cabinet Office
- the Department for Levelling Up, Housing, and Communities
- the Department for Works and Pensions
- other councils
- other public sector organisations (eg housing associations)
- charities, community and voluntary groups.

- 5.9 Veritau will work with Council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust.

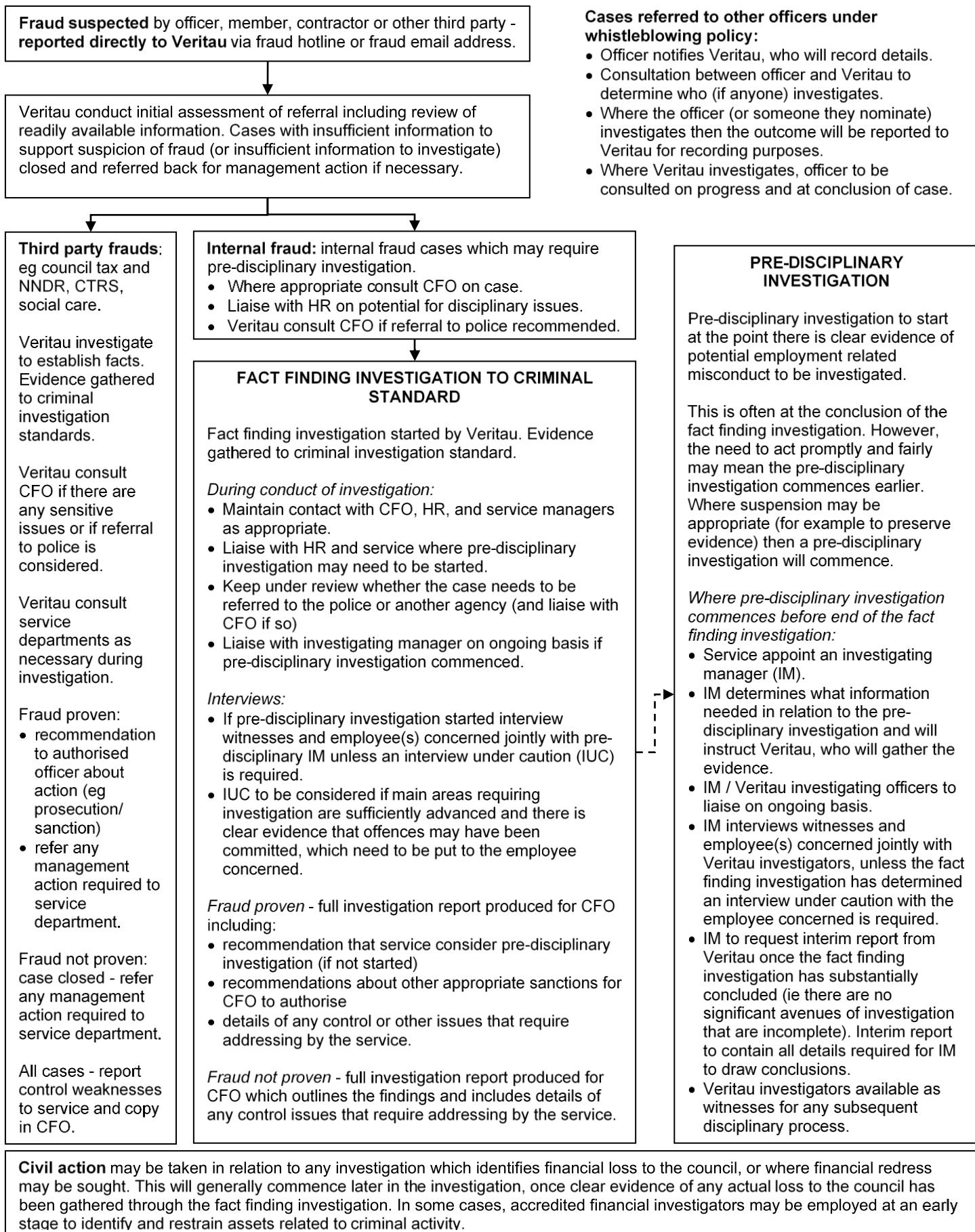
Fraud Awareness Training

- 5.10 As part of the annual counter fraud workplan, Veritau will provide targeted fraud awareness training to groups of staff in areas at higher risk of fraud and corruption.

Investigation

- 5.11 Suspected cases of fraud, corruption, theft, or other irregularities considered a high risk will be investigated. The nature of the investigation will depend on the circumstances of each case. Any suspected fraud should be reported to Veritau in the first instance. Veritau will assess all cases referred and provide advice on whether other agencies should be notified (such as the police). In more complex cases, the extent of investigation required will be decided in consultation with the CFO, Monitoring Officer, service department, and human resources, as appropriate. Where necessary, Veritau may refer cases to other agencies (for example the police) at the discretion of the Head of Internal Audit. Figure 1 overleaf outlines the fraud referral and investigation process.
- 5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation and codes of practice. For example, the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the UK General Data Protection Regulation (UK GDPR), the Criminal Procedure and Investigations Act (CPIA), and any relevant guidance from the Attorney General. Investigators will consider the individual circumstances of anyone subject to investigation; adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).
- 5.13 Every investigation will consider whether weaknesses in controls have contributed to the fraud or error occurring, in addition to other objectives. Where needed, recommendations to improve controls will be made.

Figure 1: Redcar and Cleveland Borough Council Fraud Referral and Investigation Process



- 5.14 The Head of Internal Audit will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with best practice.

Publicity

- 5.15 Targeted publicity will be used to raise awareness of fraud risks to employees, councillors, the public, and other agencies. This will include internal and external publicity. The aim of this will be to ensure that stakeholders:

- are alert to the risks of fraud and corruption
- know how to report suspicions of fraud
- are aware of the Council's zero tolerance approach to fraud and corruption.

- 5.16 The Council will publicise all successful prosecutions by itself or by partner organisations, to act as a deterrent against future fraud.

Recovery of Monies

- 5.17 Fraud and corruption will generally result in a loss to the Council or additional costs being incurred. Where this is the case, the Council will seek to recover its loss (or costs) from the individual or organisation responsible. This action helps to reduce the financial impact of fraud and acts as a deterrent. As a further deterrent, the Council will seek to apply any appropriate fines or penalties where it is possible and desirable to do so.

- 5.18 Methods of recovery may include (but are not limited to):

- civil enforcement through the courts
- recovery from assets held by the organisation or individual using the Proceeds of Crime Act or other relevant legislation
- recovery from salary payments for Council employees
- recovery from pension benefits for members of the LGPS
- petitioning for bankruptcy if appropriate.

6 Monitoring & Review Arrangements

- 6.1 The arrangements set out in this policy will be reviewed on an annual basis as part of the counter fraud workplan. If required, updates will be presented to the Governance Committee for approval.

LAST REVIEWED AND UPDATED: 26 September 2022

FRAUD AND CORRUPTION PROSECUTION POLICY

1 Scope and Purpose

- 1.1 The Council is committed to deterring fraud and corruption and recovering public funds. The decision to prosecute an individual is always a serious matter; however fair and effective enforcement is essential in protecting the Council from fraud.
- 1.2 Prosecution has a serious effect on suspects, witnesses, victims, and the public, so it is essential that the Council makes fair, consistent, and timely decisions in all cases. Where appropriate, lesser sanctions can be considered instead of prosecution.
- 1.3 This policy sets out the decision-making process for those cases where fraud or corruption has been found to have been committed against the Council¹. Decisions should be fair, appropriate, and in the best interests of both the public and the Council.
- 1.4 The policy is based on principles set out in the Crown Prosecution Service's [Code for Crown Prosecutors](#).

2 Principles

- 2.1 All decisions on intended prosecutions should be transparent and independent from the investigating officer(s) involved in the case. Any decision to prosecute should only be made after a review by appropriate officers and be authorised by a senior council officer. All decisions and the reasons for them should be properly documented.
- 2.2 When making decisions on prosecutions, officers must be fair and objective. They must not let any personal views about the ethnic or national origin, gender, disability, age, religion or belief, sexual orientation or gender identity of the suspect, defendant, victim or any witness influence their decisions. Neither must they be motivated by political considerations. In prosecuting individuals, the Council must always be acting in the interests of justice and not solely for the purpose of obtaining a conviction. Decisions should be consistent with Council policy and the law on equalities and human rights. The circumstances of the offence and any mitigation offered by the offender should be taken into consideration when making a decision.
- 2.3 The consistent application of the policy will help ensure that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The Council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.

¹ This policy does not cover internal disciplinary procedures which are the subject of separate policies, nor does it cover offences other than fraud and corruption which are dealt with by relevant service departments under other policies and specific legal powers.

- 2.4 Staff and members who are found to have committed fraud or corruption against the Council may be prosecuted in addition to such other action(s) that the Council may decide to take, including disciplinary proceedings in the case of staff, and referral to the Standards Committee in the case of members. Any decision not to prosecute a member of staff for fraud and corruption does not preclude action being taken in accordance with the Council's disciplinary procedures or other policies.
- 2.5 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the Council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

3 Prosecution

- 3.1 Local authorities are granted the power to prosecute under the Local Government Act 1972 (section 222). The legislation states that these powers should only be used for "the promotion or protection of the interests of the inhabitants of their area".
- 3.2 Not every contravention of the law should be considered for prosecution. The Council should weigh the seriousness of the offence alongside other relevant factors, including the circumstances of the offender, the level of any financial loss to the Council, mitigating circumstances and other public interest criteria.
- 3.3 A prosecution should only be considered if the investigation has passed two tests: the evidential test and the public interest test.
- 3.4 To pass the evidential test, authorised officers must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction). They should also consider what the defence case may be, and how it is likely to affect the prospects of conviction.
- 3.5 In deciding whether there is sufficient evidence to prosecute, the Council should consider the following questions:
- Is the evidence admissible in court
 - Is the evidence reliable
 - Is the evidence credible
 - Is there any unused or unexamined material that might undermine the proposed charges
 - Is there any additional evidence that could be obtained through further reasonable lines of enquiry?
- 3.6 Where there is sufficient evidence to justify a prosecution, authorised officers should consider whether a prosecution is required in the public interest. They should consider:

- How serious is the offence committed
- What is the level of culpability of the suspect
- What are the circumstances of, and harm caused to the victim
- What was the suspect's age and maturity at the time of the offence
- What is the impact on the community
- Is prosecution a proportionate response
- Do sources of information require protecting?

3.7 Where an investigation is found to meet the evidential test, but not the public interest test consideration should be given to lesser sanctions such as a formal written warning or a financial penalty (where appropriate).

3.8 Investigating officers and prosecutors will review the appropriateness of pre-charge engagement where prosecution is considered. This is likely to occur where such engagement may lead the defendant to volunteer additional information that may identify new lines of inquiry. Pre-charge engagement may be instigated by the investigating officer, the Council prosecutor, the defendant's representative or a defendant themselves (if unrepresented).

4 Alternative to Prosecution

4.1 If a case is considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the Council may consider the offer of a sanction instead. The two sanctions available are:

- a formal written warning
- a financial penalty.

Formal Written Warnings

4.2 A formal written warning can be given to a person who has committed an offence, as an alternative to prosecution in certain circumstances. All warnings are recorded internally and kept for six years. If a person who has received a formal warning re-offends then this may influence the decision on whether to prosecute or not.

4.3 For less serious offences a formal warning will normally be considered where all of the following apply:

- there is no significant public interest in prosecuting
- it was a first offence, and
- a financial penalty is not considered to be appropriate (for Council Tax Support offences).

Only in very exceptional circumstances will a further warning be issued for a second or subsequent offence of the same nature.

- 4.4 Offenders will usually be asked to attend the Council's offices to receive the formal written warnings in person. For more minor offences an advisory letter can be issued by post.

Financial Penalties

- 4.5 In cases of Council Tax Support fraud, legislation² allows for a financial penalty to be offered to offenders as an alternative to prosecution. The penalty is set at 50% of the amount of the excess reduction, subject to a minimum of £100 and a maximum of £1,000. Once a penalty is accepted, the claimant has 14 days to consider their decision.
- 4.6 Subject to the criteria set out in the guidelines below, a financial penalty will normally be offered by the Council in the following circumstances:
- the council believes that there is sufficient evidence to prosecute
 - it was a first offence or a previous offence was dealt with by way of a formal warning, and
 - in the opinion of the Council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and
 - the claimant has the means to repay both the overpayment and the penalty, and
 - there is a strong likelihood that both the excess reduction and the penalty will be repaid.
- 4.7 It is important to note that the claimant does not need to have admitted the offence for a financial penalty to be offered. Financial penalties will be administered by authorised officers. If a financial penalty is not accepted or the acceptance is later withdrawn then the Council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

5 Proceeds of Crime Act 2002 (POCA)

- 5.1 In addition to the actions set out in this policy, the Council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order enables the Council to recover its losses from assets which are found to be the proceeds of crime.

6 Implementation Date

- 6.1 This policy is effective from 26 September 2022 and covers all decisions relating to prosecutions and sanctions after this date.

² The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013

Anti-Bribery Policy

1 Introduction

- 1.1 The Bribery Act became law in 2011. It enables appropriate action to be taken against all forms of bribery.
- 1.2 Bribery is defined as the offering, giving, receiving, or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty. The act of bribery is the intention to gain a personal, commercial, regulatory, or contractual advantage. The Council does not tolerate any form of bribery.
- 1.3 Facilitation payments are unofficial payments made to public officials to secure or expedite actions. These are not tolerated and are illegal.
- 1.4 This policy should be read in conjunction with the Council's Gifts and Hospitality Policy.

2 Principles

- 2.1 The Council is committed to preventing, detecting, and deterring bribery. It aims to:
 - ensure all employees, workers, councillors, and other relevant groups are aware of their responsibilities under this policy by publicising it and providing training
 - encourage employees to be vigilant and report any suspicions of bribery
 - investigate any allegations of bribery or assist the police or other agencies in any investigations or prosecutions they undertake
 - take action against anyone involved in bribery in relation to Council business.

3 Scope

- 3.1 This policy relates to all Council activities. It applies to employees, workers, agency staff, volunteers, consultants, and councillors.
- 3.2 For partners, joint ventures, and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.
- 3.3 The Council requires employees, councillors and other relevant people to:
 - raise concerns if they believe that this policy has been breached or may be breached in the future
 - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in relation to the lawful and responsible conduct of activities.

- 3.4 As well as the possibility of civil and criminal prosecution, employees breaching this policy may face disciplinary action. This could result in dismissal in cases of gross misconduct.

4 Offences

- 4.1 There are four key offences under the Bribery Act 2011.

Section 1 – Offence of bribing another person

- 4.2 This section makes it an offence when a person offers, promises or gives a financial or other advantage to another person and intends the advantage to induce a person to perform improperly a relevant function or activity or to reward a person for the improper performance of such a function or activity.
- 4.3 It is also an offence when a person offers, promises or gives a financial or other advantage to another person and knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

Section 2 – Being bribed

- 4.4 This section makes it an offence when a person requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly.
- 4.5 It is an offence when a person requests, agrees to receive or accepts a financial or other advantage and the request, agreement or acceptance itself constitutes the improper performance of the person of a relevant function or activity.
- 4.6 It is an offence if a person requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance of a relevant function or activity.
- 4.7 It is also an offence if a person in anticipation of or in consequence of the person requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly.

Section 6 – Bribery of foreign public officials

- 4.8 Under this section of the Act an offence is committed when a person intends to influence a foreign official in their official capacity and intends to obtain or retain business or an advantage in the conduct of business.
- 4.9 It is also an offence to offer, promise or give any financial or other advantage to a foreign public official.

Section 7 – Failure of a commercial organisation to prevent bribery

- 4.10 A relevant commercial organisation is guilty of an offence if a person associated with the organisation bribes another person intending to obtain or retain business for the organisation or to obtain or retain an advantage in the conduct of business for the organisation and the organisation fails to take reasonable steps to implement adequate procedures to prevent such activity.

Corporate Responsibility

- 4.11 While the first three offences of the Bribery Act relate to the actions of people, a section 7 offence relates to the inaction of an organisation to prevent bribery. The legislation was drafted with commercial businesses in mind and after the legislation was adopted there was some debate as to whether public sector organisations could be found liable of the offence. In 2012 the government published guidance which clarified that any public sector organisation that “engages in commercial activities, irrespective of the purpose for which profits are made”¹ could be found guilty of a Section 7 offence.
- 4.12 Redcar and Cleveland Borough Council should be considered as commercial organisation under the legislation and could therefore be found to be corporately responsible for acts of bribery that occur within it. It is therefore important that it takes steps to prevent bribery from occurring.
- 4.13 If an offence has occurred, then the courts will consider six tests to determine whether the Council had any responsibility for the act.
- Does the Council have proportionate procedures in place to prevent bribery by persons associated with it? These should be clear, practical, and accessible?
 - Is there top-level commitment to preventing bribery? This includes support by councillors as well as officers.
 - Is the Council’s exposure to potential external and internal risks of bribery periodically assessed?
 - Does the Council take a proportionate and risk based approach to mitigate bribery risks?
 - Are anti-bribery policies and procedures embedded and understood throughout the organisation? Are they communicated internally and externally?
 - Are procedures monitored and reviewed regularly?

Penalties

¹ Paragraph 35 of Bribery Act 2010: Guidance to help commercial organisations prevent bribery https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/832011/bribery-act-2010-guidance.pdf

4.14 A person guilty of an offence under sections 1, 2, or 6 of the Bribery Act is may be sentenced to:

- a maximum imprisonment of 12 month and/or a fine not exceeding £5,000 (if convicted in a magistrates court).
- a maximum imprisonment of 10 years and/or an unlimited fine (if convicted at a crown court).

4.15 An organisation found guilty of allowing bribery offences to occur will be subject to an unlimited fine that is in part determined by the gain that was sought to be made through bribery offences and an assessment of an organisation's culpability by the court.

5 How to raise a concern

5.1 All stakeholders have a responsibility to help the Council prevent and detect bribery and corruption. Any suspicions should be reported as soon as possible.

5.2 Members of staff should report suspicious activity to the counter fraud hotline on 0800 9179 247 or by email to counter.fraud@veritau.co.uk. Alternatively, employees, workers, or contractors may raise concerns through the Council's Whistleblowing arrangements.

5.3 The Council will support anyone who reports suspicions or raises concerns, even if those concerns prove to be incorrect. It is committed to ensuring nobody suffers detrimental treatment because they refuse to take part in bribery or corruption, or because they report a concern that they believe is true.

6 What to do if someone reports a concern

6.1 All reports of possible bribery should be reported without delay to the Council's Governance Director (Monitoring Officer) and the Head of Internal Audit.

Last reviewed and updated: 26 September 2022



Member Report

Business Continuity Annual Member Update

Public

To:	Governance Committee	Date:	26 September 2022
From:	Managing Director	Decision type:	For information
Portfolio:	Resources	Forward Plan reference:	
Priority:	All priorities		
Ward(s):			

1.0 What is the recommendation?

It is recommended that members note the annual Business Continuity report 2022 which provides the annual update of the Business Continuity arrangements within Redcar and Cleveland Borough Council.

The report also sets out some consideration for future plans and seeks to provide assurance that work continues to progress and improve business continuity planning, to ensure the Council is prepared for any unplanned incidents or service disruptions.

2.0 What part of the Corporate Plan does this report deliver and how, and what options have been considered?

This report supports our goal to drive change and improvement across Council services with regard to our business continuity framework, providing assurance to Members that the Council's arrangements continue to be effective. We will ensure that relevant actions are taken to mitigate risks and that they enable appropriate opportunities to be taken to contribute to achieving the Council's Corporate Plan.

The Business Continuity arrangements are in place to enhance the strategic and tactical capability of the organisation to plan for incidents and business disruptions, in order to continue business operations at an acceptable pre-defined level. Business Continuity planning is not a one-off task, it is part of a continuous process that runs throughout the Council's activities, taking into account all aspects of the business and the services we provide. It must be integrated into the culture of the Council with an effective strategy and led from the senior management.

3.0 Report Summary

3.1 During the last 12 months a range of business continuity activities have been undertaken, which include:

- All service areas have been asked to review and update team plans every six months to ensure details are up-to-date and the plans are robust to deal with any incidents that may arise. To assist with this, a business continuity work group has been established, which comprises of members of the

Corporate Business Support Team and directorate business continuity representatives. This group works together to ensure all teams' plans are monitored, reviewed, and uploaded onto the central business continuity dashboard.

- Key business continuity plans, and critical documents/templates have been stored on Resilience Direct. This is an external government platform used by all Local Resilience Forum (LRF) organisations which allows the secure storage of critical information which can be accessed in the event where Council systems are not available.
- A Strategic Business Impact Analysis (SBIA) has been developed and issued to all critical service areas identified during the COVID pandemic and through the review of team plans. The SBIA's identify the impact that a disruption will cause within a service and provides details of the control measures in place to ensure the service can be provided in the event of an incident occurring. We are uploading returned SBIA's to the central business continuity dashboard.
- Over the past year, three business continuity exercises have been carried out to test the strengths and weaknesses of the Councils business continuity plans. The three critical services selected to undergo the scenario-based exercise were Registrars, Fostering and the Waste Services team.

The scenarios utilised for these exercises were, a building fire (Registrars Team), a cyber-attack (Fostering Team) and an arson attack on the Council's refuse vehicles (Waste Services). A major benefit as a result of the exercises was a greater understanding by the Service Managers as to the importance of up-to-date information on team plans, which has been reflected in their six-monthly review of their own plans.

The use of Resilience Direct was discussed at all three exercises and managers were keen to investigate this option, which will allow storage of their critical documents to be accessed immediately following an incident where the Council's systems are not available.

We have found these exercises to be particularly beneficial to promote the importance of keeping team plans and SBIA's up to date, therefore, we are developing a programme to conduct more exercises in the coming year.

- Advice on all aspects of business continuity and how to complete team plans and SBIA's has been provided to current and new managers.
- A business continuity e-learning module has been produced on Talent Management (Agresso system) which provides information on the importance of business continuity planning where an incident could lead to the loss of staff availability, the loss buildings, loss of IT applications etc. The module is to be included in the on-line Induction programme, and we are encouraging all employees to undertake it via promotion through BBB and the directorate business continuity representatives.
- To enhance communications between Senior Managers (including Directors and Assistant Directors) a WhatsApp group has been established called the 'RCBC Incident Notice'. In the event of an incident occurring information can

be provided to all Senior Managers allowing quicker implementation of business continuity plans. Test messages are sent to this WhatsApp group on a regular basis.

4.0 Policy Update

4.1 There are no changes to the Business Continuity Policy, the next review date is September 2023.

5.0 Planned business continuity activities for year ahead

5.1 We will continue to develop the business continuity programme during the coming year by undertaking the following activities:

- Continue to work with directorate business continuity representatives so that plans are updated on a six-monthly basis, ensuring that business continuity stays at the forefront of managers minds by keeping them informed with the latest developments that may have an impact on business continuity planning for example potential Industrial action / weather conditions. Etc
- Continue to promote the benefits of using Resilience Direct to store business continuity documents/templates.
- Continue to upload the business continuity dashboard onto Resilience Direct, so that the latest information on all business continuity plans is stored.
- Promote the business continuity e-learning module to current staff, to ensure that staff are aware of what business continuity is and what their responsibilities are.
- Start the second review of the SBIA programme to update all profiles and upload them to the business continuity dashboard.
- To ensure business continuity plans are robust and will be effective in the event of an incident we will carry out six business continuity exercises over the next twelve months. The areas will be selected from the critical services highlighted within each of the directorates.
- Establish an alternate borough emergency centre which is required on the closure of Belmont House. Plans are currently underway for Inspire to Learn to be the alternate borough emergency centre.
- To ensure business continuity planning management is up to date and relevant with current practice. Further training will be undertaken by two officers from the corporate business support team who will attend Business Continuity training by the Cabinet Office Emergency Planning College in September 2022.
- Review the Council's Business Continuity policy in September 2023.
- We will be undertaking a large-scale business continuity and emergency planning test in November 2022 (awaiting confirmation of the date), as part of a national exercise to test the plans. The Council will be setting up the Borough Emergency Centre and will also attend Police Headquarters, this

will involve a range of emergency call out officers (Gold, Silver, and Bronze). We hope to use it as a training experience for a range of our officers, and it will require representatives at strategic, tactical, and operational levels. We will also use this week as an opportunity to test our rest centre call out procedures. Additionally, we will also link in a business continuity exercise which will test a selected number of team plans.

6.0 Background Information

- 6.1 The Civil Contingencies Act 2004 places a statutory duty on local authorities to ensure that they are prepared, as far as reasonably practicable, to continue to provide critical functions in the event of an emergency or disruption and to ensure that business continuity arrangements are in place.
- 6.2 The Managing Director is identified as Strategic Business Continuity Management Leader and Business Continuity Champion on the Executive Management Team. The functional responsibility for Business Continuity rests with the Risk Management Group (RMG). The Business Support Team are accountable for overall delivery and review. All senior managers are responsible, with guidance and support from the team, for ensuring appropriate business continuity arrangements are deployed in their functions, services, and areas of responsibility.

7.0 Who has been consulted and engaged?

- 7.1 The Resources and Growth Directorate Management Team, Executive Management Team, and Risk Management Group have been consulted in this report and support the commitment and continuous improvement of our business continuity arrangements.

8.0 What are the risks and resource implications?

Type of Risk/ Implication	Details
Climate Emergency Impact	There is no specific impact arising from this report. However, since start of lockdown officers engaged in this service and other areas of work no longer travel across both Redcar and Cleveland to carry out their duties with meetings and discussions being held via Teams/Skype.
Health and Safety	The Council's Health and Safety team are fully engaged and supportive in all Business Continuity activities and provide professional advice and guidance for all scenarios and incidents.
Social Value	Effective business continuity arrangements are aimed at supporting management to take the right decisions for the benefit of service improvement to the local community. Many of the services covered by Business Continuity Plans have a duty of care or a regulatory requirement to provide their service. This extends to maintaining services during an emergency or disruptive incident.
Legal	The Civil Contingencies Act 2004 requires Category 1 responders (which includes local authorities) to maintain Business Continuity Plans and arrangements to ensure that they can continue to perform their key services and functions in the event of an emergency, so far as is reasonably practicable.
Financial	There are a number of financial implications that relate to Business Continuity, many of these will be financial implications that arise as various arrangements or solutions that have been put into place to secure continuation of vital services.
Human Resources	There are no direct implications from this report on Human Resources.
Equality and Diversity	There are no direct implications from this report on equality and diversity.
Other	No further implications

9.0 Appendices and further information

None

10.0 Background papers

No background papers other than published works were used in writing this report.

11.0 Contact Officer

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Governance Committee	Relevance to Remit of Committee	Officer Lead	25-Jul 2022	26-Sep 2022	28-Nov 2022	06-Feb 2023	24-Apr 2023
Internal Audit and Assurance Functions - Veritau							
Internal Audit work programme – progress reports	Internal Audit is a statutory service under the Accounts and Audit Regulations 2015 and PSIAS. An authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes.	Veritau		X	X	X	
Internal Audit 22/23 work programme consultation		Veritau				X	
Internal audit 2022/23 indicative work programme		Veritau					X
Internal Audit and Assurance year end report		Veritau	X				
Counter Fraud framework update		Veritau		X			
External Audit Functions - Mazars							
Annual Audit Strategy Memorandum	External auditors in the public sector give a statutory independent opinion on public bodies' financial statements and comment on the conduct of their financial affairs and the management of performance and resources.	GB/CD					X
Audit Completion Report		GB/CD			X		
Auditor's Annual Report, including the Value for Money review and final audit completion certificate		GB/CD				X	
Audit Progress Report		GB/CD	X			X	X
Governance Functions							
Review of Financial Procedure Rules	An authority must ensure that it has a sound system of internal control covering the effective exercise of its functions, the achievement of its aims and objectives, the effective financial and operational management of the authority; and the effective management of risk.	PW/RD					X
Review of Contract Procedure Rules		AN					X
Review of Treasury Management Policies & Update		PW/RD				X	
Review of Accounting Policies & Update		PW/RD					X
CIPFA Financial Management Code Review							X
Review of RIPA return		CS			X		
Annual Insurance Update		VS	X				
Risk Management and risk register update		VS			X		X
Annual Ombudsman Letter - (stage 3 complaints)		VS			X		
Annual Business Continuity Policy	VS		X				
Information Governance - annual assurance report	AD				X		
Financial Statements							
Draft Statement of Accounts (Full & Summary)	An authority must ensure that it has effective financial management.	RD	X				
Acceptance of the Statement of Accounts		RD			X		
Acceptance of the Annual Governance Statement	A statement of accounts prepared by an authority must be prepared in accordance with the Accounts & Audit Regulations; and use proper practices.	AP			X		
Agreeing the Letter of Representation		PW			X		
Director & Committee Assurances		PW			X		
Recommendation to opt in to the Public Sector							
Appointments Authority		RD					
Progress review of Annual Governance Statement	AP	X				X	
Committee Cycle & Deadlines							
Meeting Dates			25-Jul-22	26-Sep-22	28-Nov-22	06-Feb-22	24-Apr-22
Agenda Despatch		DB	14/07/22	15/09/22	17/11/22	26/02/22	13/04/22
Final Reports		ALL					
Pre Committee Meeting		Chair					
Pre Agenda Meeting (Officer)		JS					
Draft Reports		ALL					