



Borough of Tamworth

Marmion House,
Lichfield Street, Tamworth,
Staffordshire B79 7BZ.

Enquiries: 01827 709 709
Facsimile: 01827 709 271

AUDIT AND GOVERNANCE COMMITTEE

31 January 2018

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 8th February, 2018 at 6.00 pm.** Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, consisting of a stylized 'A' followed by a long horizontal line that tapers to a point on the right.

A G E N D A

NON CONFIDENTIAL

- 1 **Apologies for Absence**
- 2 **Minutes of the Previous Meeting (Pages 1 - 4)**
- 3 **Declarations of Interest**

To receive any declarations of Members' interests (pecuniary and non-pecuniary) in any matters which are to be considered at this meeting.

When Members are declaring a pecuniary or non-pecuniary interest in respect of which they have dispensation, they should specify the nature of such interest. Members should leave the room if they have a pecuniary or non-pecuniary interest in respect of which they do not have a dispensation.

- 4 Review of Anti-Money Laundering Policy** (Pages 5 - 26)
(Report of the Solicitor to the Council and Monitoring Officer)
- 5 Regulation of Investigatory Powers Act 2000** (Pages 27 - 30)
(Report of the Solicitor to the Council and Monitoring Officer)
- 6 Audit and Governance Committee Timetable** (Pages 31 - 34)
(Discussion Item)
- 7 Counter Fraud Update** (Pages 35 - 44)
(Report of the Head of Internal Audit Services)
- 8 Internal Audit update** (Pages 45 - 60)
(Report of the Head of Internal Audit Services)
- 9 Restricted**
NOT FOR PUBLICATION because the report could involve the disclosure of exempt information as defined in Paragraphs 1, 3 and 9 of Part 1 of Schedule 12A to the Local Government Act 1972 (as amended)
- 10 Risk Based Verification** (Pages 61 - 86)
(Report of the Portfolio Holder for Assets and Finance)

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709264 or e-mail committees@tamworth.gov.uk preferably 24 hours prior to the meeting. We can then endeavour to ensure that any particular requirements you may have are catered for.

To Councillors: M Summers, R Ford, C Cooke, J Faulkner, M Gant, M Greatorex and
R Kingstone

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MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 26th OCTOBER 2017

PRESENT: Councillor M Summers (Chair), Councillors R Ford (Vice-Chair),
C Cooke, J Faulkner, M Gant and M Greatorex

Officers John Wheatley (Executive Director Corporate Services),
Jane Hackett (Solicitor to the Council and Monitoring
Officer) and Angela Struthers (Head of Internal Audit
Services)

Visitors Joan Barnett (Grant Thornton)

32 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillor R Kingstone.

33 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 27th July 2017 were approved and signed as a correct record.

(Moved by Councillor M Gant and seconded by Councillor J Faulkner)

34 DECLARATIONS OF INTEREST

There were no declarations of Interest.

35 ANNUAL AUDIT LETTER

RESOLVED: The matter was discussed as presented by Grant Thornton and approved unanimously by Members.

36 AUDIT AND GOVERNANCE COMMITTEE UPDATE - PROGRESS REPORT AND UPDATE

RESOLVED: The progress report and update was presented to members by Grant Thornton and discussion followed.

Members unanimously approved the Audit and Governance Committee update and Tamworth Borough Council progress report and update.

37 LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW 2016/17

RESOLVED: That the Committee

- 1 Endorsed the Annual Review Letter as attached at Appendix 1
- 2 Acknowledged the change of name in the office of the Ombudsman.

(Moved by Councillor M Gant and seconded by Councillor J Faulkner)

38 REGULATION OF INVESTIGATORY POWERS ACT 2000

RESOLVED: That the Committee

- 1 Endorsed the recommendations of the OSC
- 2 Referred the findings of the report and changes to the RIPA policy to Council for ratification
- 3 Endorsed the RIPA monitoring report for the quarter to 30 September 2017.

(Moved by Councillor R Ford and seconded by Councillor C Cooke)

39 INTERNAL AUDIT UPDATE REPORT 2017/18

RESOLVED: The Committee considered the attached report and raised the following points:

- 1 Building security featured prominently in the report.

*(Moved by Councillor M Summers and seconded by
Councillor J Faulkner)*

40 RISK MANAGEMENT UPDATE

RESOLVED: That the Committee

- 1 Endorsed the Corporate Risk Register
- 2 Endorsed the updated Risk Management Policy

*(Moved by Councillor C Cooke and seconded by Councillor M
Gant)*

41 COUNTER FRAUD UPDATE

RESOLVED: The Committee considered the attached report and raised the following points:

- 1 That paragraph 6.12 the word “can” be replaced by the word “shall”.

*(Proposed by Councillor R Ford and seconded by Councillor J
Faulkner)*

- 2 Endorsed the Fraud & Corruption Policy Statement, Strategy & Guidance Notes, attached as Appendix 1 to the report.
- 3 Endorsed the Whistleblowing Policy, attached as Appendix 2 to the report.
- 4 Endorsed the Fraud Risk Register Summary, attached as Appendix 3 to the report.

*(Moved by Councillor J Faulkner and seconded by Councillor
R Ford)*

42 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed the timetable.

Chair

08 FEBRUARY 2018

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

REVIEW OF ANTI-MONEY LAUNDERING POLICY

EXEMPT INFORMATION

None

PURPOSE

This report provides the Committee with a review of the Council's key Anti-Money Laundering Policy.

RECOMMENDATIONS

To approve the revised Anti-Money Laundering Policy and refer to Council for adoption in the Council's Policy Framework.

EXECUTIVE SUMMARY

The Council is committed to high standards of Ethical and Corporate Governance which give a high organisational commitment to zero tolerance to fraud, corruption and bribery.

The Anti-Fraud and Corruption Policy and Whistleblowing Policy are reviewed regularly as part of internal audit processes within the Council and reports on updating these policies are submitted to Audit and Governance Committee for approval and full Council. The Anti-Money Laundering Policy was reviewed in 2016, since that time changes have taken place with legislation which require the policy to be updated. As a result of this review all of the policies will be fit for purpose and ensure high standards of corporate governance of the Council's affairs.

Training sessions will be carried out for all staff on Anti-Money Laundering requirements through the internal on-line facility.

RESOURCE IMPLICATIONS

There will be no resource implications. Any amendments to the Council's policies will be placed on the Council's website and included as required in the Constitution.

LEGAL/RISK IMPLICATIONS BACKGROUND

There are no Financial, Equality, Diversity and Human Rights, Consultation, Community Safety, Health and Safety and Risk Management Implications.

SUSTAINABILITY IMPLICATIONS

None.

BACKGROUND INFORMATION

Background

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. It comprises the systems and processes, and cultures and values, by which such bodies are directed and controlled and through which they account to, engage with and, where appropriate, lead their communities.

The Council strives to meet the highest standards of corporate governance to help ensure it meets its objectives. Members and Officers are responsible for putting in place proper arrangements for the governance of the Council's affairs and the stewardship of the resources at its disposal.

The Council's Ethical Governance arrangements are a key part of good Corporate Governance and important component parts of this are the Council's Anti-Money Laundering Policy as well as the Anti-Fraud and Corruption Policy and the Whistleblowing Policy. The policies are subject to regular review to ensure that they remain fit for purpose. Due to changes in legislation which addresses financial support for terrorism through illegal means the policy required to be updated. The Committee is now asked to review its Anti-Money Laundering Policy.

Governance forms parts of the Council's commitment to customer excellence which underpins the Council's Strategic Plan and vision.

REPORT AUTHOR

Jane M Hackett Solicitor to the Council and Monitoring Officer Tel: 709258 if you would like further information or clarification prior to the meeting.

LIST OF BACKGROUND PAPERS

None

APPENDICES

Policy

**ANTI-MONEY LAUNDERING POLICY STATEMENT,
STRATEGY & GUIDANCE NOTES**

Document Status: Final

Originator: J M Hackett

Updated: J M Hackett

Owner: Solicitor to the Council – Corporate Services

Version: 01.01.04

Date: 08/02/18

Approved by Audit & Governance Committee

Document Location

This document is held by Tamworth Borough Council, and the document owner is Jane Marie Hackett, Solicitor to the Council – Corporate Services.

Printed documents may be obsolete. An electronic copy will be available on Tamworth Borough Councils Intranet. Please check for current version before using.

Revision History

Revision Date	Version Control	Summary of changes
	1.01.01	Scheduled review
30/07/13	1.01.02	Scheduled review
28/09/16	1.01.03	Scheduled review
08/02/18	1.01.04	Scheduled review

Approvals

Name	Title	Approved
Audit & Governance Committee	Committee Approval	Yes
Council	Council Approval	Yes
CMT	Group Approval	Yes
John Wheatley	Executive Director – Corporate Services	Yes
Jane M Hackett	Solicitor to the Council and Monitoring Officer	Yes

Document Review Plans

This document is subject to a scheduled annual review. Updates shall be made in accordance with business requirements and changes and will be with agreement with the document owner.

Distribution

The document will be available on the Intranet and the website.

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TAMWORTH BOROUGH COUNCIL

ANTI-MONEY LAUNDERING POLICY STATEMENT

- 1.0 Tamworth Borough Council fully recognises its responsibility in relation to the spending of public money (Protecting the Public Purse) and is committed to the fullest support for Councillors and Employees in upholding the reputation of the Council and maintaining public confidence in its integrity. It also recognises its responsibilities under the Proceeds of Crime Act 2002 (as amended by the serious organised Crime and Police Act 2005), Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR) and the Bribery Act 2010.
- 2.0 The Council acknowledges the threat of money laundering and the harm that it can cause. The Council is committed to maintaining an ethical culture which does not and will not tolerate any form of fraud and corruption. Any such issues will be thoroughly investigated and, if confirmed, dealt with rapidly in the strongest possible way. We will seek the strongest possible sanctions against those who seek to defraud the Council. This includes taking appropriate action against employees, Councillors, contractors, external individuals and organisations.
- 3.0 To deliver the Council's corporate priorities, aims and strategic objectives we need to maximise the financial resources available to us. In order to do this we must reduce the risk of fraud to an absolute minimum.
- 4.0 This Policy Statement, together with the Anti-Money Laundering Strategy, is intended to provide advice and information to Employees and Councillors but suppliers, contractors and the general public are also encouraged to use this advice and guidance.



Chief Operating Officer



Leader of the Council

TAMWORTH BOROUGH COUNCIL ANTI-MONEY LAUNDERING POLICY

1. Introduction

Although local authorities are not directly covered by the requirements of the Money Laundering Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (MLR), guidance from CIPFA indicates that they should comply with the underlying spirit of the legislation and regulations.

Tamworth Borough Council is committed to the highest possible standards of conduct and governance, therefore, it has put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.

The Council must apply customer due diligence measures if the person carries out an occasional transaction that amounts to a transfer of funds exceeding £1,000. **To address and prevent money laundering and terrorist financing the Council has set a cash payment limit of £1,000.**

This is not designed to prevent customers making payments for Council services but to minimise the risk to the Council of high value cash transactions. Best practice is to be encouraged – seek payment electronically from a UK clearing bank.

2. Scope of the Policy

This policy applies to all employees, whether permanent or temporary, and Members of the Council.

Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside work should contact the Police.

3. Definition of Money Laundering

Money laundering is a general term for any method of disguising the origin of “dirty” or criminal money. This money may be the proceeds of any criminal activity including terrorism, drugs trafficking, corruption, tax evasion and theft. The purpose of money laundering is to hide the origin of the dirty money so that it appears to have come from a legitimate source. Unfortunately, no organisation is safe from the threat of money laundering, particularly where it is receiving funds from sources where the identity of the payer is unknown. It is, therefore, possible that Council may be targeted by criminals wishing to launder the proceeds of crime.

In addition, it is possible that the proceeds of crime may be received from individuals or organisations who do not realise that they are committing an offence. It is no defence for the payer or the recipient to claim that they did not know that they were committing an offence if they should have been aware of the origin of the funds. All staff therefore dealing with the receipt of

funds or having contact with third parties from whom funds may be received need to be aware of the possibility of money laundering taking place. Money laundering describes offences involving the integration of the proceeds of crime or terrorist funds into the mainstream economy. Such offences are defined under the Proceeds of Crime Act 2002 (“the Act”); the following are ‘prohibited acts’:

- Concealing, disguising, converting, transferring or removing criminal property from the UK
- Becoming involved in an arrangement which an individual knows or suspects facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
- Acquiring, using or possessing criminal property
- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion
- Doing something that might prejudice an investigation e.g. falsifying a document
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation

Provided the Council does not undertake activities regulated under the Financial Services and Markets Act 2000, the offences of failure to disclose and tipping off do not apply. However, the Council and its employees and Members remain subject to the remainder of the offences and the full provisions of the Terrorism Act 2000.

The Terrorism Act 2000 made it an offence of money laundering to become concerned in an arrangement relating to the retention or control of property likely to be used for the purposes of terrorism, or resulting from acts of terrorism.

Although the term ‘money laundering’ is generally used to describe the activities of organised crime, for most people it will involve a suspicion that someone they know, or know of, is benefiting financially from dishonest activities.

Potentially very heavy penalties (unlimited fines and imprisonment up to fourteen years) can be handed down to those who are convicted of one of the offences above.

It is important therefore that staff are aware of the rules and procedures that the Council has in place to ensure that they comply with the relevant legislation and approach taken by the Council as set out in this policy.

4. Requirements of the Money Laundering Legislation

The main requirements of the legislation are:

- To appoint a money laundering reporting officer

- Maintain client identification procedures in certain circumstances
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain record keeping procedures

5. The Money Laundering Reporting Officer (MLRO)

The Council has designated the Monitoring Officer as the Money Laundering Reporting Officer (MLRO). She can be contacted on 01827 709258 or by email jane-hackett@tamworth.gov.uk.

In the absence of the MLRO or in instances where it is suspected that the MLRO could be involved in suspicious transactions, concerns should be raised with the Section 151 Officer – Executive Director (Corporate Services). He can be contacted on 01827 709252 or by email john-wheatley@tamworth.gov.uk.

6. Possible Signs of Money Laundering

It is not possible to give a definitive list of ways in which to spot money laundering but facts which tend to suggest that something “odd” is happening may be sufficient for a reasonable suspicion of money laundering to arise.

The following are the types of risk factors which *may*, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

- A new customer with no previous history with the Council;
- A secretive customer: for example one who refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity or identity of a customer;
- Illogical third party transactions: for example unnecessary routing or receipt of funds from third parties or through third party accounts;
- Involvement of an unconnected third party without logical reason or explanation;
- Payment of substantial sum in cash;
- Overpayments by a customer;
- Absence of an obvious legitimate source of the funds;
- Movement of funds to and from overseas, particularly to and from a higher risk country;
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions is out of line with normal expectations;
- Cancellation or reversal of an earlier transaction.

7. Due Diligence Procedures

The Money Laundering Regulations require us to carry out “Customer Due Diligence”. Staff should therefore be alert to where Tamworth Borough

Council (TBC) may be targeted by individuals trying to launder the proceeds of crime and/or finance terrorist activity.

Avoid alerting anyone dealing with TBC that they have a suspicion that they may be attempting to launder, or have laundered, the proceeds of crime; and to report any suspicions of money laundering. Any suspicions must be reported to the Money Laundering Reporting Officer.

Training will be provided to all relevant staff regarding money laundering to assist them in their awareness of how money laundering could take place and the appropriate method of dealing with this. In effect, any areas where money changes hands could therefore be at risk of money laundering attempts, i.e. Application fees for taxi licences, planning applications, payment of housing benefits etc.

The Council already has procedures in place to limit the amount of cash that it receives, with other payment methods being made available. To ensure however that the system is manageable, if a cash payment of less than £1,000 is received; no identification checks will be needed.

Where the £1,000 limit is exceeded, officers dealing with the matter will need to (1) establish the identity of the individual/company involved (2) seek advice from the Corporate Anti-Fraud Officer (01827 709541) to ensure that the risk of receiving the proceeds of crime can be minimised.

For individuals, their passport or photo driving licence should be obtained, together with one of the following:

- Utility bills i.e. electricity, water etc. however mobile phone bills are not acceptable
- Mortgage/building society/bank statements
- Credit card statements
- Pension or benefit books

If passport or photo driving licence is not available, then two of the other items listed above will need to be produced.

For companies, a Companies House Search should be undertaken to confirm the existence of the company and identify who the directors are. Personal identification should then be obtained for the representatives of the company together with proof of their authority to act on behalf of the company. Care should be taken if it becomes clear that the individual has only recently become a director of the company or if there has been a recent change in the registered office.

For any other type of organisation, for example a sole trader or partnership, personal identification should be obtained for the individuals together with documents indicating their relationship to the organisation.

Copies of any evidence provided in support of the identification of an individual or organisation should be kept on a central file so that it can be

referred to later if necessary. Records should be kept for 6 years after the end of the transaction.

8. Land/Property Transactions

The Council has in place procedures to identify customers when Council land or property is being sold without the involvement of independent legal advice. The procedures will require the Council to:

- Identify customers and verify their identity on the basis of documents from a reliable and approved source;
- Identify where applicable the beneficial owner (see below) and take adequate measures on a risk sensitive basis to verify their identity;
- Maintain records of all checks.

“Beneficial owners” are the individuals who ultimately own or control have a legal interest in the asset or the person on whose behalf a transaction or activity is being conducted.

If satisfactory evidence of a customer’s identity at the outset cannot be obtained, then the business transaction CANNOT proceed any further.

All personal data collected will be kept in accordance with the Data Protection Legislation.

9. Procedure for Reporting Suspicious Transactions

Any suspicious transactions which staff may become aware of in the course of their work must be reported to the MLRO immediately using the Council’s Internal Disclosure Form (see Appendix 2). Failure to make the appropriate report immediately will be regarded as gross misconduct and may result in dismissal without notice or pay in lieu of notice.

The report must include as much detail as possible including:

- Full details of the people involved
- Full details of the nature of their/your involvement.
- The types of money laundering activity involved
- The date(s) of such activity/ies
- Whether the transactions have happened, are ongoing or are imminent;
- Where they took place (if applicable);
- How they were undertaken (if applicable);
- The (likely) amount of money/assets involved;
- Why, exactly, you are suspicious.

Along with any other available information to enable the MLRO to make a sound judgement as to whether there are reasonable grounds for knowledge or suspicion of money laundering and to enable her to prepare a report to the

National Crime Agency (NCA), where appropriate. You should also enclose copies of any relevant supporting documentation.

It is imperative that, if staff have a suspicion concerning an individual or organisation with which they are dealing that they do not alert them to that suspicion i.e. that no “tipping off” is done. Staff must, therefore, **not** make them aware that an internal disclosure report may be made. Once the report is made, the cash/cheques/other form of payment from this source should not be banked until clearance has been received from the MLRO. Such clearance may take up to seven days from the time when the initial report to the MLRO is made.

If the funds are banked in this period without getting clearance from the MLRO that staff member runs the risk of a fine and/or imprisonment for up to 14 years.

10. Additional Guidance

If you require any additional information or guidance in relation to the contents of this policy and your responsibilities please contact either the MLRO or his deputy. An Aide Memoir has been prepared – Appendix 3, which can be used as a brief reminder to staff of their responsibilities.

11. Consideration of the disclosure by the Money Laundering Reporting Officer

Upon receipt of a report, the MLRO must note the date thereof and acknowledge receipt. She should also advise you of the timescale within which she expects to respond to you.

The MLRO will consider the report and any other available internal information she thinks relevant e.g.

- reviewing other transaction patterns and volumes;
- the length of any business relationship involved;
- the number of any one-off transactions and linked one-off transactions;
- any identification evidence held;

She will also undertake such other reasonable inquiries that are appropriate in order to ensure that all available information is taken into account in deciding whether a report to the NCA is required (such enquiries being made in such a way as to avoid any appearance of tipping off those involved). The MLRO may also need to discuss the report with you.

Once the MLRO has evaluated the report and any other relevant information, she must make a timely determination as to whether:

- there is actual or suspected money laundering taking place; or
- there are reasonable grounds to know or suspect that is the case; and

- there is a requirement to seek consent from the NCA for a particular transaction to proceed.

Where the MLRO does so conclude, then she must disclose the matter as soon as practicable to the NCA on their standard report form and in the prescribed manner, unless she has a reasonable excuse for non-disclosure to the NCA (for example, if you are a lawyer and you wish to claim legal professional privilege for not disclosing the information).

Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then she must note this accordingly; she can then immediately give her consent for any ongoing or imminent transactions to proceed.

In cases where legal professional privilege may apply, the MLRO must liaise with the Section 151 Officer to decide whether there is a reasonable excuse for not reporting the matter to the NCA.

Where consent is required from the NCA for a transaction to proceed, then the transaction(s) in question must not be undertaken or completed until the NCA has specifically given consent, or there is deemed consent through the expiration of the relevant time limits without objection from the NCA.

Where the MLRO concludes that there are no reasonable grounds to suspect money laundering then she shall note this accordingly and give consent for any ongoing or imminent transaction(s) to proceed.

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

The MLRO commits a criminal offence if she knows or suspects, or has reasonable grounds to do so, through a disclosure being made to her, that another person is engaged in money laundering and she does not disclose this as soon as practicable to the NCA.

12. Training

Officers considered likely to be exposed to suspicious situations, will be made aware of these by their senior officer and provided with appropriate training. In effect, any areas where money changes hands could therefore be at risk of money laundering attempts ie. application fees for taxi licences, planning applications, payment of housing benefits etc.

Additionally, all employees and Members will be familiarised with the legal and regulatory requirements relating to money laundering and how they affect both the Council and themselves.

Notwithstanding the paragraphs above, it is the duty of officers and Members to report all suspicious transactions whether they have received their training or not.

13. Conclusions

The Council has put into place a number of arrangements to protect itself from the risk of money laundering. However in the current climate of change there are issues that will increase this risk. Changes in structure, changes in systems and the turnover of staff all contribute to our exposure to the risk of money laundering. To mitigate against this risk the Council will regularly review arrangements.

The Money Laundering Policy provides a framework for preventing and tackling money laundering acts against the Authority. The approval of the Policy by the Audit and Governance Committee and the Council demonstrates the Council's commitment to protecting public funds. Having made this commitment, it is imperative that the MLRO puts in place arrangements for disseminating the Policy and promoting money laundering awareness, throughout the Council. The Council believes that this policy represents a proportionate response to the level of risk it faces from money laundering offences.

14. Review

This policy and associated procedure will be subject to a review every 2 years unless any changes or updates to any of the relevant legislation require that it is undertaken sooner.

Role of the Money Laundering Report Officer – “MLRO”

The duties of the Money Laundering Reporting Officer are:

- To ensure that the Council complies with the requirements of the Money Laundering Regulations 2007 and the Proceeds of Crime Act 2002.
- To ensure that all relevant staff are aware of and comply with the Council’s Money Laundering Policy.
- To ensure that the Council properly identifies all third parties dealing with the Council where there is a higher risk of the Council receiving the proceeds of crime and to ensure that copies of any documents taken as proof of evidence are kept on a central file by the Council.
- To ensure that all relevant staff receives training on how to identify, deal with and prevent money laundering.
- To ensure that all necessary disclosures to the National Crime Agency (NCA) are made and that they are made as soon as practically possible after the suspicion has been raised.
- To decide whether a suspicious transaction report requires a disclosure to be made to NCA.
- To liaise with NCA regarding the outcome of the disclosure and update staff accordingly.



MONEY LAUNDERING – INTERNAL REPORTING FORM

Money laundering legislation requires all individuals within the Council to report any knowledge or suspicions that they might have of money laundering (as defined in the Proceeds of Crime Act 2002) to the Council’s Money Laundering Reporting Officer. To assist individuals the following pro forma has been developed. Particular circumstances may require different information to be disclosed and this should be fully explained, if applicable.

Instructions for Completion

It is your legal duty and a requirement of your employment with Tamworth Borough Council that you report any suspicion concerning proceeds of crime to:

**Money Laundering Reporting Officer
 Tamworth Borough Council
 Marmion House
 Lichfield Street
 Tamworth
 Staffordshire
 B79 7BZ**

This should be marked **URGENT – **RESTRICTED** TO THE ADDRESSEE ONLY.**

You are also reminded that **“Tipping-Off”** is a criminal offence. You should therefore avoid discussing the content of this report with anyone other than the Money Laundering Reporting Officer.

Date of Report:		Date suspicion first aroused:	
Prepared by: Name & Dept:			
Disclosure Type:	(ie. Connections to crime/drugs/terrorism)		

Main Subject (Person)

Surname:		Forename(s):		Title:	
Date of Birth:		Gender:			
Occupation:		Employer:			
Address: (in full)		Postcode:	Home/Business /Registered	Current/Previous	

Or

Main Subject (Company)

Company Name:		Company No:			
Type of Business:		VAT No:			
Country of Reg:					
Address: (in full)		Postcode:	Home/Business/Registered	Current/Previous	

Bank Account Details

Account Name:		Sort Code:	
Opened:		Account No:	
Closed:		Balance:	

Other Information

Any information/evidence held to confirm identification and/or address, ie. Passport/driving licence etc:

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Connected Subject Person (if any)

Surname:		Forename(s):		Title:	
Date of Birth:		Gender:			
Occupation:		Employer:			
Address: (in full)		Postcode:	Home/Business /Registered	Current/Previous	

**Or
Connected Subject Company (if any)**

Company Name:		Company No:	
Type of Business:		VAT No:	
Country of Reg:			
Address: (in full)	Postcode:	Home/Business/Registered	Current/Previous

Bank Account Details

Account Name:		Sort Code:	
Opened:		Account No:	
Closed:		Balance:	

Other Information

Any information/evidence held to confirm identification and/or address, ie. Passport/driving licence etc:

Reason for the Suspicion

Please tick any or all of the following which might apply		
Drugs	Personal Tax Fraud	Vat Fraud
Crime	Company Tax Fraud	
Immigration	Tobacco/Alcohol Excise Fraud	
Following on from above, please set out the reason for the suspicion:		
Please continue on separate sheet if required		
Names of all other colleagues (principals and staff) who have been involved in the case		

Declaration

The above is an accurate account of the facts that are available to me at the time of making the report. If I become aware of additional and/or changes in the information provided I will disclose these to the Money Laundering Reporting Officer in a timely manner. I am aware of the risks and penalties regarding "tipping-off" or frustrating in any way an investigation of the above or related matters by the authorities.

Signed: _____ Date: _____

Name in Full: _____ Position: _____

MONEY LAUNDERING AVOIDANCE AIDE MEMOIR

1. No member of staff must accept cash of more than £1,000 from any member of the public.
2. If you are offered cash of more than £1,000 you should advise the person offering it to you that it is not Council policy to accept large amounts of cash of more than £1,000 and that you need to obtain guidance from a senior member of staff. You should then contact the Money Laundering Reporting Officer to obtain authorisation to take cash, if appropriate.
3. Any large cash sums should not be banked in the first instance. The Money Laundering Reporting Officer should be contacted to seek guidance as to how to deal with the funds. Forms to report the matter are included in the policy document at Appendix 2.
4. Whilst it is not acceptable to be suspicious of all cash based businesses, anyone whom you know to be associated with such a business should be dealt with using a higher degree of scepticism. If you have any reason to suspect the source of their funds then you should contact the Money Laundering Reporting Officer to discuss your concerns, even if the payment is not received in cash.
5. If you receive a complaint from a member of the public in relation to possible criminal activity being carried out by someone who may be a customer of the Council (i.e. a Council Tax or Business Rates payer, rent payer, licensee etc) you must pass this on to the Money Laundering Reporting Officer.

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AUDIT & GOVERNANCE COMMITTEE

08 FEBRUARY 2018

REPORT OF THE SOLICITOR TO THE COUNCIL AND MONITORING OFFICER

REGULATION OF INVESTIGATORY POWERS ACT 2000

Purpose

The Council's Code of Practice for carrying out surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) specifies that quarterly reports will be taken to Audit & Governance Committee to demonstrate to elected members that the Council is complying with its own Code of Practice when using RIPA.

Recommendation

That Audit and Governance Committee endorse the RIPA monitoring report for the quarter to 31 December 2017.

Executive Summary

The Council has a number of statutory functions that involve officers investigating the conduct of others with a view to bringing legal action against them. The Council has also been given powers under the Regulation of Investigatory Powers Act 2000 (RIPA) which enable it to carry out Directed Surveillance in certain strict circumstances. RIPA provides a legal framework for the control and regulation of surveillance and information gathering techniques which public bodies such as Tamworth Borough Council have to comply with. These powers have been amended and changed in accordance with various pieces of legislation. The last change resulted in a revised RIPA Policy being approved by the Council on 12 December 2017.

The Protection of Freedoms Act 2012 now requires that local authority authorisations under RIPA for Directed Surveillance or CHIS can only become effective on the granting of an order approving the authorisation by a Justice of the Peace. Further a local authority can now only have an authorisation under RIPA for the use of Directed Surveillance where the local authority is investigating criminal offences which attract a maximum custodial sentence of six months or more or criminal offences relating to the underage sale of alcohol or tobacco under the Licensing Act 2003 or the Children and Families Act 2014.

No Directed Surveillance has been carried out by the Council since 2011 and it is not envisaged that there will be any appreciable change in the foreseeable future. By adhering to Policy the Council ensure that the acquisition and disclosure of data is lawful, necessary and proportionate so that the Council will not be held to be in breach of Article 8 (the right to respect for private family life, home and correspondence) of the European Convention on Human Rights.

In July 2017 the Office of the Surveillance Commissioner (OSC) conducted an inspection into the RIPA policy, procedures, documentation and training utilised at the Council. Arising from the inspection it has been recommended that guidance regarding use of internet and SNS for research of persons and how this might meet the requirement as directed surveillance or CHIS should be drawn up, inserted into our policy and procedures and actively disseminated to staff.

Training took place in October 2017 for officers who previously had no RIPA training and for members with refresher training being delivered for those officers previously trained. Further training will be arranged through Netconsent. The feedback from the training has been positive and going forward training for RIPA has been added to the Corporate Training Programme.

The practice that quarterly reports on the use of RIPA powers be submitted to Audit & Governance Committee will continue.

Options Considered

Obligations arising under RIPA for the authority are statutory therefore there the only option is compliance.

Resource Implications

Support for the RIPA obligations and functions are met from existing budget and existing staff resources.

Legal/Statutory and Risk Implications

The recording of applications, authorisations, renewals and cancellations of investigations using covert surveillance techniques or involving the acquisition of communications data is covered by the Regulation of Investigatory Powers Act 2000.

The Regulation of Investigatory Powers Act was introduced to regulate existing surveillance and investigation in order to meet the requirements of Article 8 of the Human Rights Act. Article 8 states: Everyone has the right to respect for his private and family life, his home and his correspondence, There shall be no interference by a public authority with the exercise of this right except such as in accordance with the law and is necessary in a democratic society in the interests of national security, public safety or the economic well-being of the

Country, for the prevention of disorder or crime, for the protection of health or morals, or for the protection of the rights and freedoms of others.

RIPA investigations can only be authorised by a local authority where it is investigating criminal offences which (1) attract a maximum custodial sentence of six months or more or (2) relate to the sale of alcohol or tobacco products to children.

There are no risk management or Health and Safety implications.

Sustainability Implications

The legislation requires the Authority to record and monitor all RIPA applications, keep the records up to date and report quarterly to a relevant Committee.

Background Information

The RIPA Code of Practice produced by the Home Office in April 2010 and updated in January 2016 introduced the requirement to produce quarterly reports to elected members to demonstrate that the Council is using its RIPA powers appropriately and complying with its own Code of Practice when carrying out covert surveillance. This requirement relates to the use of directed surveillance and covert human intelligence sources (CHIS).

The table below shows the Council's use of directed surveillance in the current financial year to provide an indication of the level of use of covert surveillance at the Council. There have been no applications under RIPA in the period from 1 October 2017 to 31 December 2017.

The table outlines the number of times RIPA has been used for directed surveillance, the month of use, the service authorising the surveillance and a general description of the reasons for the surveillance. Where and investigation is ongoing at the end of a quarterly period it will not be reported until the authorisation has been cancelled. At the end of the current quarterly period there are no outstanding authorisations.

There have been no authorisations for the use of CHIS.

Financial year 2017/18

Month	Service	Reason
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No applications

Background papers

None

"If Members would like further information or clarification prior to the meeting please contact Jane M Hackett Solicitor to the Council and Monitoring Officer on Ext.258"

PLANNED REPORTS TO AUDIT AND GOVERNANCE COMMITTEE 2017 - 2018

	Report	Committee Date	Report Of	Comments
1	Role of the Audit Committee	June	Grant Thornton	Presentation/training
2	Audit and Governance Committee Update	June	Grant Thornton	
3	Fee Letter	June	Grant Thornton	
4	Review of the Constitution and Scheme of Delegation for Officers	June	Solicitor to the Council and Monitoring Officer	
5	RIPA Quarterly Report	June	Solicitor to the Council and Monitoring Officer	
6	Members/Standards x 2	June	Solicitor to the Council and Monitoring Officer	
7	Internal Audit Annual and Quarterly Update	June	Head of Internal Audit	
8	Public Sector Internal Audit Standards/Quality Assurance and Improvement Programme	June	Head of Internal Audit	
9	Financial Guidance	June	Head of Internal Audit	
10	Annual Governance Statement and Code of Corporate Governance	June	Head of Internal Audit	

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1	Audit Findings Report	July	Grant Thornton	
2	Management Representation Letter	July	Grant Thornton	
3	Annual Statement of Accounts	July	Executive Director Corporate Services	
4	Annual Treasury Outturn	July	Executive Director Corporate Services	
5	RIPA Quarterly Report	July	Solicitor to the Council and Monitoring Officer	
6	Risk Management Quarterly Update	July	Head of Internal Audit	
7	Counter and Corruption Fraud Update	July	Head of Internal Audit	
8	Internal Audit Customer Satisfaction Survey	July	Head of Internal Audit	
9	Internal Audit Quarterly Update	July	Head of Internal Audit	
1	Local Government Ombudsman's Annual Review and Report 2016/17	September	Solicitor to the Council and Monitoring Officer	
1	RIPA Quarterly Update	October	Solicitor to the Council and Monitoring Officer	
2	Internal Audit Quarterly Update	October	Head of Internal Audit	
3	Risk Management Quarterly Update	October	Head of Internal Audit	

4	Annual Governance Statement Update	October	Head of Internal Audit	
1	Audit Report on Certification Work	February	Grant Thornton	
2	Audit Progress Report	February	Grant Thornton	
3	Annual Audit Letter	February	Grant Thornton	
4	RIPA Quarterly Report	February	Monitoring Officer Solicitor to the Council and	
5	Internal Audit Quarterly Update	February	Head of Internal Audit	
6	Risk Management Quarterly Update	February	Head of Internal Audit	
7	Counter Fraud Update	February	Head of Internal Audit	
1	Draft Audit Plan	March	Grant Thornton	
2	Draft Certification Work Plan	March	Grant Thornton	
3	Audit Committee Update	March	Grant Thornton	
4	Auditing Standards	March	Grant Thornton	
5	Informing the Audit Risk Assessment	March	Grant Thornton	
6	Review of the Treasury Management Strategy Statement, Minimum Revenue Provision Policy Statement and Annual Investment Statement	March	Executive Director Corporate Services	

	and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report			
7	Final Accounts – Action Plan	March	Director of Finance	
8	Internal Audit Charter and Audit Plan	March	Head of Internal Audit	
9	Audit and Governance Committee Self-Assessment	March	Head of Internal Audit	
10	Review of Financial Guidance	March	Head of Internal Audit	

The Portfolio Holder for Assets and Finance

THURSDAY, 8 FEBRUARY 2018

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

COUNTER FRAUD UPDATE

EXEMPT INFORMATION

None

PURPOSE

To provide Members with an update of Counter Fraud work completed during the financial year 2017/18 to date.

RECOMMENDATIONS

That the Committee:

- 1 Considers this report and raises any issue it deems appropriate;and**
- 2 Endorses the Fraud Risk Register Summary (Appendix 1)**

EXECUTIVE SUMMARY

In line with good practice, a Fraud Risk Register is maintained and reviewed on a quarterly basis. The latest Fraud Risk Register Summary is attached as **Appendix 1**.

Work has progressed on the data matches identified through the National Fraud Initiative (NFI) in the 2016/17 run which was released in February 2016. In total, 1562 matches were identified with 444 of these being recommended for investigation. So far, 1102 of the matches have been processed and cleared and 7 errors have been identified with a total error cost of £4,337 which is being recovered.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

None

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services, ex 234

LIST OF BACKGROUND PAPERS

APPENDICES






















Appendix 1 Fraud Risk Register Summary





























Fraud & Corruption Risk Register

Report Type: Risks Report



















Report Author: Angela Struthers














Generated on: 23 January 2018

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
Staffing (internal)						
Credit Income	Misappropriation of income		4 significant-unlikely		2 significant-very unlikely	23-Jan-2018
Assets	Theft of fixed assets		9 serious-likely		4 significant-unlikely	23-Jan-2018
Assets	Theft of Council information/intellectual property		12 major – likely		8 major – unlikely	23-Jan-2018
Assets	Inappropriate use of Council assets for private use		8 significant – very likely		6 significant-likely	23-Jan-2018
Petty cash/imprest accounts	Theft of takings disguised by manipulation of accounts		2 minor-unlikely		2 minor-unlikely	23-Jan-2018
Expenses claims	Inflated claims		6 significant-likely		4 significant-unlikely	23-Jan-2018
Corruption	Disposal of assets – land and property		6 serious-unlikely		3 serious-very unlikely	23-Jan-2018
Corruption	Award of planning consents and licences		9 serious-likely		3 serious-very unlikely	23-Jan-2018
Corruption	Acceptance of gifts, hospitality, secondary employment		6 significant-likely		4 significant-unlikely	23-Jan-2018
Car parking	Theft of takings		9 serious-likely		6 serious-unlikely	23-Jan-2018



Risk Title	Risk Description	Gross Risk	- Assessment	Current Risk	- Assessment	Last Review Date
Treasury management	Falsifying records to gain access to loan or investment monies		12 major - likely		6 serious-unlikely	23-Jan-2018
Money laundering	Using the council to hide improper transactions		8 major - unlikely		4 significant-unlikely	23-Jan-2018
ICT fraud	Improper use of council ICT equipment		12 major - likely		9 serious-likely	23-Jan-2018
Employee - general	Abuse of flexi system Falsification of car loans		6 significant-likely		4 significant-unlikely	23-Jan-2018
Payment of grants to the public	Grants fraudulently claimed		12 major - likely		6 serious-unlikely	23-Jan-2018
Loans & Investments	Misappropriation of funds Fraudulent payment or investment of funds		12 major - likely		4 significant-unlikely	23-Jan-2018
Regeneration development corruption	Regeneration development corruption		12 major - likely		6 serious-unlikely	23-Jan-2018
Financial statements	The financial statements may be materially mis-stated due to fraud		6 serious-unlikely		4 significant-unlikely	23-Jan-2018
New starter	Fraudulent job application		9 serious-likely		4 significant-unlikely	23-Jan-2018
ICT abuse	Improper use of IT equipment		9 serious-likely		4 significant-unlikely	23-Jan-2018
Benefits fraud - internal	Fraudulent claim by member of staff		9 serious-likely		6 serious-unlikely	23-Jan-2018
Cash theft	Theft of takings disguised by manipulation of accounts		4 significant-unlikely		2 significant-very unlikely	23-Jan-2018
Cash theft	Theft of cash without disguise		4 significant-unlikely		1 minor - very unlikely	23-Jan-2018
Payroll	Payment to non existent employees		2 significant-very unlikely		3 serious-very unlikely	23-Jan-2018

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
Payroll	Over claiming hours worked		6 significant–likely		2 minor–unlikely	23–Jan–2018
Payroll	Manipulation of standing data		6 serious–unlikely		2 significant–very unlikely	23–Jan–2018
Sheltered schemes	Theft of customer monies		4 significant–unlikely		2 significant–very unlikely	23–Jan–2018
Assets	Theft of current assets		6 significant–likely		4 significant–unlikely	23–Jan–2018
Procurement & Contract Management						
Selection process	Senior staff influencing junior staff involved in a selection process		6 serious–unlikely		4 significant–unlikely	23–Jan–2018
Lack of awareness of the procurement process	Lack of awareness of risks and issues in the procurement process		6 significant–likely		4 significant–unlikely	23–Jan–2018
Lack of anti fraud culture	No antifraud culture – no due diligence/risk registers		6 significant–likely		2 significant–very unlikely	23–Jan–2018
Contract awarded prior to specification being agreed	Contract awarded prior to specifications being fully agreed and developed; meaning the organisation becomes responsible for additional development and training expenses		6 significant–likely		4 significant–unlikely	23–Jan–2018
Manipulation of preferred bidders list	Manipulation of preferred bidders list		4 significant–unlikely		2 significant–very unlikely	23–Jan–2018
No formal contract in place	No formal contract in place		8 significant – very likely		6 significant–likely	23–Jan–2018
Prices reworked	Prices reworked to enable the successful bidder to move up the		6 significant–likely		4 significant–unlikely	23–Jan–2018

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
	proposal list following initial bidding					
Value of contract disaggregated	Value of contract disaggregated to circumvent organisation/EU regulations		12 serious – very likely		6 significant–likely	23-Jan-2018
Inappropriate high value purchase	Inappropriate high value purchase for an unauthorised purpose		6 significant–likely		4 significant–unlikely	23-Jan-2018
Inappropriate use of single tender acceptance	Inappropriate use of single tender acceptance		6 significant–likely		4 significant–unlikely	23-Jan-2018
Using agency staff or consultants			4 significant–unlikely		1 minor – very unlikely	23-Jan-2018
Partial commercial consultations	Procurement staff being sidelined during initial commercial consultations and subsequently being presented with a "done deal".		12 major – likely		6 serious–unlikely	23-Jan-2018
Contract signing	Contracts signed by member of staff not authorised to do so		12 major – likely		6 serious–unlikely	23-Jan-2018
Diversion of funds	Diversion of funds: the risk that a member of staff diverts funds through the set up of non-existent supplier/freelancer		12 major – likely		6 serious–unlikely	23-Jan-2018
Bogus vendor	An individual could authorise the set up of a bogus vendor and raise and authorise a purchase order		16 major – very likely		8 major – unlikely	23-Jan-2018
Sale of confidential information	A member of staff could disclose information on bids to other contract bidders		12 major – likely		6 serious–unlikely	23-Jan-2018

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
Creditor payments	Fraudulent requests for creditor payments		9 serious–likely		4 significant–unlikely	23-Jan-2018
Fraudulent use for one off payment	Staff use the cheque payment process to send to a bogus vendor		6 serious–unlikely		2 significant–very unlikely	23-Jan-2018
Declaration of interests	Lack of declarations of interests		9 serious–likely		4 significant–unlikely	23-Jan-2018
Housing tenancy/homelessness						
Housing allocations	Housing allocated for financial reward fraudulent allocation of property		9 serious–likely		4 significant–unlikely	23-Jan-2018
Illegal sub letting	Illegal sub letting of council property		4 significant–unlikely		2 minor–unlikely	23-Jan-2018
Homelessness	False claim of homelessness		6 significant–likely		2 minor–unlikely	23-Jan-2018
Right to Buy	Fraudulent claim of right to buy discount		6 significant–likely		4 significant–unlikely	23-Jan-2018
Council Tax						
Single Persons Discount	Single persons discount fraudulently claimed		6 significant–likely		6 significant–likely	23-Jan-2018
Discounts/exemptions	Discounts and exemptions falsely claimed		3 minor–likely		2 minor–unlikely	23-Jan-2018
Refund fraud			3 minor–likely		2 minor–unlikely	23-Jan-2018
Suppressed recovery action	Suppressed recovery action		3 minor–likely		2 minor–unlikely	23-Jan-2018

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
NNDR						
Void exemption	Void exemption falsely claimed		6 significant–likely		4 significant–unlikely	23-Jan-2018
Occupation dates	Occupation dates incorrectly notified		6 significant–likely		4 significant–unlikely	23-Jan-2018
Changes to property	Changes to property increase the rateable value		6 significant–likely		4 significant–unlikely	23-Jan-2018
Insurance						
Insurance claims	Claiming for non existent injuries Claiming at another establishment for the same injury overclaiming		9 serious–likely		4 significant–unlikely	23-Jan-2018
Other						
Elections	Fraudulent voting Fraudulent acts by canvassers		12 major – likely		6 serious–unlikely	23-Jan-2018
External funding	Fraudulently claiming/using external funding		1 minor – very unlikely		1 minor – very unlikely	23-Jan-2018
Housing Benefits/Council Tax Reduction Scheme						
Benefits fraud – claimant	Claimant fraudulently claims benefits		12 serious – very likely		8 significant – very likely	23-Jan-2018
Benefits fraud – third party eg landlord	fraudulent claim by third party		4 significant–unlikely		4 significant–unlikely	23-Jan-2018

Risk Title	Risk Description	Gross Risk – Assessment	Current Risk – Assessment	Last Review Date
Cyber				
Cyber risk	Risk of loss, disruption or damage to the reputation of the Authority from some sort of failure of Information Technology systems	 6 serious-unlikely	 6 serious-unlikely	23-Jan-2018

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THURSDAY, 8 FEBRUARY 2018

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

INTERNAL AUDIT UPDATE REPORT 2017/18 QUARTER 3

EXEMPT INFORMATION

None

PURPOSE

To report on the outcome of Internal Audit's review of the Internal Control, Risk Management and Governance framework in the 3rd quarter of 2017/18 – to provide members with assurance of the ongoing effective operation of an Internal Audit function and enable any particularly significant issues to be brought to the Committee's attention.

RECOMMENDATIONS

That the Committee considers the attached report and raises any issue it deems appropriate.

EXECUTIVE SUMMARY

The Accounts and Audit Regulations 2015 require each Local Authority to publish an Annual Governance Statement (AGS) with its Annual Statement of Accounts. The AGS is required to reflect the various arrangements within the Authority for providing assurance on the Internal Control, Risk Management and Governance Framework within the organisation, and their outcomes.

One of the sources of assurance featured in the AGS is the professional opinion of the Head of Internal Audit Services on the outcome of service reviews. Professional good practice recommends that this opinion be given periodically throughout the year to inform the Annual Governance Statement. This opinion is given on a quarterly basis to the Audit & Governance Committee.

The Head of Internal Audit Services' quarterly opinion statement for October - December 2017 is set out in the attached document, and the opinion is summarised below.

Audit Opinion.

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the

organisation's Risk Management, Control and Governance processes.

Overall in my opinion, based upon the reviews performed during the third quarter of the 2017/18 financial year, the Authority has:

- Adequate and effective risk management arrangements;
- Adequate and effective governance; and
- Adequate and effective control processes.

Specific Issues

No specific issues have been highlighted through the work undertaken by Internal Audit during the third quarter of 2017/18.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

Failure to report would lead to non-compliance with the requirements of the Annual Governance Statement and the Public Sector Internal Audit Standards.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers, Head of Internal Audit Services

LIST OF BACKGROUND PAPERS

APPENDICES

Appendix 1 Internal Audit Performance Report 2017/18

Appendix 2 Percentage of Management Actions Agreed 2017/18

Appendix 3 Implementation of Agreed Management Actions 2017/18

INTERNAL AUDIT REPORT – 3rd Quarter - 2017/18

1. INTRODUCTION

Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. (Public Sector Internal Audit Standards)

Internal Audit's role is to provide independent assurance to the Council that systems are in place and are operating effectively.

Every local authority is statutorily required to provide for an adequate and effective internal audit function. The Internal Audit service provides this function at this Authority.

This brief report aims to ensure that Committee members are kept aware of the arrangements operated by the Internal Audit service to monitor the control environment within the services and functions of the authority, and the outcome of that monitoring. This is to contribute to corporate governance and assurance arrangements and ensure compliance with statutory and professional duties, as Internal Audit is required to provide periodic reports to "those charged with governance".

2. PERFORMANCE AND PROGRESSION AGAINST AUDIT PLAN

The Internal Audit service aims as one of its main Performance Indicators (PI's) to complete work on at least 90% of applicable planned audits by the end of the financial year, producing reports on these where possible/necessary. **Appendix 1** shows the progress at the end of 3rd quarter of the year of the work completed against the plan and highlights the work completed. The original audit plan identified 45 audits to be completed in the 2017/18 financial year. The plan has been revised, and a total of 47 audits are now due to be completed by the end of the financial year. At the end of the 3rd quarter of the year, internal audit have commenced/completed 28 audits. This equates to 60% of the revised annual audit plan (specific reviews). In addition to the specific reviews, a total of twelve implementation reviews and ten further implementation reviews have been completed for the financial year to date. Three implementations reviews and two further implementation review were completed in the second quarter.

The service also reports quarterly on the percentage of draft reports issued within 15 working days of the completion of fieldwork. All (100%) of the draft reports issued in this quarter of the year were issued within this deadline.

3. AUDIT REVIEWS COMPLETED 2017/18

Twelve audits were finalised within the quarter. **Appendix 2** details the number of recommendations made. A total of 29 recommendations were made in the third quarter with 28 (97%) of the recommendations being accepted by management.

The service revisits areas it has audited around 6 months after agreeing a final report on the audit, to test and report to management on the extent to which agreed actions have been taken. Three first implementation reviews and two second implementation reviews were completed during the third quarter of 2017/18. **Appendix 3** details the implementation progress to date for the third quarter of the financial year with 38% (18/48) implemented/partially implemented at 1st implementation review. Due to the number of recommendations not implemented at the implementation review, management have been asked to provide assurance and a status update on the outstanding recommendations to date. The 30 outstanding recommendations relate to the Electronic Document & Records

Management System (EDRMS) – 14 recommendations and the Freedom of Information Act (FOIA) – 16 recommendations. The Director – Technology & Corporate Programmes has given the following update:

“We are in the process of rescoping the EDRMS implementation. At the stage that we commissioned the initial implementation, we had technological restrictions which required investment. That work was completed in October and we subsequently met with Civica in November to re-open the discussions regarding our respective changed environments. We are currently working together with a view for a revised implementation to commence in April.

Regarding the FOIA work, we are drafting a specification for a new solution. The current solution was written by the previous Information Security Manager and has limitations in its operation. We have spoken with other local authorities to understand solutions in place and how effective they are and will be seeking to procure or develop a replacement solution from April. “ Internal Audit will complete their planned second implementation reviews as timetabled to confirm this.

For the second implementation reviews completed, 43% (3/7) of the recommendations were implemented/partially implemented. Two recommendations not implemented at 2nd implementation review were high priority and management have agreed revised implementation dates for all outstanding recommendations. Internal Audit is fairly satisfied with the progress made by management to reduce the level of risk and its commitment to progress the outstanding issues.

4. INDEPENDENCE OF THE INTERNAL AUDIT ACTIVITY

Attribute Standards 1110 to 1130 in the Public Sector Internal Audit Standards require that Internal Audit have organisational and individual independence and specifically state that the head of Internal Audit Services must confirm this to the Audit & Governance Committee at least annually. As performance is reported quarterly, this confirmation will be provided quarterly.

The Head of Internal Audit Services confirms that Internal Audit is operating independently of management and is objective in the performance of internal audit work.

OVERALL CURRENT INTERNAL AUDIT OPINION

I am satisfied that sufficient internal audit work has been undertaken to allow us to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation’s Risk Management, Control and Governance processes.

Overall in my opinion, based upon the reviews performed during the second quarter of the 2017/18 financial year, the Authority has:

- Adequate and effective risk management arrangements;
- Adequate and effective governance; and
- Adequate and effective control processes.

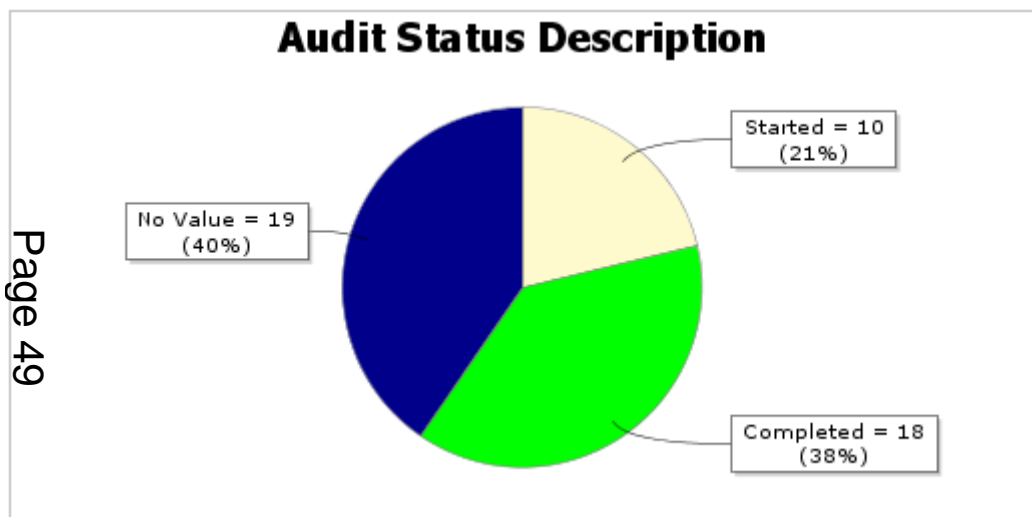
Specific issues:

There were no specific issues highlighted through the work of Internal Audit in the third quarter of the 2017/18 financial year that would need to be highlighted as a corporate risk.

Angela Struthers,
Head of Internal Audit Services

Internal Audit Performance Report 17/18 Quarter 3

Report Type: Audit File Report
 Report Author: Angela Struthers
 Generated on: 02 January 2018




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Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title	Audit Assurance Level Status Icon
Housing Services	Housing & Health			Risk based review	
Insurance	Finance	✓	Completed	System based review	✓
Housing Repairs – Final Accounts	Housing & Health	✓	Completed	Main financial system – interim	
Main Accounting &	Finance			Main financial system –	

Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title	Audit Assurance Level Status Icon
Budgetary Control				full	
Creditors & Procurement – Interim	Finance	✔	Started	Main financial system – interim	
Debtors	Finance			Main financial system – full	
Council Tax	Finance	✔	Completed	Main financial system – interim	✔
NNDR	Finance	✔	Started	Main financial system – interim	
Payroll	Transformation & Corporate Performance			Main financial system – interim	
Bank Reconciliation & Cash Collection	Finance	✔	Completed	Main financial system – interim	✔
Housing & Council Tax Benefits	Finance			Main financial system – interim	
Capital Strategy & Programme Management	Finance			Main financial system – full	
Housing Rents	Housing & Health	✔	Started	Main financial system – interim	
Property Contracts QTR 1	Assets & Environment	✔	Completed	Main financial system – interim	✔ OK
Property Contracts QTR 2	Assets & Environment	✔	Completed	Main financial system – interim	⚠ Warning
Property Contracts QTR 3	Assets & Environment	✔	Started	Main financial system – interim	

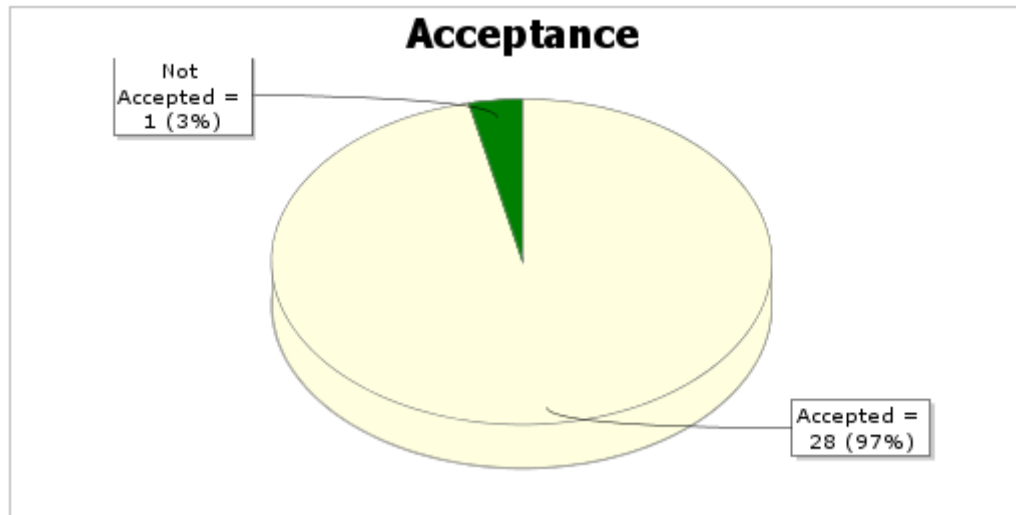
Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title	Audit Assurance Level Status Icon
Property Contracts QTR 4	Assets & Environment			Main financial system – interim	
Housing Repairs – New Contract	Housing & Health			Additional System Based Review	
Taxi Licences	Assets & Environment	✓	Started	System based review	
Scheme of Delegation	Solicitor & Monitoring Officer	✓	Completed	Risk based review	⚠
Democratic Services business continuity arrangements	Solicitor & Monitoring Officer	✓	Started	System based review	
VAT	Finance	✓	Completed	Risk based review	✓
Corporate Policy Management	Corporate	✓	Started	System based review	
Performance Management	Transformation & Corporate Performance			System based review	
Time Recording & Absence Management	Transformation & Corporate Performance	✓	Completed	Risk based review	⚠
Community Wardens – health & safety	Assets & Environment	✓	Completed	Risk based review	✓
Equalities	Transformation & Corporate Performance	✓	Started	System based review	
Joint Service Provision/SLA's	Corporate			System based review	
Safeguarding	Solicitor & Monitoring Officer	✓	Completed	System based review	⚠

Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title	Audit Assurance Level Status Icon
Emergency Planning	Corporate	✔	Started	System based review	
Network Controls	Technology & Corporate Programmes			Information Technology	
EFin Application Review	Technology & Corporate Programmes			Information Technology	
Websites	Technology & Corporate Programmes			Information Technology	
Orchard Application Review	Technology & Corporate Programmes			Information Technology	
IT Governance	Technology & Corporate Programmes			Information Technology	
Pension Contributions End of year 2016/17	Transformation & Corporate Performance	✔	Completed	Transactional	✔
DFG Testing	Assets & Environment	✔	Completed	Transactional	✔
Municipal Charities	Corporate	✔	Completed	Transactional	
Treasury Management QTR 4 2016/17	Finance	✔	Completed	Main financial system – interim	✔
Treasury Management QTR 1 2017/18	Finance	✔	Completed	Main financial system – interim	✔
Treasury Management QTR 2 2017/18	Finance	✔	Completed	Main financial system – interim	✔
Treasury Management QTR 3 2017/18	Finance			Main financial system – interim	
Pension Contributions Interim Testing	Transformation & Corporate Performance	✔	Completed	Transactional	✔

Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title	Audit Assurance Level Status Icon
CX Air Application Review	Technology & Corporate Programmes		Started	Information Technology	
Street Scene	Assets & Environment			Risk based review	
Commercial & Industrial Properties	Assets & Environment			Consultancy	
GDPR	Technology & Corporate Programmes			Additional System Based Review	

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Percentage of Management Actions Agreed Quarter 3

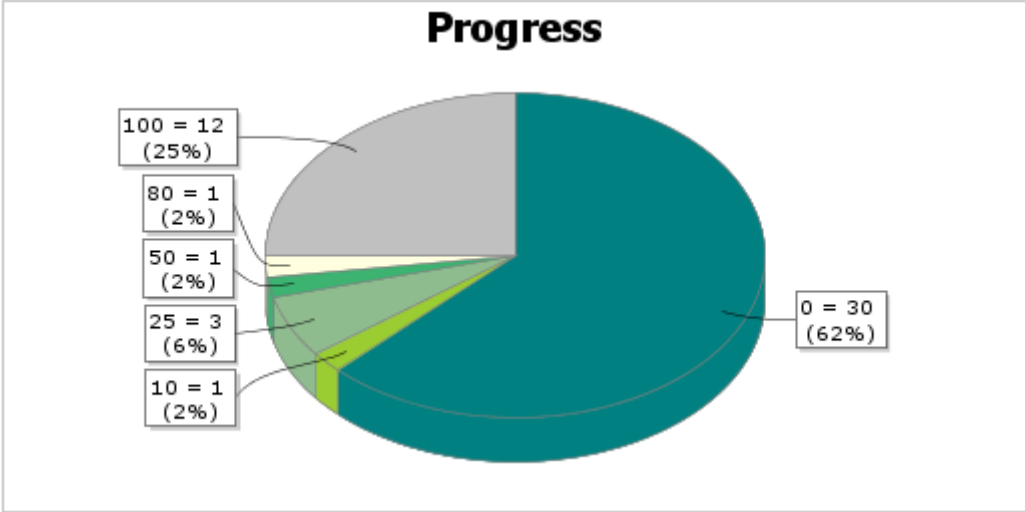


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Audit Recommendation Code & Title	Audit Recommendation Priority	Audit Recommendation Acceptance
1718 Time Rec 13 Working Time Directive – Lunch Breaks	High Priority	Not Accepted

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Implementation Review 2017/18 Quarter 3



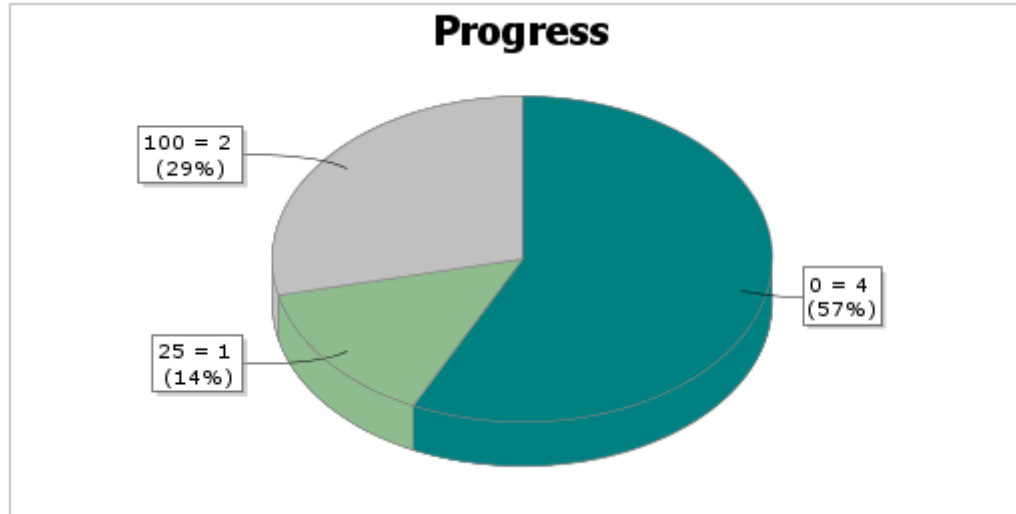
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Audit Recommendation Code & Title	Recommendation Priority	Recommendation Progress	Reason Not Implemented	Implementation Review completed	Revised Date for Implementation
1617 DIP 01.01 Security functionality	High Priority	0%	Other Higher Priorities	1st implementation review completed	31-Dec-2017
1617 DIP 01.02 Review of security functionality	High Priority	0%	Other Higher Priorities	1st implementation review completed	31-Dec-2017
1617 DIP 02.01 Security Approach	High Priority	0%	Reliance on 3rd Party - Internal	1st implementation review completed	31-Mar-2018
1617 DIP 08.01 Validity of Contract	High Priority	0%	Other Higher Priorities	1st implementation review completed	31-Mar-2018

Audit Recommendation Code & Title	Recommendation Priority	Recommendation Progress	Reason Not Implemented	Implementation Review completed	Revised Date for Implementation
1617 DIP 08.03 Review of Services	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Mar-2018
1617 FOI 02.02 Process Efficiency	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	30-Nov-2018
1617 FOI 05.01 Complaints	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Dec-2017
1617 FOI 10.01 Records Management Policy	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-May-2018
1617 FOI 11.01 Fees & Charges	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	30-Sep-2018
1617 FOI 15.02 All staff Training	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	30-Nov-2017
1617 FOI 16.02 Policies	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Dec-2017
1617 FOI 3.01 Publication Scheme	High Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	28-Feb-2018
1617 DIP 03.01 Audit Log	Medium Priority	<input type="text" value="0%"/>			31-Dec-2017
1617 DIP 04.01 Controls	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	30-Apr-2018
1617 DIP 04.03 Procedures	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	30-Apr-2018
1617 DIP 05.02 Roles & Responsibilities	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	30-Apr-2018
1617 DIP 05.04 Security admin procedures	Medium Priority	<input type="text" value="0%"/>	Staffing Resources – Temporary	1st implementation review completed	31-Dec-2017

Audit Recommendation Code & Title	Recommendation Priority	Recommendation Progress	Reason Not Implemented	Implementation Review completed	Revised Date for Implementation
1617 DIP 05.05 Security Protocol	Medium Priority	<input type="text" value="0%"/>	Staffing Resources – Temporary	1st implementation review completed	30-Apr-2018
1617 DIP 06.01 Restart/ Recovery Procedures	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Mar-2018
1617 DIP 07.01 User Documentation	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Dec-2017
1617 DIP 08.04 New Releases/ Patches	Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – External	1st implementation review completed	31-Dec-2017
1617 FOI 01.01 Guidance to the public	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Dec-2017
1617 FOI 01.01 Information Practice	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	28-Feb-2018
1617 FOI 04.01 Code of Practice	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	30-Nov-2018
1617 FOI 08.01 Business Continuity Arrangements	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Mar-2018
1617 FOI 09.01 Review	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Mar-2018
1617 FOI 16.03 Intranet Information	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-Mar-2018
1617 FOI 17.01 Service Standards	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-May-2018
1617 FOI 18.01 Public Interest Test Group	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	31-May-2018
1617 FOI 19.01 Website	Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities	1st implementation review completed	28-Feb-2018

Further Implementation Review 2017/18 Quarter 3



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Audit Recommendation Code & Title	Recommendation Priority	Recommendation Progress	Reason Not Implemented	Implementation Review completed	Revised Date for Implementation
1516 PMF 04 Consultation	High Priority	0%	Other Higher Priorities	2nd implementation review completed	31-Mar-2018
1617 ITP&EC 1.02 GCSx Accounts	High Priority	0%	Other Higher Priorities	2nd implementation review completed	31-Dec-2017
1516 PMF 09 Customer Complaints/ Service Feedback	Medium Priority	0%	Other Higher Priorities	2nd implementation review completed	31-Mar-2018
1617 ITP&EC 4.03 Disposed Asset Locations	Medium Priority	0%	Other Higher Priorities	2nd implementation review completed	31-Dec-2017

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of the Local Government Act 1972.

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