

NON-CONFIDENTIAL



Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

19 May 2011

Dear Councillor

A Meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 26th May, 2011 at 6.00 pm**. Members of the Committee are requested to attend.

Yours faithfully

A handwritten signature in black ink, appearing to be 'A. G. S.', with a flourish at the end.

A G E N D A

NON CONFIDENTIAL

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

To receive any declarations of Members' interests (personal and/or personal and prejudicial) in any matters which are to be considered at this meeting.

When Members are declaring a personal interest or personal and prejudicial 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 personal and prejudicial interest in respect of which they do not have a dispensation.

6 Communication with the Auditor Tamworth Borough Council Audit 2010/11
(Pages 5 - 20)

Report of the Audit Commission

7 Internal Audit Quarterly Report 2010/11 (Pages 21 - 28)

Report of the Head of Internal Audit Services

8 Counter Fraud & Corruption 2010/11 (Pages 29 - 50)

Report of the Head of Internal Audit

9 Virements Update

Verbal Update

People who have a disability and who would like to attend the meeting should contact Democratic Services on 01827 709267 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

MINUTES OF A MEETING OF THE AUDIT & GOVERNANCE COMMITTEE

HELD ON 31st MARCH 2011

PRESENT: Councillors – Mrs M Gant (Chair), R Cook, J Faulkner, and S Nicklin

Officers – John Wheatley, Corporate Director Resources; Stefan Garner, Deputy Director Corporate Finance, Exchequer and Revenues; Jane Hackett, Solicitor to the Council and Monitoring Officer; Angela Struthers, Head of Internal Audit Services and Lara Allman, Democratic and Elections Services Assistant.

Visitors - Audit Commission – Joan Barnett
James Cook

547 APOLOGIES

Councillor S Munn

548 MINUTES

The minutes of the meeting held on 17th February 2011 were approved and signed as a correct record.

549 DECLARATIONS OF INTEREST

There were no declarations of interest.

550 OPINION AUDIT PLAN 2010/11

The Report of the Audit Commission was considered.

Resolved That the contents of the Report be endorsed.

551 CHANGES TO FINANCIAL GUIDANCE

The Report of the Head of Internal Audit Service seeking Member approval of the recently reviewed Financial Guidance which forms an important part of the Council's regulatory framework, and to provide an opportunity for members of the Committee to raise any issues they consider appropriate on the subject was considered.

Resolved: That:

- 1) The amendment of job titles to show the current structure be approved;
- 2) The updates to the Treasury Management and Prudential Code be approved;
- 3) Authorisation of virements extended to Heads of Service (as Budget Holders) and the level of virement from £25,000 to £30,000 and the ability for Directors to authorise virements across budgets within service areas and between Directorates up to £30,000, The Corporate Director – Resources to authorise virements up to £50,000 in line with the Constitution be authorised;
- 4) All leases, rentals or agreements involving the use of assets to or from the Authority are to be notified to the Corporate – Resources Leases to be signed by the Corporate Director – Resources;
- 5) The changes to the Procurement and Contracts section to include the changes to the procurement requirement values be approved;
- 6) The new sections on Voluntary & Community Sector Commissioning Framework and Data Quality be approved.

552 INTERNAL AUDIT STRATEGY AND PLAN 2011-2012

The Report of the Internal Audit Services advising Members of the proposed Internal Audit Strategy and Plan for 2011-12, to provide members with assurance on the appropriate operation of Internal Audit was considered.

Resolved That the Committee considered the Internal Audit Strategy and Plan 2011-12.

553 SCHEME OF DELEGATION

The Report of the Solicitor to the Council and Monitoring Officer seeking the Committee's comments and endorsement to the proposed draft Officer Scheme of Delegation was considered.

Resolved That the Scheme of Delegation be adopted following Full Council in May 2011.

554 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Report of the Solicitor to the Council and Monitoring Officer was considered.

Resolved That the Committee endorsed the quarterly RIPA monitoring report.

555 FINAL ACCOUNTS 2010/11 – ACTION PLAN

The Report of the Deputy Director Corporate Finance, Exchequer and Revenues providing an outline of the Corporate requirements that will need to be achieved in order to produce the Council's Annual Statement of Accounts for 2010/11 (including deadlines but not including detailed responsibilities) and to obtain Corporate commitment to the action plan was considered.

Resolved: That:

- 1) the target of 10th June 2011 for closure of the final accounts and production of a draft statement for 2010/11 be approved;
- 2) staffing resources be committed to the provision of appropriate information and support in order to meet the published timescales and the Committee receive progress updates (if required);
- 3) the Statement be presented to the Audit & Governance Committee on or around 22nd September 2011 (or the contingency date of 29th September 2011

556 Treasury Management Strategy

The Report of the Corporate Director Resources seeking to review the Treasury Management Strategy and Policies approved by Council on 22nd February 2011 was considered.

Resolved That the Committee endorsed the Treasury Management Strategy Report.

557 Audit & Governance Committee Self Assessment 2011

The Audit & Governance Committee Self Assessment 2011 was endorsed.

Chair
26th May 2011

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Communication with the Auditor

Tamworth Borough Council

Audit 2010/11

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The Audit Commission is an independent watchdog, driving economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone.

Our work across local government, health, housing, community safety and fire and rescue services means that we have a unique perspective. We promote value for money for taxpayers, auditing the £200 billion spent by 11,000 local public bodies.

As a force for improvement, we work in partnership to assess local public services and make practical recommendations for promoting a better quality of life for local people.

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Introduction

The purpose of this report is to ensure there is effective two-way communication between the Council's Audit & Governance Committee, who are 'those charged with governance' and the District Auditor, the Council's external auditor.

1 As your external auditor I have a responsibility under professional auditing standards to ensure there is effective communication with the Audit & Governance Committee. This means developing a good working relationship with Committee members, while maintaining my independence and objectivity. If this relationship works well it helps me obtain information relevant to my audit and helps Audit & Governance Committee members to fulfil their financial reporting responsibilities. The overall outcome is to reduce the risk of material misstatement.

2 In planning and performing my audit of the financial statements I need to understand how the Audit & Governance Committee, supported by the Council's management, meets its responsibilities in the following areas.

- Fraud
- Law and regulation
- Going concern
- Related parties
- Accounting for estimates

3 This report summarises the Audit & Governance Committee's, management's and the external auditor's responsibilities in each of these areas, as explained in the International Standards on Auditing (UK and Ireland) (ISAs). My primary responsibility is to consider the risk of material misstatement.

4 Each section of the report includes a series of questions that management have responded to. I would like to ask the Audit & Governance Committee to consider these responses to me and confirm that they are satisfied with the arrangements.

Fraud Risk Assessment

5 The ISAs define fraud as:

"An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage."

[ISA (UK&I) 240, paragraph 11]

6 The primary responsibility to prevent and detect fraud is with the Audit & Governance Committee and the Council's management. To do this:

- management need to ensure there is a strong emphasis on fraud prevention and deterrence, with a commitment to honest and ethical behaviour; and
- the Audit & Governance Committee oversight needs to includes the potential for the override of controls and inappropriate influence over the financial reporting process.

7 As your auditor my overall responsibility is to ensure the Council's financial statements are free from material misstatement due to either fraud or error. I am required to maintain professional sceptism throughout the audit, which means considering the potential for the intentional manipulation of the financial statements.

8 I am also required to carry out a fraud risk assessment to inform my audit approach. This includes considering the following.

- How management assesses the risk of material misstatement in the financial statements due to fraud.
- Management's response to assessed fraud risk, including any identified specific risks.
- How management communicates its process for assessing and responding to fraud risk to the Audit & Governance Committee.
- How management communicates its views on ethical behaviour to Officers.
- How the Audit & Governance Committee exercises oversight of managements fraud risk assessment and response processes and the internal controls to mitigate these risks.
- What knowledge the Audit & Governance Committee has of actual, alleged or suspected fraud.

9 To help me in making my fraud risk assessment management have responded to the following questions.

Table 1: **Fraud Risk Assessment**

| Question | Management Response |
|--|---------------------|
| 1. Management’s assessment of the risk of material misstatement in the financial statements due to fraud. | <i>To follow</i> |
| 2. Are you aware of any instances of fraud, either within the Authority as a whole or within specific departments since 1 April 2010? | <i>To follow</i> |
| 3. Do you suspect fraud may be occurring, either within the Authority or within specific departments? <ul style="list-style-type: none"> – Have you identified any specific fraud risks? – Do you have any concerns there are areas that are at risk of fraud? – Are there particular locations within the Authority where fraud is more likely to occur? | <i>To follow</i> |
| 4. Are you satisfied that internal controls, including segregation of duties, exist and work effectively? <ul style="list-style-type: none"> – If not where are the risk areas? – What other controls are in place to help prevent, deter or detect fraud? | <i>To follow</i> |
| 5. How do you encourage staff to report their concerns about fraud? <ul style="list-style-type: none"> – What concerns are staff expected to report about fraud? | <i>To follow</i> |
| 6. From a fraud and corruption perspective, what are considered to be high-risk posts? <ul style="list-style-type: none"> – How are the risks relating to these posts identified, assessed and managed? | <i>To follow</i> |
| 7. Are you aware of any related party relationships or transactions | <i>To follow</i> |

| Question | Management Response |
|---|-------------------------|
| <p>that could give rise to instances of fraud?</p> <ul style="list-style-type: none"> – How do you mitigate the risks associated with fraud related to related party relationships and transactions? | |
| <p>8. What arrangements are in place to report fraud issues to Audit & Governance Committee?</p> | <p><i>To follow</i></p> |

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Law and Regulation

10 The ISAs (ISA (UK&I) 250) require me to consider the impact that law and regulation and litigation may have on the Council's financial statements. The factors that may result in particular risks of material misstatement due to fraud or error are:

- the operational regulatory framework - this covers the legislation that governs the operations of the Authority;
- the financial reporting framework - according to the requirements of International Financial Reporting Standards, the Code of Accounting for Local Authorities in England and relevant Directions;
- taxation considerations - for example compliance with Value Added Tax and Income Tax regulations;
- government policies that otherwise impact on the Council's business;
- other external factors; and
- litigation and claims against the Authority.

11 Where I become aware of information about a possible instance of non-compliance I need to gain an understanding of it to evaluate the possible effect on the financial statements.

12 The ISAs also require me to make enquiries of management and the Audit & Governance Committee about the arrangements in place to comply with law and regulation. To help me management have responded to the following questions.

Table 2: **Law and Regulation**

| Question | Management Response |
|--|---------------------|
| 1. How does management gain assurance that all relevant laws and regulations have been complied with. | <i>To follow</i> |
| 2. How is the Audit & Governance Committee provided with assurance that all relevant laws and regulations have been complied with. | <i>To follow</i> |
| 3. Have there been any instances of non-compliance with law and regulation since 1 April 2010. | <i>To follow</i> |
| 4. Is there any actual or potential litigation or claims that would affect the financial statements. | <i>To follow</i> |

Going Concern

13 Going concern' is a key concept in the preparation of the financial statements for the Authority. The accounting concept of going concern refers to the basis of measurement of an organisation's assets and liabilities in its accounts (that is, the basis on which those assets and liabilities are recorded and included in the accounts).

14 The going concern assumption is a fundamental principle in the preparation of financial statements. Entities are viewed as continuing in business for the foreseeable future. Assets and liabilities are recorded on the basis that the entity will be able to realise its assets and discharge its liabilities in the normal course of business. If the entity could not continue as a going concern, assets and liabilities would need to be recorded in the accounts on a different basis, reflecting their value on the winding up of the entity. Consequently, assets would be likely to be recorded at a much lower break-up value and medium- and long-term liabilities would become short-term liabilities.

15 The Authority is not subject to the same future trading uncertainties as private sector entities. However, consideration of the key features of the going concern provides an indication of the Council's financial resilience. It may indicate that some classes of assets or liabilities should not be valued on an ongoing basis.

16 I discuss the going concern assumption with key Authority officers and review the Council's financial and operating performance. Below are key questions on the going concern assumption which I would like the Audit & Governance Committee to consider.

Table 3: **Going Concern**

| Question | Response |
|--|------------------|
| 1. Has a report been received from management forming a view on going concern? | <i>To follow</i> |
| 2. Are the financial assumptions in that report (e.g., future levels of income and expenditure) consistent with the Council's Business Plan and the financial information provided to the Authority throughout the year? | <i>To follow</i> |

| Question | Response |
|---|-------------------------|
| <p>3. Are the implications of statutory or policy changes appropriately reflected in the Business Plan, financial forecasts and report on going concern?</p> | <p><i>To follow</i></p> |
| <p>4. Have there been any significant issues raised with the Audit & Governance Committee during the year which could cast doubts on the assumptions made? (Examples include adverse comments raised by internal and external audit regarding financial performance or significant weaknesses in systems of financial control).</p> | <p><i>To follow</i></p> |
| <p>5. Does a review of available financial information identify any adverse financial indicators including negative cash flow or poor or deteriorating performance against the better payment practice code? If so, what action is being taken to improve financial performance?</p> | <p><i>To follow</i></p> |
| <p>6. Does the Authority have sufficient staff in post, with the appropriate skills and experience, particularly at senior manager level, to ensure the delivery of the Council's objectives? If not, what action is being taken to obtain those skills?</p> | <p><i>To follow</i></p> |

Accounting Estimates

17 Local Authorities need to apply appropriate estimates in the preparation of their financial statements. ISA (UK&I) 540 sets out requirements for auditing accounting estimates. The objective is to gain evidence that the accounting estimates are reasonable and the related disclosures are adequate.

18 Under this standard I have to identify and assess the risks of material misstatement for accounting estimates by understanding how the Authority identifies the transactions, events and conditions that may give rise to the need for an accounting estimate.

19 Accounting estimates are used when it is not possible to measure precisely a figure in the accounts. We need to be aware of all estimates that the Authority are using as part of their accounts preparation; these are detailed in appendix 1 to this report.

20 The audit procedures we conduct on the accounting estimate will demonstrate that:

- the estimate is reasonable; and
- estimates have been calculated consistently with other accounting estimates within the financial statements.

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Related Parties

21 For local government bodies, the Code of Practice on Local Authority Accounting in the United Kingdom 2010/11 (the Code) requires compliance with IAS 24: Related party disclosures. Paragraph 3.9.2.5 of the Code identifies the following as related parties to local government bodies:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by the authority (i.e. subsidiaries);
- associates;
- joint ventures in which the authority is a venturer;
- an entity that has an interest in the authority that gives it significant influence over the authority;
- key management personnel, and close members of the family of key management personnel, and
- post-employment benefit plan (pension fund) for the benefit of employees of the authority, or of any entity that is a related party of the authority.

22 Paragraph 3.9.1.3 of the Code notes that, in considering materiality, regard should be had to the definition of materiality, which requires materiality to be judged from the viewpoint of both the authority and the related party.

23 ISA (UK&I) 550 requires me to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. I will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Table 4: **Related Parties**

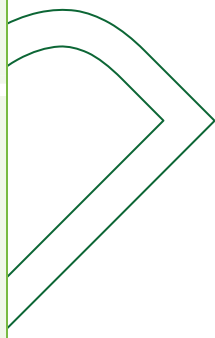
| Question | Response |
|---|------------------|
| 1. Who are the Council's related parties? | <i>To follow</i> |
| 2. What are the controls in place to identify, account for, and disclose, related party transactions and relationships? | <i>To follow</i> |

Appendix 1 Accounting Estimates

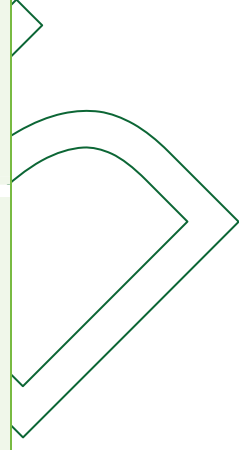
Table 5: Accounting Estimates

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether Management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in-year? |
|---|--|-------------------------------------|--|--|---|
| Property plant & equipment valuations | | | | | |
| Estimated remaining useful lives of PPE | | | | | |
| Depreciation | | | | | |
| Amortisation | | | | | |
| Impairments | | | | | |
| Disposals & Non-current assets held for | | | | | |

| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether Management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in-year? |
|--|--|-------------------------------------|--|--|---|
| sale | | | | | |
| Non adjusting events - events after the Balance Sheet date | | | | | |
| Overhead allocation | | | | | |
| Measurement of Financial Instrument fair values | | | | | |
| Bad Debt Provision | | | | | |
| Provisions for liabilities | | | | | |
| Accruals | | | | | |
| Landfill Allowance liability | | | | | |
| Finance lease | | | | | |



| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether Management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in-year? |
|---|--|-------------------------------------|--|--|---|
| liabilities | | | | | |
| Long term obligations under, for example, PFI schemes | | | | | |
| Employment Benefits: -Holiday pay accrual -Termination benefits -Post-employment benefits -Discretionary benefits | | | | | |
| Defined benefit pension amounts and disclosures | | | | | |
| Contingent Assets | | | | | |
| Contingent Liabilities | | | | | |



| Estimate | Method / model used to make the estimate | Controls used to identify estimates | Whether Management have used an expert | Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates | Has there been a change in accounting method in-year? |
|--------------------------------|--|-------------------------------------|--|--|---|
| NDR payment to/from Government | | | | | |
| Authority tax surplus/deficit | | | | | |



AUDIT & GOVERNANCE COMMITTEE

26th May 2011

Report of the Head of Internal Audit Services

INTERNAL AUDIT QUARTERLY REPORT 2010/11

Purpose

To report on the outcome of Internal Audit's review of the internal control, risk management and governance framework in the 4th quarter of 2010/11 - 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.

Executive Summary

The Accounts and Audit Regulations 2003 (as amended) 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 featuring in the AGS is the professional opinion of the Head of Internal Audit on the outcome of her services' review of the framework. Professional good practice recommends that this opinion be given periodically throughout the year to inform the annual opinion statement. At Tamworth Borough Council this opinion is currently given quarterly.

The Head of Internal Audit Services quarterly statement opinion as at the end of quarter 4, and for 2010/11, is set out in the attached document, and the opinion is set out below.

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment at this time is that "some assurance" can be given. Where significant deficiencies in internal control have been formally identified by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit's opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily required to be presented with the annual Statement of Accounts.

Specific issues:

No specific issues have been highlighted through the work undertaken by Internal Audit during 2010/11.

For easy reference, performance against 2 key performance indicators for the service is set out in graphical form in Appendices 1 (% of draft reports issued within timeliness target) and 2 (% of audit recommendations agreed by management). The proportion of agreed management actions found to have been implemented is also shown graphically in Appendix 3.

Implications of this report

While there are no direct implications in relation to community/performance planning, sustainable development, community safety, equal opportunities or human rights, this report refers to the internal review of the framework of governance, risk management and internal control within the organisation. Such review should, over time, help to contribute to improvements in many of these areas.

Recommendations

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

“If Members would like further information or clarification prior to the meeting please contact Angela Struthers, Head of Internal Audit Services on Ext.234”

INTERNAL AUDIT ANNUAL REPORT/QUARTERLY REPORT – Q4 2010/11

1. INTRODUCTION

Internal Audit is an assurance function that primarily provides an independent and objective opinion to the organisation on the control environment comprising risk management, control and governance by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources. 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 draft reports on these where possible/necessary. As in previous years it is expected that not all 66 planned areas of audit work will remain to be delivered for various reasons, eg due to changes within services, delays to projects, or reasonable requests to delay from managers due to unexpected demands or resource problems eg sickness. The service thus plans to complete 90% of those audits that are deliverable in the year.

The Internal Audit service has completed or has underway 58 audit areas of work. Of the 66 audits planned to be completed in this quarter, 9 of these have been postponed until a later date for agreed service reasons. The Internal Audit Service has completed works in additional areas as requested by management. As previously described, the plan has been actively managed to seek to ensure delivery of good practice levels over the year. Areas of audit work include the planned audits of systems plus activities that contribute to the overall governance of the authority.

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 9 draft reports issued in this quarter of the year were issued within this deadline, compared to a PI target of 87.5%. The service continues to exceed the 87.5% target on an ongoing basis (see graph at Appendix 1).

The Head of Internal Audit Services is responsible for ensuring that the work of the service is of appropriate quality to meet professional standards, and has in place, on an ongoing basis, a number of processes to meet this aim. For instance, there is an Audit Manual in place to guide auditors in their work, the Head of Internal Audit Services carries out independent review of auditors work to ensure professional standards are met, the service benchmarks its performance against other such services in the region, quality control questionnaires are issued to managers for their view on the work of the service, and so on. The service is also subject to review by the external auditor, who places reliance on the work of the service. It is considered that the service continues to ensure professional standards are in place, and indeed in its move to risk based auditing is ahead of most other similar audit services in the region in adopting emerging good practice.

3. AUDIT REVIEWS COMPLETED QUARTER 4 2010/11

Internal Audit carries out reviews in compliance with its approved annual Audit Plan and additional areas where necessary, and reports on these to management in accordance with

its approved Reporting Protocol. The audits finalised since the previous quarterly report were as shown below and detail the number of recommendations made and their priority.

| | H | M | L | No Agreed |
|-----------------------------|---|----|---|-----------|
| • Treasury Management | - | - | - | N/A |
| • Debtors | - | 2 | - | 2 |
| • NNDR | 3 | 20 | - | 23 |
| • Payroll | - | 18 | - | 15 |
| • Housing Rents | 4 | 11 | - | 15 |
| • Legislation | - | 10 | - | 10 |
| • VAT | 3 | 15 | - | 16 |
| • Economic Development | 1 | - | - | 1 |
| • Software Asset Management | 5 | 14 | 2 | 21 |

As part of each audit review, recommendations are made where necessary to address areas where the Internal Audit service considers controls, or compliance with controls, could be improved to help to manage risks to service objectives and ensure service objectives are met.

Accordingly a total of 108 new audit recommendations was made in this quarter of which 103 (95.4%) were agreed by management (this is the third main service PI – see Appendix 2. Appendix 2.1 shows the number of recommendations made and agreed). Internal Audit is satisfied with the management responses received to the recommendations made in this period. Each audit will be reviewed within the specified time scale and the implementation status of the audit recommendations reported.

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. Work in this quarter to review the level of implementation of recommendations previously agreed found that of 6 recommendations due to be implemented, 6 (100%) had been implemented or partially implemented in the agreed timescale (Appendix 3). Internal Audit is fairly satisfied with the progress made by management to reduce the levels of risk through the year. It is not considered that there are any areas of major concern that should be brought to the Committee's attention in this respect at this time, and the service will continue to monitor the situation.

4. OVERALL CURRENT INTERNAL AUDIT OPINION

Based on the ongoing work carried out by and on behalf of Internal Audit and other sources of information and assurance, my overall opinion of the control environment at this time is that "some assurance" can be given. Where significant deficiencies in internal control have been formally identified by management, Internal Audit or by external audit or other agencies, management have given assurances that these have been or will be resolved in an appropriate manner. Such cases will continue to be monitored. Internal Audit's opinion is one of the sources of assurance for the Annual Governance Statement which is statutorily required to be presented with the annual Statement of Accounts.

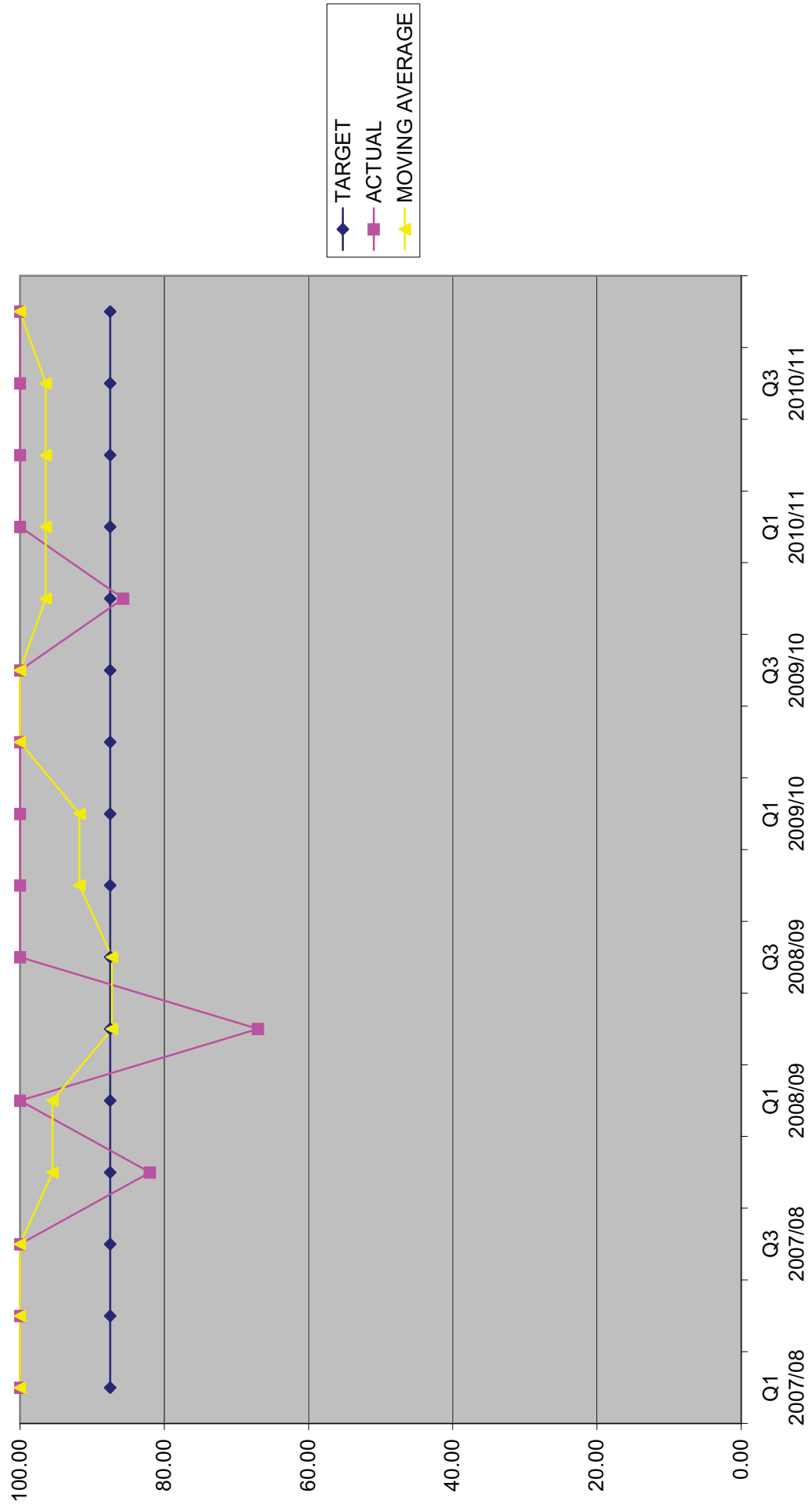
Specific issues:

There were no specific issues highlighted through the work of Internal Audit in the fourth quarter of the 2010/11 financial year

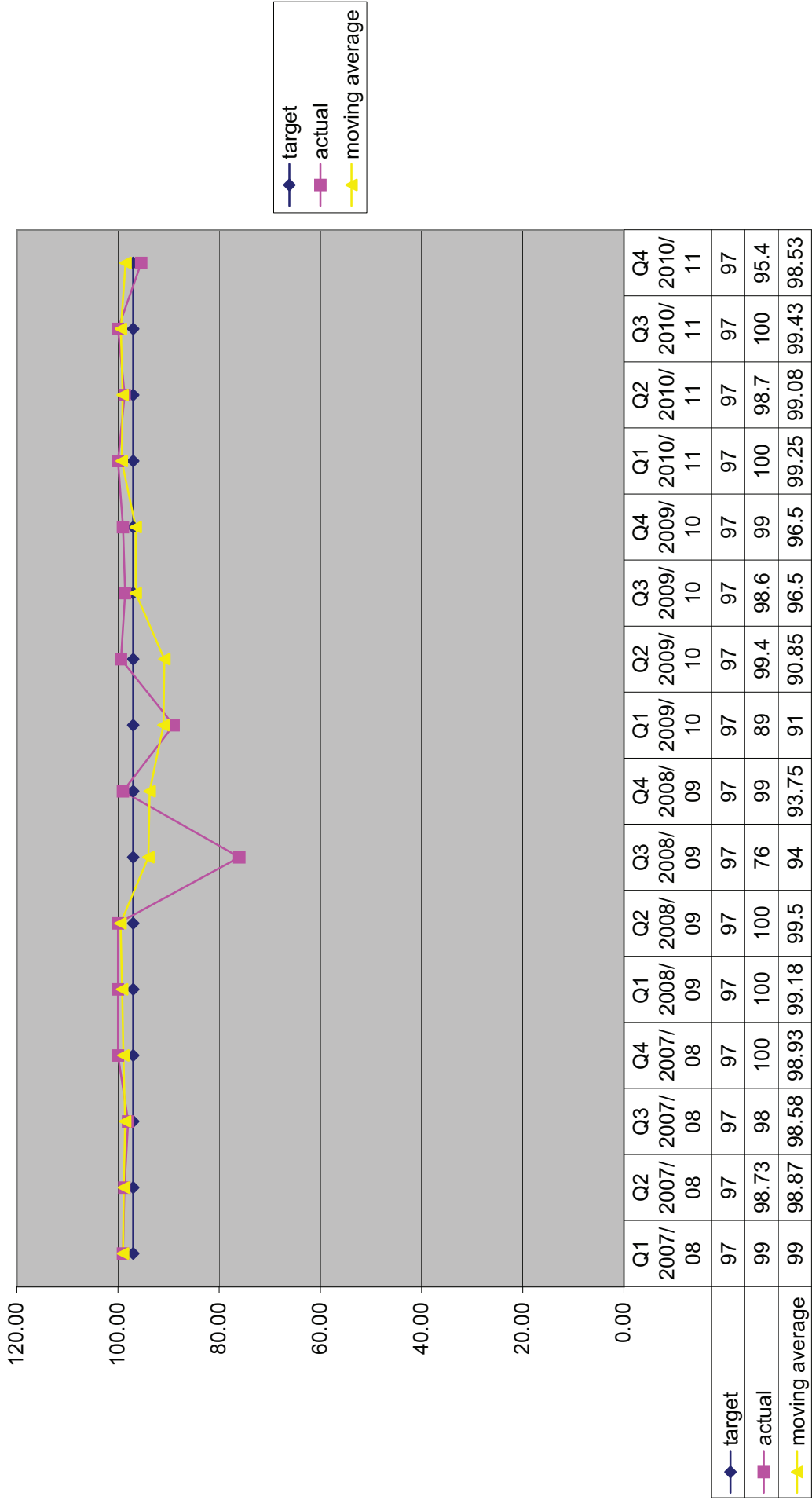
Angela Struthers,
Head of Internal Audit Services

Appendix 1

Percentage of draft reports issued within 15 days

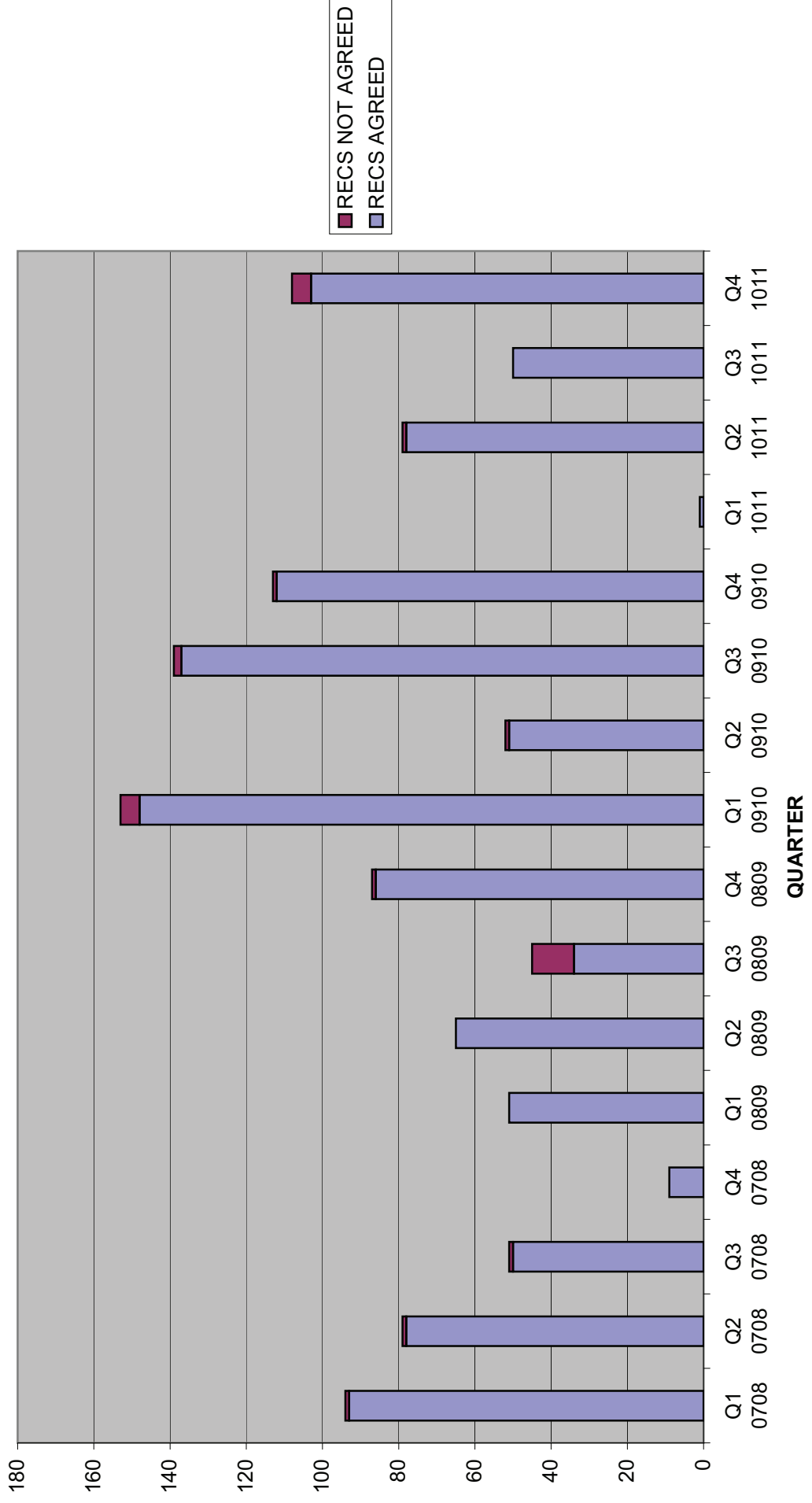


Appendix 2 Percentage of management actions agreed



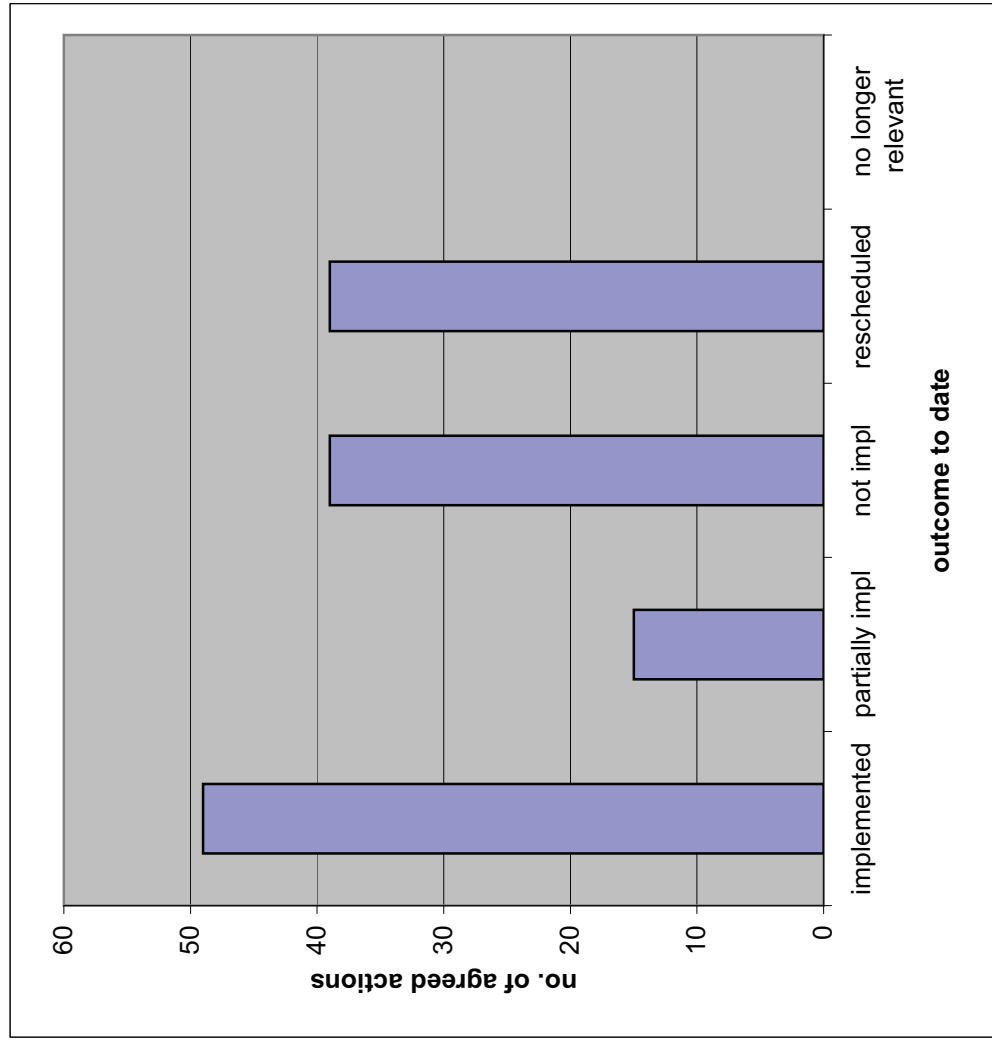
Appendix 2.1

MANAGEMENT ACTIONS AGREED BY NUMBER



Appendix 3

Proportion of agreed management actions implemented 2009/10



AUDIT & GOVERNANCE COMMITTEE

26th May 2011

Report of the Head of Internal Audit Services

COUNTER FRAUD & CORRUPTION 2010/11

Purpose

To report on the counter fraud & corruption work completed to date.

Executive Summary

The Audit Commission published a report "Protecting the Public Purse" in September 2009 (updated in October 2010) which considers key fraud risks and pressures facing councils and related bodies and identifies good practice in fighting fraud. The Audit Commission have produced a checklist for those responsible for governance which they recommend usage to assess the effectiveness of the Council's current counter-fraud arrangements. The checklist has been reproduced at Appendix 1 and completed with the current action to date.

Counter fraud work completed since the last report includes a review of the data matches identified through the National Fraud Initiative (NFI). Work is still being completed on the NFI matches identified in the 2010/11 run. To date, fraud/errors totalling £4,427 have been identified. A project with the County Council to look at Single Persons Discount fraud for Council Tax is currently being evaluated. Training material for the Governance training modules is still being developed.

The Anti Fraud and Corruption Strategy and Confidential Reporting Policy are currently being reviewed following recent legislation changes (Bribery Act 2010).

Specific issues:

The checklist at Appendix 1 shows current status on the areas highlighted for improvement.

Implications of this report

There are no direct implications in relation to community/performance planning, sustainable development, community safety, equal opportunities or human rights.

Recommendations

That the committee be provided with a quarterly update on Counter Fraud and Corruption and an update on the improvements required as identified in the checklist.

“If Members would like further information or clarification prior to the meeting please contact Angela Struthers, Head of Internal Audit Services on Ext 234”

Appendix 1

**AUDIT COMMISSION – “PROTECTING THE PUBLIC PURSE”
CHECKLIST FOR THOSE CHARGED WITH GOVERNANCE**

| | Y/N | Current Status | Required Action | Status Update |
|--|-----|--|---|---|
| General | | | | |
| 1 Have we committed ourselves to zero tolerance against fraud? | Y | Anti – Fraud & Corruption Strategy and guidance notes in place. Fraud identified as gross misconduct in Conduct & Capability Policy. | Wording in strategy does not state zero tolerance but will be included in next review To be completed by Head Of Internal Audit Services | Strategies to be presented to Audit & Governance Committee October 2010. Process delayed – will be presented early 2011 Process delayed – guidance recently issued – to be presented to the next meeting |
| 2 Do we have appropriate strategies, policies and plans? | Y | Anti – Fraud & Corruption Policy, Confidential Reporting Policy | | |
| 3 Do we have dedicated counter-fraud resources? | Y | Benefits fraud –yes. Internal Audit for other frauds | | |
| 4 Do the resources cover all of the activities of our organisation? | Y | Internal Audit will cover all other activities apart from benefits fraud | | |
| 5 Do we receive regular reports on fraud risks, plans and outcomes? | N | Fraud risk have been identified and are on the Risk register. | To be completed as a quarterly update To be completed by Head of Internal Audit Services | Report attached – reviewed and updated quarterly |

Appendix 1

**AUDIT COMMISSION – “PROTECTING THE PUBLIC PURSE”
CHECKLIST FOR THOSE CHARGED WITH GOVERNANCE**

| | Y/N | Current Status | Required Action | Status Update |
|---|-----|---|--|--|
| 6 Have we assessed our management of counter-fraud resources against good practice? | P | Work is underway in assessing our counter fraud actions against CIPFA guidance “Managing the risk of Fraud” | Assessment against guidance to be reported to the Audit & Governance Committee To be completed by Head of Internal Audit Services | To be reported with Strategy to Audit & Governance Committee |
| 7 Do we raise awareness of fraud risks with: <ul style="list-style-type: none"> New staff (including agency staff)? Existing staff? Members? Contractors? | P | Anti Fraud and Corruption Strategy should be available to all new staff (including agency staff) through the induction checklist process. All staff who have access to a PC have been issued with the strategy in January 2010 through NetConsent | | Work currently underway on electronic solution for Governance training for officers and members. Anti Fraud and Corruption Strategy on website. Work underway on review of standard contract documents to include reference to relevant polices etc. |
| 8 Do we join in appropriately with national, regional and local networks and partnerships to ensure we are up to date with current fraud risks and issues? | Y | Take part in the National Fraud Initiative, Member of National Anti - Fraud Network, Midlands Fraud Forum and take part in Staffordshire networks | | Data submitted for NFI Results currently being reviewed |

Appendix 1

**AUDIT COMMISSION – “PROTECTING THE PUBLIC PURSE”
CHECKLIST FOR THOSE CHARGED WITH GOVERNANCE**

| | Y/N | Current Status | Required Action | Status Update |
|---|-----|---|--|--|
| 9 Do we have working arrangements with relevant organisations to ensure effective sharing of knowledge and data about fraud? | Y | National Fraud Initiative, DWP | | |
| 10 Do we identify areas where internal controls may not be performed as intended? | Y | Completed through Internal Audit plan | | |
| 11 Do we maximise the benefit of our participation in the Audit Commission NFI and receive reports on outcomes? | Y | Verbal updates are given to Committee this can be incorporated into a formal report along with other fraud issues | | |
| 12 Do we have a reporting mechanism that encourages our staff to raise their concerns of money laundering? | P | | Review of reporting mechanism to be completed To be completed by Solicitor to the Council | All new employees informed of policy at Induction. Policy made available on intranet |

Appendix 1

**AUDIT COMMISSION – “PROTECTING THE PUBLIC PURSE”
CHECKLIST FOR THOSE CHARGED WITH GOVERNANCE**

| | Y/N | Current Status | Required Action | Status Update |
|---|-----|---|-----------------|--|
| 13 Do we have effective Whistleblowing arrangements? | Y | Confidential Reporting Policy issued to staff who have a PC through NetConsent in January 2010. Available on website and intranet | | Training as part of the Governance training. |
| 14 Do we have effective fidelity insurance arrangements? | Y | Fidelity insurance in place. | | |

Appendix 1

**AUDIT COMMISSION – “PROTECTING THE PUBLIC PURSE”
CHECKLIST FOR THOSE CHARGED WITH GOVERNANCE**

| | Y/N | Current Status | Required Action | Status Update |
|---|-----|--------------------------------|-----------------|-----------------------|
| Fighting Fraud in the Post Recession Environment | | | | |
| 15 Have we reassessed our fraud risks in light of the current financial climate? | N/A | Fraud risks assessed quarterly | | Reassessed quarterly. |
| 16 Have we amended our counter-fraud action plan as a result? | N/A | | | |
| 17 Have we reallocated staffing as a result? | N/A | | | |

Appendix 1

**AUDIT COMMISSION – “PROTECTING THE PUBLIC PURSE”
CHECKLIST FOR THOSE CHARGED WITH GOVERNANCE**

| | Y/N | Current Status | Required Action | Status Update |
|---|-----|---|--|--|
| Some Current Risks and Issues | | | | |
| 18 Do we take effective action to ensure that social housing is allocated only to those in need? | Y | Allocations Policy Internal Audit of systems | | |
| 19 Do we take effective action to ensure that social housing is occupied by those to whom it is allocated? | Y | Tenancy checks completed Taking part in illegal sub-letting initiative | | Illegal sub-letting publicity completed. Working with RSL's |
| 20 Are we satisfied that payment controls are working as intended? | Y | Regular audits completed | | |
| 21 Have we reviewed our contract letting procedures against the good practice guidance issued by the Office of Fair Trading to reduce the risk of illegal practices such as cartels? | N | | A review will be completed as part of the Financial Guidance review To be completed by Corporate Procurement Officer | First review completed – action plan pending upon requirements |

Appendix 1

**AUDIT COMMISSION – “PROTECTING THE PUBLIC PURSE”
CHECKLIST FOR THOSE CHARGED WITH GOVERNANCE**

| | Y/N | Current Status | Required Action | Status Update |
|--|-----|--|-----------------|--|
| <p>22 Are we satisfied that our recruitment procedures are:</p> <ul style="list-style-type: none"> • Preventing employment of people working under false identities? • Validating employment references effectively? <p>Ensuring applicants are eligible to work in the UK?</p> | Y | Recruitment procedures in place and subject to regular audit | | |
| <p>23 Where we are moving to direct payments have we introduced suitable and proportionate control arrangements in line with recommended practice?</p> | Y | | | |
| <p>24 Are we effectively controlling the discounts and allowances we give to council taxpayers?</p> | Y | Reviews completed on a regular basis. NFI initiative completed | | County wide initiative being reviewed |
| <p>25 Are we satisfied that we are doing all that we can to tackle housing and council tax benefit fraud?</p> | Y | Benefits fraud team in place NFI initiative completed Joint working with DWP | | |

fraud risks

Generated on: 17 May 2011



| | | | | | |
|-------------------------------|---------------------------------------|--|------------------------------|----------------------------|--|
| Risk Code | RR RDIAFC001 | Risk Title | Benefits fraud - claimant | Current Risk Status | |
| Description of Risk | Claimant fraudulently claims benefits | | | Assigned To | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | | Current Risk Matrix | |
| Gross Risk Score | 12 | trained staff media coverage - forms, TV radio data matching internal audit documentary evidence | Current Risk Score | 8 | |
| Gross Severity | 3 | | Current Severity | 2 | |
| Gross Likelihood | 4 | | Current Likelihood | 4 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

| | | | | | |
|-------------------------------|---------------------------------|--|--|----------------------------|--|
| Risk Code | RR RDIAFC002 | Risk Title | Benefits fraud - third party eg landlord | Current Risk Status | |
| Description of Risk | fraudulent claim by third party | | | Assigned To | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | | Current Risk Matrix | |
| Gross Risk Score | 4 | trained staff media coverage - forms, TV radio Data matching Internal Audit Supervisory checks Documentary evidence | Current Risk Score | 4 | |
| Gross Severity | 2 | | Current Severity | 2 | |
| Gross Likelihood | 2 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

| | | | | | |
|----------------------------|-------------------------------------|--|---------------------------|----------------------------|--|
| Risk Code | RR RDIAFC003 | Risk Title | Benefits fraud - internal | Current Risk Status | |
| Description of Risk | Fraudulent claim by member of staff | | | Assigned To | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | | Current Risk Matrix | |
| Gross Risk Score | 9 | recruitment checks data matching supervisory checks system controls audit trails internal audit | Current Risk Score | 6 | |
| Gross Severity | 3 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk | | | Last Risk Review | 15 Apr 2011 | |

| | | | | | |
|-------------------------------|--|---|------------------------------|---|---|
| Review Date | | | Date | | |
| Risk Notes | | | | | |
| Risk Code | RR RDIAFC004 | Risk Title | Cash theft | Current Risk Status |  |
| Description of Risk | theft of takings disguised by manipulation of accounts | | Assigned To | | |
| Gross Risk Matrix |  Likelihood Severity | Risk Treatment Measures Implemented | Current Risk Matrix |  Likelihood Severity | |
| Gross Risk Score | 4 | reconciliations supervisory checks policies and procedures financial regulations and guidance segregation of duties budgetary controls internal audit confidential reporting policy fraud & corruption stragey | Current Risk Score | 2 | |
| Gross Severity | 2 | | Current Severity | 2 | |
| Gross Likelihood | 2 | | Current Likelihood | 1 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |
| Risk Code | RR RDIAFC005 | Risk Title | Cash theft | Current Risk Status |  |
| Description of Risk | theft of cash without disguise | | Assigned To | | |
| Gross Risk Matrix |  Likelihood Severity | Risk Treatment Measures Implemented | Current Risk Matrix |  Likelihood Severity | |
| Gross Risk Score | 4 | reconciliations supervisory checks policies and procedures financial regulations segregation of duties budgetary controls internal audit confidential reporty policy fraud & corruption strategy physical controls | Current Risk Score | 1 | |
| Gross Severity | 2 | | Current Severity | 1 | |
| Gross Likelihood | 2 | | Current Likelihood | 1 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |
| Risk Code | RR RDIAFC006 | Risk Title | Credit Income | Current Risk Status |  |
| Description of Risk | suppression of any notification of debt to be raised improper write-off failing to institute recovery proceedings switching/transferring arrears or manipulation of credit balances | | Assigned To | | |
| Gross Risk Matrix |  Likelihood Severity | Risk Treatment Measures Implemented | Current Risk Matrix |  Likelihood Severity | |
| Gross Risk Score | 4 | reconciliations bugetary controls internal audit wrtie off policy authorisation levels audit trail debt recovery procedures supervisory controls | Current Risk Score | 2 | |
| Gross Severity | 2 | | Current Severity | 2 | |
| Gross Likelihood | 2 | | Current Likelihood | 1 | |
| Gross Risk | | | Last Risk Review | | |


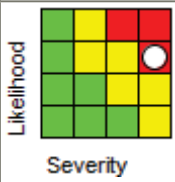
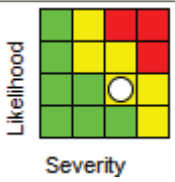
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|--------------------|--|-------------|-------------|
| Review Date | review of credit balances and suspense items | Date | 15 Apr 2011 |
| Risk Notes | | | |


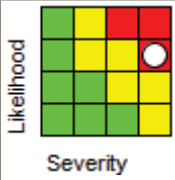
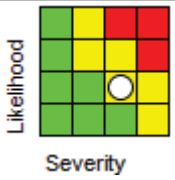
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|-------------------------------|--|--|------------------------------|----------------------------|--|
| Risk Code | RR RDIAFC007 | Risk Title | Creditor payments | Current Risk Status | |
| Description of Risk | invoicing for goods/services not supplied/false invoices supplying inferior goods/services to those invoiced | | Assigned To | | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | Current Risk Matrix | | |
| Gross Risk Score | 6 | authorisation procedures reconciliations audit trail segregation of duties financial guidance inventories | Current Risk Score | 2 | |
| Gross Severity | 3 | | Current Severity | 2 | |
| Gross Likelihood | 2 | | Current Likelihood | 1 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


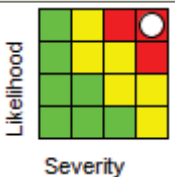
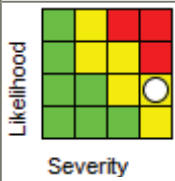
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|-------------------------------|--|--|------------------------------|----------------------------|--|
| Risk Code | RR RDIAFC008 | Risk Title | Treasury management | Current Risk Status | |
| Description of Risk | falsifying records to gain access to loan or investment monies | | Assigned To | | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | Current Risk Matrix | | |
| Gross Risk Score | 12 | management controls segregation of duties internal audit authorised signatories budgetary controls preferred/approved borrowers audit trail documented procedures | Current Risk Score | 6 | |
| Gross Severity | 4 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


| | | | | | |
|-------------------------------|-----------------------------|--|------------------------------|----------------------------|--|
| Risk Code | RR RDIAFC009 | Risk Title | Contracts/procurement | Current Risk Status | |
| Description of Risk | improper award of contracts | | Assigned To | | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | Current Risk Matrix | | |
| Gross Risk Score | 12 | financial regulations standing orders procurement specialist OJEU regulations authorised signatories management controls segregation of duties tendering system | Current Risk Score | 6 | |
| Gross Severity | 4 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

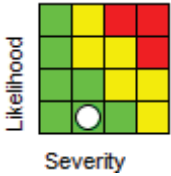
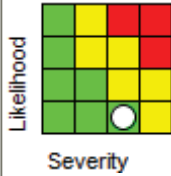
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| Risk Code | RR RDIAFC010 | Risk Title | Contracts/procurement | Current Risk | |
|------------------|--------------|-------------------|-----------------------|---------------------|--|


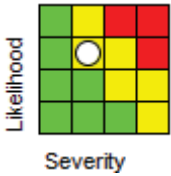
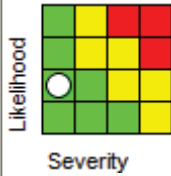
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|-------------------------------|---|--|------------------------------|----------------------------|---|
| | | | | Status |  |
| Description of Risk | contract not delivered properly contractor overpaid | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 12 | contract conditions contract monitoring legal advice internal audit | | Current Risk Score | 6 |
| Gross Severity | 4 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


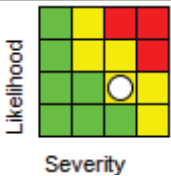
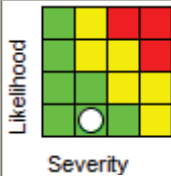
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| Risk Code | RR RDIAFC011 | Risk Title | Contracts/procurement | Current Risk Status |  |
| Description of Risk | collusion with contractors and/or acceptance of bribes | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 12 | authorised signatories management controls segregation of duties register of interests confidential reporting policy gifts and hospitality policy | | Current Risk Score | 6 |
| Gross Severity | 4 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


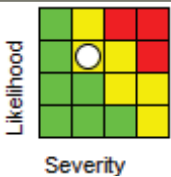
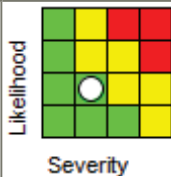
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|-------------------------------|---|--|------------------------------|----------------------------|---|
| Risk Code | RR RDIAFC012 | Risk Title | Contracts/procurements | Current Risk Status |  |
| Description of Risk | collusion by tenderers | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 16 | benchmarking tendering procedures | | Current Risk Score | 8 |
| Gross Severity | 4 | | Current Severity | 4 | |
| Gross Likelihood | 4 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

| | | | | | |
|----------------------------|-----------------------------------|-------------------|---------|----------------------------|---|
| Risk Code | RR RDIAFC013 | Risk Title | Payroll | Current Risk Status |  |
| Description of Risk | payment to non existent employees | | | Assigned To | |

| | | | | |
|-------------------------------|---|---|------------------------------|---|
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  |
| Gross Risk Score | 2 | management checks establishment list budget monitoring segregation of duties data matching authorisation process | Current Risk Score | 3 |
| Gross Severity | 2 | | Current Severity | 3 |
| Gross Likelihood | 1 | | Current Likelihood | 1 |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |

| | | | | | |
|-------------------------------|---|---|------------------------------|----------------------------|---|
| Risk Code | RR RDIAFC014 | Risk Title | Payroll | Current Risk Status |  |
| Description of Risk | over claiming hours worked | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 6 | management checks budget monitoring authorisation process time records | Current Risk Score | 2 | |
| Gross Severity | 2 | | Current Severity | 1 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

| | | | | | |
|-------------------------------|---|--|------------------------------|----------------------------|---|
| Risk Code | RR RDIAFC015 | Risk Title | Payroll | Current Risk Status |  |
| Description of Risk | manipulation of standing data | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 6 | system access controls system administrator segregation of duties management controls internal audit | Current Risk Score | 2 | |
| Gross Severity | 3 | | Current Severity | 2 | |
| Gross Likelihood | 2 | | Current Likelihood | 1 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

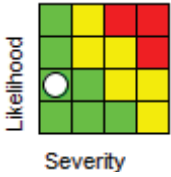
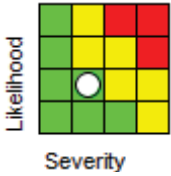
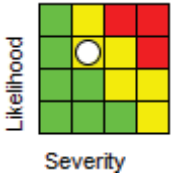
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|----------------------------|---|--|--------|----------------------------|---|
| Risk Code | RR RDIAFC016 | Risk Title | Assets | Current Risk Status |  |
| Description of Risk | Theft of current assets | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |

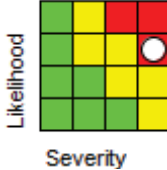
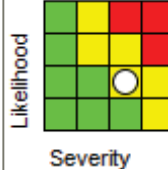
| | | | | |
|-------------------------------|---|---|------------------------------|-------------|
| Gross Risk Score | 6 | stock checks restricted access segregation of duties inventories | Current Risk Score | 4 |
| Gross Severity | 2 | | Current Severity | 2 |
| Gross Likelihood | 3 | | Current Likelihood | 2 |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |


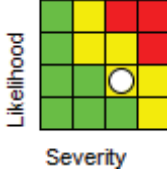
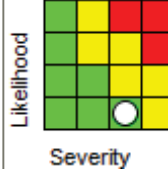
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|-------------------------------|-----------------------|--|------------------------------|----------------------------|--|
| Risk Code | RR RDIAFC017 | Risk Title | Assets | Current Risk Status | |
| Description of Risk | Theft of fixed assets | | | Assigned To | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | | Current Risk Matrix | |
| Gross Risk Score | 9 | restricted access asset tagging inventories staff awareness | Current Risk Score | 4 | |
| Gross Severity | 3 | | Current Severity | 2 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


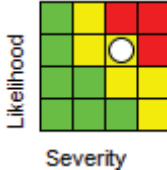
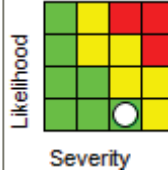
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| Risk Code | RR RDIAFC018 | Risk Title | Assets | Current Risk Status | |
| Description of Risk | Theft of Council information/intellectual property | | | Assigned To | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | | Current Risk Matrix | |
| Gross Risk Score | 12 | encryption staff awareness passwords access controls restricted access to building security policy ISO27001 | Current Risk Score | 8 | |
| Gross Severity | 4 | | Current Severity | 4 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


| | | | | | |
|----------------------------|---|---|---------------------------|----------------------------|--|
| Risk Code | RR RDIAFC019 | Risk Title | Assets | Current Risk Status | |
| Description of Risk | Inappropriate use fo Council assets for private use | | | Assigned To | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | | Current Risk Matrix | |
| Gross Risk Score | 8 | register of interests financial guidance management controls induction process security policy user reports eg internet, telephone | Current Risk Score | 6 | |
| Gross Severity | 2 | | Current Severity | 2 | |
| Gross Likelihood | 4 | | Current Likelihood | 3 | |
| Gross Risk | | | Last Risk Review | | |

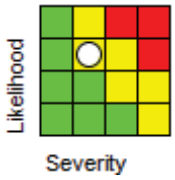
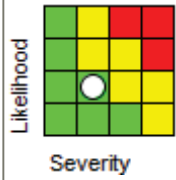
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| Review Date | | Date | 15 Apr 2011 |
| Risk Notes | | | |
| Risk Code | RR RDIAFC020 | Risk Title | Petty cash/imprest accounts |
| Description of Risk | Theft of takings disguised by manipulation of accounts | | Current Risk Status |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |
| Gross Risk Score | 2 | segregation of duties management checks reconciliations authorised signatories imprest values kept to a minimum annual certificate | Current Risk Score |
| Gross Severity | 1 | | Current Severity |
| Gross Likelihood | 2 | | Current Likelihood |
| Gross Risk Review Date | | | Last Risk Review Date |
| Risk Notes | | | |
| Risk Code | RR RDIAFC021 | Risk Title | Sheltered schemes |
| Description of Risk | Theft of customer monies | | Current Risk Status |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |
| Gross Risk Score | 4 | segregation of duties reconciliations restricted access CRB checks | Current Risk Score |
| Gross Severity | 2 | | Current Severity |
| Gross Likelihood | 2 | | Current Likelihood |
| Gross Risk Review Date | | | Last Risk Review Date |
| Risk Notes | | | |
| Risk Code | RR RDIAFC022 | Risk Title | Expenses claims |
| Description of Risk | claiming expenses for journeys not undertaken claiming for more miles than actually travelled | | Current Risk Status |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |
| Gross Risk Score | 6 | managment checks authorisation procedures internal audit | Current Risk Score |
| Gross Severity | 2 | | Current Severity |
| Gross Likelihood | 3 | | Current Likelihood |
| Gross Risk Review Date | | | Last Risk Review Date |
| Risk Notes | | | |
| Risk Code | RR RDIAFC023 | Risk Title | Corruption |
| | | | Current Risk Status |


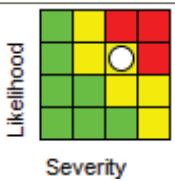
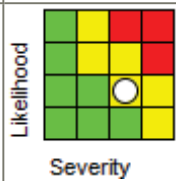
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| Description of Risk | Contracts - tendering, awarding and payment | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  |
| Gross Risk Score | 12 | management checks register of interests constitution procurement unit legislation tendering system standing orders/financial regulations | Current Risk Score | 6 |
| Gross Severity | 4 | | Current Severity | 3 |
| Gross Likelihood | 3 | | Current Likelihood | 2 |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |


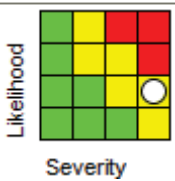
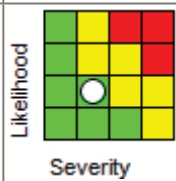
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| Risk Code | RR RDIAFC024 | Risk Title | Corruption | Current Risk Status |  |
| Description of Risk | disposal of assets - land and property | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  | |
| Gross Risk Score | 6 | constitution asset management plan asset disposal policy asset register segregation of duties | Current Risk Score | 3 | |
| Gross Severity | 3 | | Current Severity | 3 | |
| Gross Likelihood | 2 | | Current Likelihood | 1 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


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|-------------------------------|---|---|------------------------------|---|---|
| Risk Code | RR RDIAFC025 | Risk Title | Corruption | Current Risk Status |  |
| Description of Risk | Award of planning consents and licences | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  | |
| Gross Risk Score | 9 | planning approval process segregation of duties delegated powers constitution legislation | Current Risk Score | 3 | |
| Gross Severity | 3 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 1 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

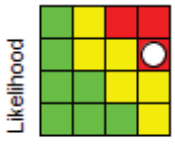
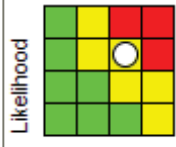
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| Risk Code | RR RDIAFC026 | Risk Title | Corruption | Current Risk Status |  |
| Description of Risk | Acceptance of gifts, hospitality, secondary employment | | Assigned To | | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | Current Risk Matrix | | |


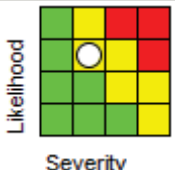
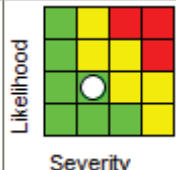
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| |  | | |  |
| Gross Risk Score | 6 | gifts and hospitality policy gifts and hospitality register NFI constitution contract of employment | Current Risk Score | 4 |
| Gross Severity | 2 | | Current Severity | 2 |
| Gross Likelihood | 3 | | Current Likelihood | 2 |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |


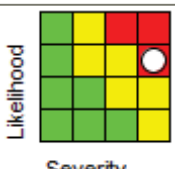
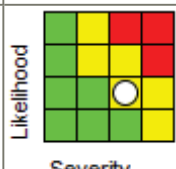
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| Risk Code | RR RDIAFC027 | Risk Title | Car parking | Current Risk Status |  |
| Description of Risk | theft of takings disguised by manipulation of accounts theft of taking without disguise recycling of tickets | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 9 | budget monitoring audit trail reconciliations | Current Risk Score | 6 | |
| Gross Severity | 3 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


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|-------------------------------|---|--|------------------------------|----------------------------|---|
| Risk Code | RR RDIAFC028 | Risk Title | Money laundering | Current Risk Status |  |
| Description of Risk | Using the council to hide improper transactions | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 8 | rasied awareness money laundering policy training of officers upper limit for cash transactions | Current Risk Score | 4 | |
| Gross Severity | 4 | | Current Severity | 2 | |
| Gross Likelihood | 2 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

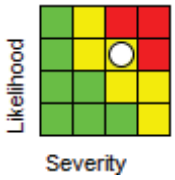
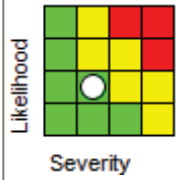
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| Risk Code | RR RDIAFC029 | Risk Title | ICT fraud & abuse | Current Risk Status |  |
| Description of Risk | Improper use of council ICT equipment | | Assigned To | | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | | Current Risk Matrix | |


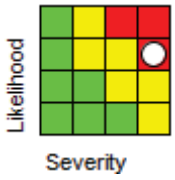
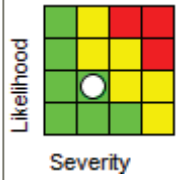
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| Gross Risk Score | 12 | internet use policy surf control access controls management reports on internet usage software audit facility | Current Risk Score | 9 |
| Gross Severity | 4 | | Current Severity | 3 |
| Gross Likelihood | 3 | | Current Likelihood | 3 |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |


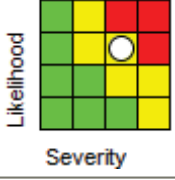
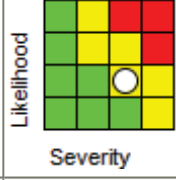
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| Risk Code | RR RDIAFC030 | Risk Title | Employee - general | Current Risk Status |  |
| Description of Risk | Abuse of flexi system falsification of car loans | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  | |
| Gross Risk Score | 6 | flexible working policy management checks time recording systems flexi records car inspection reports independent valuations | Current Risk Score | 4 | |
| Gross Severity | 2 | | Current Severity | 2 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


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|-------------------------------|--|---|---------------------------------|---|---|
| Risk Code | RR RDIAFC031 | Risk Title | Payment of grants to the public | Current Risk Status |  |
| Description of Risk | claiming for properties which are not owned claimants understating income over claiming the value of the work done | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  | |
| Gross Risk Score | 12 | grant criteria grant assessments land registry checks quotes for work segregation of duties inspections management checks | Current Risk Score | 6 | |
| Gross Severity | 4 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

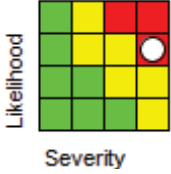
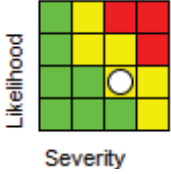
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| Risk Code | RR RDIAFC032 | Risk Title | Insurance claims | Current Risk Status |  |
| Description of Risk | Claiming for non existent injuries Claiming at another establishment for the same injury overclaiming | | Assigned To | | |
| Gross Risk Matrix | | Risk Treatment Measures Implemented | Current Risk Matrix | | |


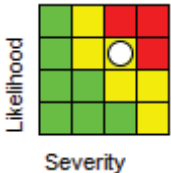
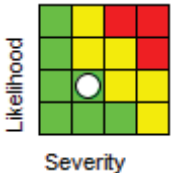
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| |  | |  | |
| Gross Risk Score | 9 | Insurance brokers claim forms NFI | Current Risk Score | 4 |
| Gross Severity | 3 | | Current Severity | 2 |
| Gross Likelihood | 3 | | Current Likelihood | 2 |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |


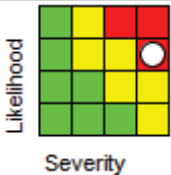
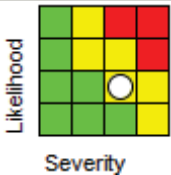
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| Risk Code | RR RDIAFC033 | Risk Title | Loans & Investments | Current Risk Status |  |
| Description of Risk | Miaappropriation of funds Fraudulent payment or investment of funds | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 12 | Written procedures segregation of duties authorisation process counterparty listing reconciliations treasury management policy treasury management strategy access controls internal audit | Current Risk Score | 4 | |
| Gross Severity | 4 | | Current Severity | 2 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |


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|-------------------------------|--|--|------------------------------|----------------------------|---|
| Risk Code | RR RDIAFC034 | Risk Title | Council Tax & NNDR | Current Risk Status |  |
| Description of Risk | Fictitious refunds duplicate bank accounts intercepting income suppressing arrears exemptions/discounts awarded incorrectly exemptions/discounts claimed fraudulently 3rd party collections stolen/misappropriated | | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | | Current Risk Matrix |  |
| Gross Risk Score | 9 | separation of duties management/supervisory checks access controls authorisation processes reconciliations review of suppressed recovery action interrogation reports void inspections discount/exemption reviews NFI | Current Risk Score | 6 | |
| Gross Severity | 3 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

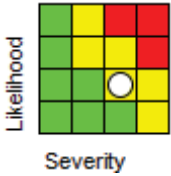
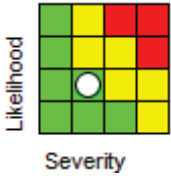
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| Risk Code | RR RDIAFC035 | Risk Title | Regeneration development corruption | Current Risk Status |  |
| | Developer awarded contracts for financial incentive | | | | |

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| Description of Risk | Inducements for the granting of planning consents Contract granted to developer at a reduced price in exchange for cash payments to officers and members Backhanders to reduce restraints on developer | | Assigned To | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  |
| Gross Risk Score | 12 | Business cases project teams declaration interests Officers present minutes of meetings | Current Risk Score | 6 |
| Gross Severity | 4 | | Current Severity | 3 |
| Gross Likelihood | 3 | | Current Likelihood | 2 |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |

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|-------------------------------|--|---|------------------------------|--|---|
| Risk Code | RR RDIAFC036 | Risk Title | Housing allocations | Current Risk Status |  |
| Description of Risk | Housing allocated for financial reward fraudulent allocation of property | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  | |
| Gross Risk Score | 9 | separation of duties housing register management checks declaration of interests | Current Risk Score | 4 | |
| Gross Severity | 3 | | Current Severity | 2 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

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|-------------------------------|---|---|------------------------------|---|---|
| Risk Code | RR RDIAFC037 | Risk Title | Elections | Current Risk Status |  |
| Description of Risk | Fraudulent voting Fraudulent acts by canvassers | | Assigned To | | |
| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  | |
| Gross Risk Score | 12 | supervisory roles at counts postal votes counts supervised access controls ballot box controls ballot paper account insurance pre employment checks supervisory checks | Current Risk Score | 6 | |
| Gross Severity | 4 | | Current Severity | 3 | |
| Gross Likelihood | 3 | | Current Likelihood | 2 | |
| Gross Risk Review Date | | | Last Risk Review Date | 15 Apr 2011 | |
| Risk Notes | | | | | |

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|----------------------------|--|-------------------|----------------------|----------------------------|---|
| Risk Code | RR RDIAFC038 | Risk Title | financial statements | Current Risk Status |  |
| Description of Risk | the financial statements may be materially mis-stated due to fraud | | Assigned To | | |
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| Gross Risk Matrix |  | Risk Treatment Measures Implemented | Current Risk Matrix |  |
| Gross Risk Score | 6 | Internal Audit financial guidance segregation of duties | Current Risk Score | 4 |
| Gross Severity | 3 | | Current Severity | 2 |
| Gross Likelihood | 2 | | Current Likelihood | 2 |
| Gross Risk Review Date | 18 Jun 2010 | | Last Risk Review Date | 15 Apr 2011 |
| Risk Notes | | | | |