



Borough of Tamworth

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AUDIT AND GOVERNANCE COMMITTEE

19 October 2016

Dear Councillor

A meeting of the Audit and Governance Committee will be held in **Committee Room 1 - Marmion House on Thursday, 27th October, 2016 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. ...', written over a circular stamp or mark.

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 Annual Audit Letter 2015/16

The Report of Grant Thornton (External Auditor) to be presented at the meeting

5 Appointment of External Auditor – Re Accounts Audit Commencing 2018/19
(Pages 5 - 26)

(The Report of the Executive Director Corporate Services)

6 Review Of Anti-Money Laundering Policy (Pages 27 - 48)

(The Report of the Solicitor to the Council and Monitoring Officer)

7 Counter Fraud & Corruption Update Report (Pages 49 - 60)

(The Report of the Head of Internal Audit Services)

8 Internal Audit Customer Satisfaction Survey 2016 (Pages 61 - 64)

(The Report of the Head of Internal Audit Services)

9 Internal Audit Report 2016/17 (Pages 65 - 82)

(The Report of the Head of Internal Audit Services)

10 Risk Management Update (Pages 83 - 100)

(The Report of the Head of Internal Audit Services)

11 Audit and Governance Committee Timetable (Pages 101 - 104)

(Discussion Item)

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: J Chesworth, M Summers, C Cooke, J Faulkner, M Gant, R Kingstone
and J Oates

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MINUTES OF A MEETING OF THE AUDIT AND GOVERNANCE COMMITTEE HELD ON 22nd SEPTEMBER 2016

PRESENT: Councillors J Chesworth (Chair), M Summers (Vice-Chair), C Cooke, J Faulkner, M Gant, R Kingstone and J Oates

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

Visitors Joan Barnett and John Gregory (Grant Thornton)

25 APOLOGIES FOR ABSENCE

None

26 MINUTES OF THE PREVIOUS MEETING

The minutes of the meeting held on 25 June 2016 were approved and signed as a correct record.

(Moved by Councillor M Summers and seconded by Councillor M Gant)

27 DECLARATIONS OF INTEREST

There were no declarations of Interest.

28 THE AUDIT FINDINGS FOR TAMWORTH BOROUGH COUNCIL

RESOLVED: The Audit findings for Tamworth Borough Council were presented to the Members by Grant Thornton and a discussion followed. Thanks recorded to everyone involved in the preparation of the Accounts which underpins the governance and accountability of the whole organisation.

(Moved by Councillor J Faulkner and seconded by

Councillor M Summers)

29 MANAGEMENT REPRESENTATION LETTER 2015/16

A Management Representation Letter was submitted to the Members by the Executive Director Corporate Services

RESOLVED: That the letter of representation was approved and agreed by members.

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

30 ANNUAL STATEMENT OF ACCOUNTS & REPORT 2015/16

The Executive Director Corporate Services requested Members to approve the Statement of Accounts for the financial year ended 31st March 2016 following completion of the external audit.

RESOLVED: That Members approved the Annual Statement of Accounts 2015/16.

(Moved by Councillor C Cooke and seconded by Councillor J Faulkner)

31 REVIEW OF THE ANNUAL REPORT ON THE TREASURY MANAGEMENT SERVICE AND ACTUAL PRUDENTIAL INDICATORS 2015/16

The Executive Director Corporate Services requested Members to review the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2015/16 approved by Council on 13th September 2016.

RESOLVED: That Members considered and approved the Annual Report on the Treasury Management Service and Actual Prudential Indicators 2015/16, as detailed at Annex 1.

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

32 REGULATION OF INVESTIGATORY POWERS ACT 2000

The Solicitor to the Council and Monitoring Officer detailing 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.

RESOLVED: That Members endorsed the quarterly RIPA monitoring report.

(Moved by Councillor J Faulkner and seconded by Councillor J Chesworth)

33 LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW 2015-16

The Solicitor to the Council and Monitoring Officer advised the Members of the views of the Local Government Ombudsman in relation to complaints against the Borough Council and provide an opportunity for members of the Committee to raise any issues they consider appropriate and consider the effectiveness of investigations relating to Tamworth Borough Council.

RESOLVED: That the Members endorsed the Annual Review Letter as attached at Appendix 1 to the report.

(Moved by Councillor M Summers and seconded by Councillor C Cooke)

34 SELECTION OF PANEL FOR INDEPENDENT PERSONS INTERVIEWS

RESOLVED: That Councillors J Chesworth, C Cooke and J Faulkner be selected for the panel with interviews taking place on 13 October 2016.

35 AUDIT AND GOVERNANCE COMMITTEE TIMETABLE

The Committee reviewed and approved the timetable.

Chair

AUDIT & GOVERNANCE COMMITTEE

27th October 2016

Report of the Executive Director Corporate Services

Appointment of External Auditor – re Accounts Audit Commencing 2018/19

Purpose

To advise Members of the options process and legislative requirement to appoint External Auditors for the Accounting Period 2018/19 and to seek Member endorsement of the recommended option for Cabinet & Council approval.

Recommendations

That Members endorse :

- 1. That Cabinet recommends to Council that the Authority opts into the appointing person arrangements made by the Public Sector Audit Appointments (PSAA) for the appointment of External Auditors, and**
- 2. That the Executive Director Corporate Services confirms our interest in undertaking the opt in appointing process following ratification by Council and has delegated powers in relation to the appointment process.**

Executive Summary

Local Authorities are required under legislation to appoint their own External Auditors for the Accounts 2018/19. The Local Audit and Accountabilities Act 2014 requires Local Authorities to decide between opting from one of the following two options available, namely

1. Utilising the Public Sector Audit Appointments (PSAA), under the appointing persons regime (supported by the Society of District Council Treasurers (and other Treasurers Societies), or
2. Running our own procurement exercise.

Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt-in must be made by Full Council.

Reasons for Proposed Decision:

Option 1: Sector Led Procurement Exercise Utilising PSAA

This is the least resource demanding of the two options available to the Authority - the use of PSAA. The procurement exercise undertaken on a larger scale than an Authority led procurement exercise will ensure that the most competitive rates are obtained, a larger interest from the Audit Sector Partners and result in a reduced cost for undertaking the procurement exercise (establishing an audit panel, advertising & interview costs) as procurement exercise costs will be shared by the number of Authorities opting for this option.

Option 2: Running our own procurement exercise

This would require the establishment of an auditor panel and conducting our own procurement exercise. Undertaking our own procurement exercise will involve disproportionate use of resources (cost and management time) and would not deliver economies of scale / bulk buying power which the sector led procurement process would deliver. In light of the benefits that the sector led procurement option offers, undertaking our own procurement exercise is not recommended.

For the reasons stated above Option 1 is the recommended options as it provides the best opportunity to deliver Value For Money.

Legal and Governance Implications

The process as set out above and the recommendation should ensure compliance with the Local Audit and Accountability Act 2014.

Financial Implications

Option 1 provides the most cost effective procurement option. Costs of undertaking our own procurement process would be higher than the PSAA route and offers greater opportunity in achieving a lower audit base fee due to economies of scale and buying power available under joint procurement.

Until the procurement exercise is completed it is not possible to identify the financial impact of the process and Audit Fees for 2018/19. However, as stated the PSAA option should deliver a reduced cost than Option 2 as there is greater opportunity through using PSAA that any increase will be minimised with better quality outcomes.

Impact Assessments:

Risk Management

As set out in the report, use of PSAA minimises the risks inherent re Financial, Compliance & Governance in undertaking our own procurement.

Background

1. As part of closing the Audit Commission the Government novated external audit contracts to PSAA on 1 April 2015. The audits were due to expire following conclusion of the audits of the 2016/17 accounts, but could be extended for a period of up to three years by PSAA, subject to approval from the Department for Communities and Local Government.

2. In October 2015 the Secretary of State confirmed that the transitional provisions would be amended to allow an extension of the contracts for a period of one year. This meant that for the audit of the 2018/19 accounts it would be necessary for authorities to either undertake their own procurements or to opt in to the appointed person regime.

3. There was a degree of uncertainty around the appointed person regime until July 2016 when PSAA were specified by the Secretary of State as an appointing person under regulation 3 of the Local Audit (Appointing Person) Regulations 2015. The appointing person is sometimes referred to as the sector led body and PSAA has wide support across most of local government. PSAA was originally established to operate the transitional arrangements following the closure of the Audit Commission and is a company owned by the Local Government Association's Improvement and Development Agency (IDeA).

4. The date by which Authorities will need to opt in to the appointing person arrangements is not yet finalised. However, it is anticipated that invitations to opt in will be issued in December 2016 and will require ratification by Council by this date.

5. The main advantages of using PSAA are set out in its prospectus and are copied below; these can also be viewed as the disadvantages if the Council was to decide to undertake its own procurement.

- * Assure timely auditor appointments;
- * Manage independence of auditors;
- * Secure highly competitive prices;
- * Save on procurement costs;
- * Save time and effort needed on auditor panels;
- * Focus on audit quality, and
- * Operate on a not for profit basis and distribute any surplus funds to scheme members.

Background Papers:

PSAA Prospectus – Appendix A

PSAA – Appointing Person – Frequently Asked Questions – Appendix B

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Developing the option of a national scheme for local auditor appointments

www.psa.co.uk

“The LGA has worked hard to secure the option for local government to appoint auditors through a dedicated sector-led national procurement body. I am sure that this will deliver significant financial benefits to those who opt in.”

– Lord Porter CBE, Chairman,
Local Government Association

Over the next few months all principal authorities will need to decide how their auditors will be appointed in the future. They may make the appointment themselves, or in conjunction with other bodies. Or they can take advantage of a national collective scheme which is designed to offer them a further choice. Choosing the national scheme should pay dividends in quality, in cost, in responsiveness and in convenience.

Public Sector Audit Appointments Ltd (PSAA) is leading the development of this national option. PSAA is a not-for-profit company which already administers the current audit contracts. It aims to be designated by the Department for Communities & Local Government (DCLG) to operate a collective scheme for auditor appointments for principal authorities (other than NHS bodies) in England. It is currently designing the scheme to reflect the sector's needs and views.

The Local Government Association (LGA) is strongly supportive of this ambition, and 200+ authorities have already signalled their positive interest. This is an opportunity for local government, fire, police and other bodies to act in their own and their communities' best interests.

We hope you will be interested in the national scheme and its development. We would be happy to engage with you to hear your views – please contact us at generalenquiries@psaa.co.uk

You will also find some questions at the end of this booklet which cover areas in which we would particularly welcome your feedback.

Audit does matter

High quality independent audit is one of the cornerstones of public accountability. It gives assurance that taxpayers' money has been well managed and properly expended. It helps to inspire trust and confidence in the organisations and people responsible for managing public money.

Imminent changes to the arrangements for appointing the auditors of local public bodies are therefore very important. Following the abolition of the Audit Commission, local bodies will soon begin to make their own decisions about how and by whom their auditors are appointed. A list of the local government bodies affected can be found at the end of this booklet.

The Local Government Association (LGA) has played a leadership role in anticipating these changes and influencing the range of options available to local bodies. In particular, it has lobbied to ensure that, irrespective of size, scale, responsibilities or location, principal local government bodies can, if they wish, subscribe to a specially authorised national scheme which will take full responsibility for local auditor appointments which offer a high quality professional service and value for money.

The LGA is supporting PSAA in its application to the Department for Communities & Local Government (DCLG) to be appointed to deliver and manage this scheme.

PSAA is well placed to award and manage audit contracts, and appoint local auditors under a national scheme

PSAA is an independent, not-for-profit company limited by guarantee and established by the LGA. It already carries out a number of functions in relation to auditor appointments under powers delegated by the Secretary of State for Communities & Local Government. However, those powers are time-limited and will cease when current contracts with audit firms expire with the completion of the 2017/18 audits for local government bodies, and the completion of the 2016/17 audits for NHS bodies and smaller bodies.

The expiry of contracts will also mark the end of the current mandatory regime for auditor appointments. Thereafter, local bodies will exercise choice about whether they opt in to the authorised national scheme, or whether they make other arrangements to appoint their own auditors.

PSAA wishes to be selected to be the trusted operator of the national scheme, formally specified to undertake this important role by the Secretary of State. The company is staffed by a team with significant experience in appointing auditors, managing contracts with audit firms and setting and determining audit fees. We intend to put in place an advisory group, drawn from the sector, to give us ready access to your views on the design and operation of the scheme. We are confident that we can create a scheme which delivers quality-assured audit services to every participating local body at a price which represents outstanding value for money.

“Many district councils will be very aware of the resource implications of making their own appointment. Joining a well-designed national scheme has significant attractions.”

– Norma Atlay, President,
Society of District Council Treasurers

“Police bodies have expressed very strong interest in a national scheme led by PSAA. Appointing the same auditor to both the PCC and the Chief Constable in any area must be the best way to maximise efficiency.”

– Sean Nolan, President,
Police and Crime Commissioners
Treasurers’ Society (PACCTS)

The national scheme can work for you

We believe that the national scheme can be an excellent option for all local bodies. Early indications are that many bodies agree - in a recent LGA survey more than 200 have expressed an interest in joining the scheme.

We plan to run the scheme in a way that will save time and resources for local bodies - time and resources which can be deployed to address other pressing priorities. Bodies can avoid the necessity to establish an auditor panel (required by the Local Audit & Accountability Act, 2014) and the need to manage their own auditor procurement. The scheme will take away those headaches and, assuming a high level of participation, be able to attract the best audit suppliers and command highly competitive prices.

The scope of public audit is wider than for private sector organisations. For example, it involves forming a conclusion on the body’s arrangements for securing value for money, dealing with electors’ enquiries and objections, and in some circumstances issuing public interest reports. PSAA will ensure that the auditors which it appoints are the most competent to carry out these functions.

Auditors must be independent of the bodies they audit, to enable them to them to carry out their work with objectivity and credibility, and in a way that commands public confidence. PSAA plans to take great care to ensure that every auditor appointment passes this test. It will also monitor any significant proposals, above an agreed threshold, for auditors to carry out consultancy or other non-audit work to ensure that these do not undermine independence and public confidence.

The scheme will also endeavour to appoint the same auditors to bodies which are involved in formal collaboration/joint working initiatives or within combined authority areas, if the parties consider that a common auditor will enhance efficiency and value for money.

PSAA will ensure high quality audits

We will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.

PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the National Audit Office (NAO) to help ensure that guidance to auditors is updated when necessary.

We will include obligations in relation to maintaining and continuously improving quality in our contract terms and quality criteria in our tender evaluation method.

PSAA will secure highly competitive prices

A top priority must be to seek to obtain the best possible prices for local audit services. PSAA's objective will be to make independent auditor appointments at the most competitive aggregate rate achievable.

Our current thinking is that the best prices will be obtained by letting three year contracts, with an option to extend to five years, to a relatively small number of appropriately registered firms in two or three large contract areas nationally. The value of each contract will depend on the prices bid, with the firms offering the best prices being awarded larger amounts of work. By having contracts with a number of firms we will be able to ensure independence and avoid dominance of the market by one or two firms.

Correspondingly, at this stage our thinking is to invite bodies to opt into the scheme for an initial term of three to five years, subject, of course, to the terms of specification by DCLG.

The procurement strategy will need to prioritise the importance of demonstrably independent appointments, in terms of both the audit firm appointed to each audited body and the procurement and appointment processes used. This will require specific safeguards in the design of the procurement and appointment arrangements.

“Early audit planning is a vital element of a timely audit. We need the auditors to be available and ready to go right away at the critical points in the final accounts process.”

– Steven Mair, City Treasurer,
Westminster City Council

“In forming a view on VFM arrangements it is essential that auditors have an awareness of the significant challenges and changes which the service is grappling with.”

– Charles Kerr, Chair,
Fire Finance Network

PSAA will establish a fair scale of fees

Audit fees must ultimately be met by individual audited bodies. PSAA will ensure that fee levels are carefully managed by securing competitive prices from firms and by minimising PSAA's own costs. The changes to our role and functions will enable us to run the new scheme with a smaller team of staff. PSAA is a not-for-profit company and any surplus funds will be returned to scheme members.

PSAA will pool scheme costs and charge fees to audited bodies in accordance with a fair scale of fees which has regard to size, complexity and audit risk. Pooling means that everyone within the scheme will benefit from the most competitive prices. Current scale fees are set on this basis. Responses from audited bodies to recent fee consultations have been positive.

PSAA will continue to consult bodies in connection with any proposals to establish or vary the scale of fees. However, we will not be able to consult on our proposed scale of fees until the initial major procurement has been completed and contracts with audit firms have been let. Fees will also reflect the number of scheme participants - the greater the level of participation, the better the value represented by our scale of fees. We will be looking for principal bodies to give firm commitments to join the scheme during Autumn 2016.

The scheme offers multiple benefits for participating bodies

We believe that PSAA can deliver a national scheme which offers multiple benefits to the bodies which take up the opportunity to collaborate across the sector by opting into scheme membership.

Benefits include:

- assured appointment of a qualified, registered, independent auditor
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives or combined authorities, if the parties believe that it will enhance efficiency and value for money
- on-going management of independence issues
- securing highly competitive prices from audit firms
- minimising scheme overhead costs
- savings from one major procurement as opposed to a multiplicity of small procurements
- distribution of surpluses to participating bodies
- a scale of fees which reflects size, complexity and audit risk
- a strong focus on audit quality to help develop and maintain the market for the sector
- avoiding the necessity for individual bodies to establish an auditor panel and to undertake an auditor procurement
- enabling time and resources to be deployed on other pressing priorities
- setting the benchmark standard for audit arrangements for the whole of the sector

We understand the balance required between ensuring independence and being responsive, and will continually engage with stakeholders to ensure we achieve it.

How can you help?

We are keen to receive feedback from local bodies concerning our plans for the future. Please let us have your views and let us know if a national scheme operated by PSAA would be right for your organisation.

In particular we would welcome your views on the following questions:

1. Is PSAA right to place emphasis on both quality and price as the essential pre-requisites for successful auditor appointments?
2. Is three to five years an appropriate term for initial contracts and for bodies to sign up to scheme membership?
3. Are PSAA's plans for a scale of fees which pools scheme costs and reflects size, complexity and audit risk appropriate? Are there any alternative approaches which would be likely to command the support of the sector?
4. Are the benefits of joining the national scheme, as outlined here, sufficiently attractive? Which specific benefits are most valuable to local bodies? Are there others you would like included?
5. What are the key issues which will influence your decisions about scheme membership?
6. What is the best way of us continuing our engagement with you on these issues?

Please reply to: generalenquiries@psaa.co.uk

The following bodies will be eligible to join the proposed national scheme for appointment of auditors to local bodies:

- county councils in England
- district councils
- London borough councils
- combined authorities
- passenger transport executives
- police and crime commissioners for a police area in England
- chief constables for an area in England
- national park authorities for a national park in England
- conservation boards
- fire and rescue authorities in England
- waste authorities
- the Greater London Authority and its functional bodies.

BOARD MEMBERS

Steve Freer (Chairman), former Chief Executive CIPFA

Caroline Gardner, Auditor General Scotland

Clive Grace, former Deputy Auditor General Wales

Stephen Sellers, Solicitor, Gowling WLG (UK) LLP

CHIEF OFFICER

Jon Hayes, former Audit Commission Associate Controller

“Maintaining audit quality is critically important. We need experienced audit teams who really understand our issues.”

– Andrew Burns, Director of Finance and Resources,
Staffordshire County Council

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www.psaa.co.uk

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Public Sector
Audit Appointments

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Appointing person: Frequently asked questions

Question	Response
<p>1. What is an appointing person?</p>	<p>Public Sector Audit Appointments Limited (PSAA) has been specified as an appointing person under the Local Audit (Appointing Person) Regulations 2015 and has the power to make auditor appointments for audits of the accounts from 2018/19 on behalf of principal local government bodies that opt in, in accordance with the Regulations. Eligible bodies are principal local government bodies listed in schedule 2 of the Local Audit and Accountability Act 2014. This includes county councils, district councils, London Borough councils, unitary authorities, metropolitan councils, police bodies, fire and rescue authorities, joint authorities, combined authorities, national park authorities, conservation boards, PTEs, waste authorities, and the GLA and its functional bodies.</p> <p>The 'appointing person' is sometimes referred to as the sector-led body.</p> <p>PSAA is a company owned by the LGA's Improvement and Development Agency (IDeA) and was established to operate the transitional arrangements following closure of the Audit Commission.</p>
<p>2. When will invitations to opt in be issued?</p>	<p>The date by which principal authorities will need to opt into the appointing person arrangement is not yet finalised. The aim is to award contracts to audit firms by June 2017, giving six months to consult with authorities on appointments before the 31 December 2017 deadline. We anticipate that invitations to opt in will be issued before December 2016 at the latest.</p>

Question	Response
	<p>Authorities will have a minimum period of eight weeks to respond to the invitation.</p> <p>In order to maximise the potential economies of scale from agreeing large contracts with firms, and to manage any auditor independence issues, PSAA needs as much certainty as possible about the volume and location of work it is able to offer to firms. Our provisional timetable suggests that we will need to start preparing tender documentation early in 2017, so we will need to know by then which authorities want to be included.</p>
<p>3. Who can accept the invitation to opt in?</p>	<p>In accordance with Regulation 19 of the Local Audit (Appointing Person) Regulations 2015, a principal authority will need to make the decision to opt in at full council (authority meeting as a whole), except where the authority is a corporation sole (such as a police and crime commissioner), in which case the function must be exercised by the holder of the office.</p>
<p>4. Can we join after it has been set up or do we have to join at the beginning?</p>	<p>The Regulations require that once the invitations to opt in have been issued, there will be a minimum period of eight weeks for you to indicate acceptance of the invitation. One of the main benefits of a an appointing person approach is the ability to achieve economies of scale as a result of being able to offer larger volumes of work. The greater the number of participants we have signed up at the outset, the better the economies of scale we are likely to achieve. This will not prevent authorities from joining the sector-led arrangements in later years, but they will need to make their own arrangements to appoint an auditor in the interim. In order to be in the best position we would encourage as many authorities as possible to commit by accepting the invitation within the specified timeframe.</p>

Question	Response
5. Will membership be free for existing members of the LGA?	The option to join the appointing person scheme will be open to all principal local government authorities listed under Schedule 2 of the Local Audit and Accountability Act 2014. There will not be a fee to join the sector-led arrangements. The audit fees that opted-in bodies will be charged will cover the costs to PSAA of appointing auditors and managing the arrangements. We believe that audit fees achieved through large contracts will be lower than the costs that individual authorities will be able to negotiate. In addition, by opting into the PSAA offer, authorities will avoid the costs of their own procurement and the requirement to set up an auditor panel with independent members.
6. How will we be able to influence the development of the appointing person scheme and associated contracts with audit firms?	We have not yet finalised the governance arrangements and we are considering the options, including how best to obtain stakeholder input. We are considering establishing a stakeholder engagement panel or advisory panel which can comment on our proposals. PSAA continues to work in partnership with the LGA in setting up the appointing person scheme and you can feed in comments and observations to PSAA by emailing generalenquiries@psaa.co.uk and via the LGA and their Principal Advisors.
7. Will there be standard contract terms and conditions?	The audit contracts between PSAA and the audit firms will require firms to deliver audits compliant with the National Audit Office (NAO) Code of Audit Practice. We are aware that authorities would like to understand how performance and delivery will be monitored and managed. This is one of the issues that could be discussed with the stakeholder advisory panel (see Q6).
8. What will be the length of the contracts?	The optimal length of contract between PSAA and firms has not been decided. We would welcome views on what the sector

Question	Response
	considers the optimal length of audit contract. We anticipate that somewhere between three and five years would be appropriate.
9. In addition to the Code of Audit Practice requirements set out by the NAO, will the contract be flexible to enable authorities to include the audit of wholly owned companies and group accounts?	<p>Local authority group accounts are part of the accounts produced under the CIPFA SORP and are subject to audit in line with the NAO Code of Audit Practice. They will continue to be part of the statutory audit.</p> <p>Company audits are subject to the provisions of the Companies Act 2006 and are not covered by the Local Audit (Appointing Person) Regulations 2015. Local authority companies will be able to appoint the same audit firm as PSAA appoints to undertake the principal body audit, should they so wish.</p>
10. Will bodies that opt in be able to seek information from potential suppliers and undertake some form of evaluation to choose a supplier?	PSAA will run the tendering exercise, and will evaluate bids and award contracts. PSAA will consult authorities on individual auditor appointments. The appointment of an auditor independently of the body to be audited is an important feature of the appointing person arrangements and will continue to underpin strong corporate governance in the public sector.
11. Will the price be fixed or will there be a range of prices?	The fee for the audit of a body that opts in will reflect the size, audit risk and complexity of the work required. PSAA will establish a system for setting the fee which is fair to all opted-in authorities. As a not-for-profit organisation, PSAA will be able to return any surpluses to participating authorities after all costs have been met.
12. We have shared service arrangements with our neighbouring bodies and we are looking to ensure that we share the same auditor. Will the appointing person scheme allow for this?	PSAA will be able to make appointments to all principal local government bodies listed in Schedule 2 of the Local Audit and Accountability Act 2014 that are 'relevant authorities' and not excluded as a result of being smaller authorities, for example parish councils.

Question	Response
	<p>In setting up the new arrangements, one of our aims is to make auditor appointments that take account of joint working and shared service arrangements. Requests for the same auditor as other authorities will need to be balanced with auditor independence considerations. As we have set out in our prospectus, auditors must be independent of the bodies they audit. PSAA will have an obligation under the provisions of the Local Audit and Accountability Act 2014 and in compliance with the Ethical Standards issued by the Financial Reporting Council to ensure that every auditor appointment it makes passes this test. We will need information from opted-in authorities on potential independence considerations and joint working arrangements, and will also need information on independence issues from the audit firms. Risks to auditor independence include, for example, an audit firm having previously been engaged to advise on a major procurement which could, of course, later be subject to audit.</p>
<p>13. We have a joint committee which no longer has a statutory requirement to have an external auditor but has agreed in the interests of all parties to continue to engage one. Is it possible to use this process as an option to procure the external auditor for the joint committee?</p>	<p>The requirement for joint committees to produce statutory accounts ceased after production of the 2014/15 accounts and they are therefore not listed in Schedule 2. Joint committees that have opted to produce accounts voluntarily and obtain non-statutory assurance on them will need to make their own local arrangements.</p>
<p>14. How will the appointing person scheme ensure audit firms are not over-stretched and that the competition in the market place is increased?</p>	<p>The number of firms eligible to undertake local public audit will be regulated through the Financial Reporting Council and the recognised Supervisory Bodies (RSBs). Only appropriately accredited firms will be able to bid for appointments whether that is through PSAA or an auditor panel. The seven firms appointed by PSAA and the Audit Commission generally</p>

Question	Response
	<p>maintain a dedicated public sector practice with staff trained and experienced in public sector work.</p> <p>One of the advantages of the appointing person option is to make appointments that help to ensure that each successful firm has a sufficient quantum of work to make it possible for them to invest in public sector specific training, maintain a centre of excellence or hub that will mean:</p> <ul style="list-style-type: none"> • firms have a regional presence; • greater continuity of staff input; and • a better understanding the local political, economic and social environment.
<p>15. Will the appointing person scheme contract with a number of different audit firms and how will they be allocated to authorities?</p>	<p>PSAA will organise the contracts so that there is a minimum number of firms appointed nationally. The minimum is probably four or five (depending on the number of bodies that opt in). This is required, not just to ensure competition and capacity, but because each firm is required to comply with the FRC's ethical standards. This means that an individual firm may not be appointable for 'independence' reasons, for example, because they have undertaken consultancy work at an audited body. PSAA will consult on appointments that allow each firm a balanced portfolio of work subject to independence considerations.</p>
<p>16. What will be the process to feed in opinions from customers of current auditors if there are issues?</p>	<p>PSAA will seek feedback on its auditors as part of its engagement with the sector. PSAA will continue to have a clear complaints process and will also undertake contract monitoring of the firms it appoints.</p>
<p>17. What is the timetable for set up and key decisions?</p>	<p>We expect the key points in the timetable to be broadly:</p>

Question	Response
	<ul style="list-style-type: none"> • establish an overall strategy for procurement - by 31 October 2016; • achieve 'sign-up' of scheme members - by early January 2017; • invite tenders from audit firms - by 31 March 2017; • award contracts - by 30 June 2017; • consult on and make final auditor appointments - by 31 December 2017; and • consult on, propose audit fees and publish fees - by 31 March 2018.
18. What are the terms of reference of the appointing person?	PSAA is wholly owned by the IDeA (the IDeA is wholly owned by the LGA). PSAA will continue to operate as an independent company, although there will be changes to its governance arrangements and its founding documents to reflect the fact that it will be an appointing person rather than a transitional body.
19. Will the appointing person take on all audit panel roles and therefore mitigate the need for there to be one in each individual authority?	Opting into the appointing person scheme will remove the need to set up an auditor panel. This is set out in the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015.

Question	Response
<p>20. What will be the arrangements for overseeing the quality of audit work undertaken by the audit firms appointed by the appointing person?</p>	<p>PSAA will only contract with firms which have a proven track record in undertaking public audit work. In accordance with the 2014 Act, firms must be registered with one of the chartered accountancy institutes acting in the capacity of a Recognised Supervisory Body (RSB). The quality of their work will be subject to scrutiny by both the RSB and the Financial Reporting Council (FRC). Current indications are that fewer than ten large firms will register meaning that small local firms will not be eligible to be appointed to local public audit roles.</p> <p>PSAA will ensure that firms maintain the appropriate registration and will liaise closely with RSBs and the FRC to ensure that any concerns are detected at an early stage and addressed effectively in the new regime. The company will take a close interest in feedback from audited bodies and in the rigour and effectiveness of firms' own quality assurance arrangements, recognising that these represent some of the earliest and most important safety nets for identifying and remedying any problems arising. We will liaise with the NAO to help ensure that guidance to auditors is updated when necessary.</p>

27 OCTOBER 2016

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

Review of Anti-Money Laundering Policy

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 were reviewed last year as part of an internal audit on fraud awareness and reports on updating these policies were submitted to Audit and Governance Committee for approval and full Council. 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. The Committee reviewed the Anti-Fraud and Corruption Policy and the Whistleblowing Policy last year. 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

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**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: 01.01.03

Date: 27/10/16

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

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, Money Laundering Regulations 2007 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 Executive



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 Regulations 2007, 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.

All organisations, including the Council, must report any money laundering suspicions for cash transactions over 15,000 Euros. **To help prevent money laundering, the Council has set a cash payment limit of £5,000. No cash payments above £5,000 are to be accepted by any Council service.**

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.

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. 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; 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 £5,000 is received; no identification checks will be needed.

Where the £5,000 limit is exceeded, officers dealing with the matter will need to establish the identity of the individual/company involved to seek to ensure that the risk of receiving the proceeds of crime can be minimised.

For individuals, their passport or photo driving licence should be provided, 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 5 years after the end of the transaction.

7. 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 members runs the risk of a fine and/or imprisonment for up to 14 years.

8. 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.

9. 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 five 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.

10. 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.

11. 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.

12. 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.

DRAFT

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:

--

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 £5,000 from any member of the public.
2. If you are offered cash of more than £5,000 you should advise the person offering it to you that it is not Council policy to accept large amounts of cash of more than £5,000 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.

AUDIT & GOVERNANCE COMMITTEE

27th October 2016

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

FRAUD AND CORRUPTION UPDATE REPORT

EXEMPT INFORMATION

None

PURPOSE

To provide Members with an update of Counter Fraud work completed during the financial year 2016/17.

RECOMMENDATIONS

That the Committee:

- 1 Considers this report and raises any issue it deems appropriate.**
- 2 Endorses the Fraud Risk Register Summary (Appendix 1)**
- 3 Endorses the Fraud Response Plan 2016/17 (Appendix 2)**

EXECUTIVE SUMMARY

The abolition of the National Fraud Authority in 2014 and the closure of the Audit Commission in 2015 saw professional counter fraud bodies, institutes and other concerned stakeholders from across the public and private sector including the former Counter Fraud Team of the Audit Commission come together to form 'The European Institute for Combating Corruption And Fraud' (TEICCAF). TEICCAF have carried on from the Audit Commission in the Protecting the Public Purse annual publications. The assessment against the checklist from the Protecting the English Public Purse 2015, was endorsed by this Committee on the 29th October 2015. In addition to this, CIPFA launched a Counter Fraud Centre and have recently increased their guidance material including checklists which they recommend that Authorities should measure against. The assessment against these guidance documents was endorsed by this Committee in July 2016.

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 2014/15 run which was released in February 2015 with additional updates released periodically. In total, 1180 matches were identified with 261 of these being recommended for investigation by the Council. So far, 1006 of the matches have been processed and closed and 6 remain in progress. All of the recommended matches have been investigated and closed. Three frauds were identified relating to housing benefits claims totalling £882, and two errors were uncovered, one relating to housing benefits with a value of £2110 and a duplicate invoice with a value of £733. The fraudulent claims for housing benefits are being recovered and both errors have been corrected. A new data matching exercise will commence in 2016/17.

Work continues in the counter fraud area to investigate potential frauds and the prevention of fraud. A fraud response plan is attached at **Appendix 2** which details the work plan for the financial year.

RESOURCES IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS BACKGROUND

There is a risk that the Authority will not have sound governance processes in place.

SUSTAINABILITY IMPLICATIONS

None

BACKGROUND INFORMATION

None

REPORT AUTHOR

Angela Struthers ex 234

LIST OF BACKGROUND PAPERS

None

APPENDICES






















Appendix 1	Fraud Risk Register Summary
Appendix 2	Fraud Response Plan 2016/17





























Fraud & Corruption Risk Register Summary






















Report Type: Risks Report

Report Author: Angela Struthers

Generated on: 01 September 2016
















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	03–Aug–2016
Assets	Theft of fixed assets		9 serious–likely		4 significant–unlikely	03–Aug–2016
Assets	Theft of Council information/intellectual property		12 major – likely		8 major – unlikely	03–Aug–2016
Assets	Inappropriate use of Council assets for private use		8 significant – very likely		6 significant–likely	03–Aug–2016
Petty cash/imprest accounts	Theft of takings disguised by manipulation of accounts		2 minor–unlikely		2 minor–unlikely	03–Aug–2016
Expenses claims	Inflated claims		6 significant–likely		4 significant–unlikely	03–Aug–2016
Corruption	Disposal of assets – land and property		6 serious–unlikely		3 serious–very unlikely	03–Aug–2016
Corruption	Award of planning consents and licences		9 serious–likely		3 serious–very unlikely	03–Aug–2016
Corruption	Acceptance of gifts, hospitality, secondary employment		6 significant–likely		4 significant–unlikely	03–Aug–2016
Car parking	Theft of takings		9 serious–likely		6 serious–unlikely	03–Aug–2016

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	03–Aug–2016
Money laundering	Using the council to hide improper transactions		8 major – unlikely		4 significant–unlikely	03–Aug–2016
ICT fraud	Improper use of council ICT equipment		12 major – likely		9 serious–likely	03–Aug–2016
Employee – general	Abuse of flexi system Falsification of car loans		6 significant–likely		4 significant–unlikely	03–Aug–2016
Payment of grants to the public	Grants fraudulently claimed		12 major – likely		6 serious–unlikely	03–Aug–2016
Loans & Investments	Misappropriation of funds Fraudulent payment or investment of funds		12 major – likely		4 significant–unlikely	03–Aug–2016
Regeneration development corruption	Regeneration development corruption		12 major – likely		6 serious–unlikely	03–Aug–2016
Financial statements	The financial statements may be materially mis–stated due to fraud		6 serious–unlikely		4 significant–unlikely	03–Aug–2016
New starter	Fraudulent job application		9 serious–likely		4 significant–unlikely	03–Aug–2016
ICT abuse	Improper use of IT equipment		9 serious–likely		4 significant–unlikely	03–Aug–2016
Benefits fraud – internal	Fraudulent claim by member of staff		9 serious–likely		6 serious–unlikely	03–Aug–2016
Cash theft	Theft of takings disguised by manipulation of accounts		4 significant–unlikely		2 significant–very unlikely	03–Aug–2016
Cash theft	Theft of cash without disguise		4 significant–unlikely		1 minor – very unlikely	03–Aug–2016
Payroll	Payment to non–existent employees		2 significant–very unlikely		3 serious–very unlikely	03–Aug–2016

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
Payroll	Over claiming hours worked		6 significant–likely		2 minor–unlikely	03–Aug–2016
Payroll	Manipulation of standing data		6 serious–unlikely		2 significant–very unlikely	03–Aug–2016
Assets	Theft of current assets		6 significant–likely		4 significant–unlikely	03–Aug–2016
Procurement & Contract Management						
Selection process	Senior staff influencing junior staff involved in a selection process		6 serious–unlikely		4 significant–unlikely	03–Aug–2016
Lack of awareness of the procurement process	Lack of awareness of risks and issues in the procurement process		6 significant–likely		4 significant–unlikely	03–Aug–2016
Lack of anti–fraud culture	No antifraud culture – no due diligence/risk registers		6 significant–likely		2 significant–very unlikely	03–Aug–2016
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	03–Aug–2016
Manipulation of preferred bidders list	Manipulation of preferred bidders list		4 significant–unlikely		2 significant–very unlikely	03–Aug–2016
No formal contract in place	No formal contract in place		8 significant – very likely		6 significant–likely	03–Aug–2016
Prices reworked	Prices reworked to enable the successful bidder to move up the proposal list following initial bidding		6 significant–likely		4 significant–unlikely	03–Aug–2016

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
Value of contract disaggregated	Value of contract disaggregated to circumvent organisation/EU regulations		12 serious – very likely		6 significant–likely	03-Aug-2016
Inappropriate high value purchase	Inappropriate high value purchase for an unauthorised purpose		6 significant–likely		4 significant–unlikely	03-Aug-2016
Inappropriate use of single tender acceptance	Inappropriate use of single tender acceptance		6 significant–likely		4 significant–unlikely	03-Aug-2016
Using agency staff or consultants			4 significant–unlikely		1 minor – very unlikely	03-Aug-2016
Initial commercial consultations	Procurement staff being side-lined during initial commercial consultations and subsequently being presented with a "done deal".		12 major – likely		6 serious–unlikely	03-Aug-2016
Contract signing	Contracts signed by member of staff not authorised to do so		12 major – likely		6 serious–unlikely	03-Aug-2016
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	03-Aug-2016
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	03-Aug-2016
Sale of confidential information	A member of staff could disclose information on bids to other contract bidders		12 major – likely		6 serious–unlikely	03-Aug-2016
Creditor payments	Fraudulent requests for creditor payments		9 serious–likely		4 significant–unlikely	03-Aug-2016

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
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	03–Aug–2016
Declaration of interests	Lack of declarations of interests		9 serious–likely		4 significant–unlikely	03–Aug–2016
Housing tenancy/homelessness						
Housing allocations	Housing allocated for financial reward fraudulent allocation of property		9 serious–likely		4 significant–unlikely	03–Aug–2016
Illegal sub letting	Illegal sub–letting of council property		4 significant–unlikely		2 minor–unlikely	03–Aug–2016
Sheltered schemes	Theft of customer monies		4 significant–unlikely		2 significant–very unlikely	03–Aug–2016
Homelessness	False claim of homelessness		6 significant–likely		2 minor–unlikely	03–Aug–2016
Council Tax						
Single Persons Discount	Single persons discount fraudulently claimed		6 significant–likely		6 significant–likely	03–Aug–2016
Discounts/exemptions	Discounts and exemptions falsely claimed		3 minor–likely		2 minor–unlikely	03–Aug–2016
Refund fraud			3 minor–likely		2 minor–unlikely	03–Aug–2016
Suppressed recovery action	Suppressed recovery action		3 minor–likely		2 minor–unlikely	03–Aug–2016
NNDR						
Void exemption	Void exemption falsely claimed		6 significant–likely		4 significant–unlikely	03–Aug–2016
Occupation dates	Occupation dates incorrectly notified		6 significant–likely		4 significant–unlikely	03–Aug–2016

Risk Title	Risk Description	Gross Risk	- Assessment	Current Risk	- Assessment	Last Review Date
Changes to property	Changes to property increase the rateable value		6 significant-likely		4 significant-unlikely	03-Aug-2016
Insurance						
Insurance claims	Claiming for non-existent injuries Claiming at another establishment for the same injury over claiming		9 serious-likely		4 significant-unlikely	03-Aug-2016
Other						
Elections	Fraudulent voting Fraudulent acts by canvassers		12 major - likely		6 serious-unlikely	03-Aug-2016
External funding	Fraudulently claiming/using external funding		1 minor - very unlikely		1 minor - very unlikely	03-Aug-2016
Housing						
Benefits/Council Tax Reduction Scheme						
Benefits fraud - claimant	Claimant fraudulently claims benefits		12 serious - very likely		8 significant - very likely	03-Aug-2016
Benefits fraud - third party eg landlord	fraudulent claim by third party		4 significant-unlikely		4 significant-unlikely	03-Aug-2016
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	03-Aug-2016

Fraud Response Plan 2016/17

Report Type: Actions Report

Report Author: Angela Struthers

Generated on: 01 September 2016

Fraud Response Area	Creating an Anti- Fraud Culture		
Description	To build an anti-fraud culture through the adoption of various measures to promote counter fraud awareness	Status Progress Bar	<input type="text" value="0%"/>
Risks	Failure to make staff, member and the public that their suspicions will be treated confidentially, objectively and professionally	Allocated Resources	10 days
	Failure to make available enough resources for counter fraud work		
Actions		Due Date	Completed Date
Complete an annual assessment of whether the level of resource invested to counter fraud and corruption is proportionate for the level of risk		31-Mar-2017	
Complete benchmarking exercise for counter fraud and identify any areas of good practice		31-Mar-2017	
Produce a fraud briefing note to act as prompt for management when they are designing or reviewing policies		31-Oct-2016	
Produce guidance to the "signs of fraud, bribery & corruption" to put on the intranet		31-Oct-2016	
Provide drop in sessions to staff and members as required		31-Oct-2016	
Roll out the e-learning packages for counter fraud		31-Mar-2017	
Fraud Response Area	Deterring Fraud		
Description	Deterring fraud through proactive communications	Status Progress Bar	<input type="text" value="0%"/>
Risks	A lack of robust strategic approach to deterring fraud can undermine actions to build an anti-fraud culture	Allocated Resources	10 days

	A lack of understanding as to the stance the authority takes against fraud		
Actions		Due Date	Completed Date
Deter fraud by publishing the Counter Fraud & Corruption Strategy and Policy on the website		30-Nov-2016	
Review communications so that the most effective ways of communicating with staff are utilised by the evaluation and adaption of National Fraud Authority fraud campaign pack being completed for roll out with the E learning solution		31-Mar-2017	

Fraud Response Area	Preventing Fraud		
Description	Preventing fraud by ensuring that relevant policies are in place and fraud risks are identified	Status Progress Bar	<input type="text" value="0%"/>
Risks	Out of date policies and procedures which do not cover relevant legislation.	Allocated Resources	30 days
	Potential risks not identified.		
	Potential data not identified.		
Actions		Due Date	Completed Date
Assist in the fraud proofing of other policies/forms		31-Mar-2017	
Implement effective Whistleblowing arrangements – annual review of Whistleblowing Policy		31-Oct-2016	
Review and update the Counter Fraud Policy Statement, Strategy & Guidance Notes and update and amend as appropriate		31-Mar-2017	
Review and update the fraud risk register in line with the potential systems weaknesses identified during audit or investigations and emerging fraud risks		31-Mar-2017	
Review Codes of Practice in place for Data Sharing with local partners		31-Mar-2017	
Review financial guidance and update and amend as appropriate		31-Mar-2017	

Fraud Response Area	Detecting Fraud		
Description	Detecting fraud through proactive investigations	Status Progress Bar	<input type="text" value="0%"/>
Risks	If not undertaken, there is a risk that the opportunity to abuse a system weakness may be heightened as the risk of being caught maybe deemed negligible by the perpetrator.	Allocated Resources	70 days
	If not undertaken, there is a risk that fraud could go undetected		

Actions	Due Date	Completed Date
Annual review and evaluation of the potential use of computer aided and other innovative techniques for the detection of fraud eg data matching	31-Mar-2017	
Annual review of existing arrangements to ensure that the Council is maximising their use eg NAFN	31-Mar-2017	
Continue to develop links with external agencies to enhance opportunities for information sharing	31-Mar-2017	
Undertake enquiries/investigations as a result of the outcome of the National Fraud Initiative	31-Mar-2017	
Undertake local proactive exercises through data & intelligence analysis at the Authority as agreed with the Executive Director Corporate Services	31-Mar-2017	

Fraud Response Area		Investigations	
Description	Investigate fraud in accordance with laid down policies and procedures	Status Progress Bar	<input type="text" value="0%"/>
Risks	The risk of not investigating is that fraud goes unpunished and there is no resulting deterrent effect thus increasing the prevalence of fraud further	Allocated Resources	73 days
	The staff (or others) making the allegation feel they are not taken seriously and referrals cease to be made.		
Actions		Due Date	Completed Date
Fraud referrals to be investigated in accordance with the Counter Fraud & Corruption Policy Statement & Strategy		31-Mar-2017	

Fraud Response Area		Sanctions	
Description	Apply sanctions correctly and consistently	Status Progress Bar	<input type="text" value="0%"/>
Risks	If sanctions are not imposed there is no deterrence of fraud.	Allocated Resources	As required
Actions		Due Date	Completed Date
Ensure that sanctions are applied correctly and consistently (including internal disciplinary, regulatory & criminal)		31-Mar-2017	

Fraud Response Area		Redress	
Description	To ensure that redress is calculated correctly	Status Progress Bar	<input type="text" value="0%"/>
Risks	Fraudsters may not realise that any and all measures will be taken to recover any money lost to fraud.	Allocated Resources	4 days

Actions	Due Date	Completed Date
Maintain comprehensive records of time spent on each investigation so that this can be included in any compensation claim. Identify and maintain a record of the actual proven amount of loss so that appropriate recovery procedures can be actioned.		

Fraud Response Area	Strategic Work		
Description	To maintain mandatory counter fraud arrangements	Status Progress Bar	<input type="text" value="0%"/>
Risks	Failure to ensure the completion of mandatory strategic work may mean that the professional knowledge and skills are not maintained to a high standard	Allocated Resources	10 days
Actions	Due Date	Completed Date	
Attendance at relevant fraud forums/meetings to ensure that professional knowledge and skills are maintained	31-Mar-2017		
Attendance at relevant training as required	31-Mar-2017		
Completion and agreement of work plan	31-Mar-2017		
Process map the counter fraud process and devise template for the Covalent system to record counter fraud work	31-Dec-2016		
Quarterly reporting of counter fraud work	31-Mar-2017		
Regular meetings with the Executive Director Corporate Services	31-Mar-2017		

AUDIT & GOVERNANCE COMMITTEE

27th October 2016

Report of the Head of Internal Audit Services

INTERNAL AUDIT CUSTOMER SATISFACTION SURVEY 2016

EXEMPT INFORMATION

None

PURPOSE

To report on the outcome of Internal Audit's customer satisfaction survey for the 2016/17 financial year to date.

RECOMMENDATION

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

EXECUTIVE SUMMARY

Public Sector Internal Audit Standard (PSIAS) 1300 requires the development and maintenance of a Quality Assurance and Improvement Programme (QAIP). The Institute of Internal Auditors (IIA) guidance for the development of a QAIP states that as part of the Quality Assurance process, on-going monitoring should be completed on an audit by audit basis (achieved by reviewing work completed by the auditor) supported by other additional mechanisms including acquiring feedback from audit clients and other stakeholders. To fulfil this requirement, we send out a short questionnaire at the end of each audit assignment. The results of the questionnaire for the first half of the financial year are detailed in the table below. We wanted to keep the questionnaire short to gather the information that was important for us to know and to ensure that management time was not taken in completing them. In total, we received 8 questionnaires back.

The questionnaire asked three questions relating to the delivery of the internal audit service and details along with the average scores are reported below:

Question	2016/17 1 st half year results	2015/16 annual results
	Average score (Max 5)	Average score (Max 5)
The scope of the audit reflected the risks in the area.	4	3.8
The audit added value to your department's operations by assisting in improving your business processes and internal controls.	3.6	3.7
The audit findings were accurate and led to constructive recommendations.	3.9	3.9

The results of the questionnaires show that the Internal Audit Service is performing well with all scores above average.

We received one additional comment in the questionnaires returned:

“It is always useful if Audit is involved at the inception stage of a project/programme. This would allow all those involved in projects to learn or have more insight into risk based working right from the word go. I don't just mean from a corporate level but from an operational level.”

We will remind managers that we can offer this assistance at the inception stage of projects/programmes.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

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 ex 234

LIST OF BACKGROUND PAPERS

None

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AUDIT & GOVERNANCE COMMITTEE

27th October 2016

Report of the Head of Internal Audit Services

INTERNAL AUDIT UPDATE REPORT 2016/17

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 1st 6 months of 2016/17 – 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.

RECOMMENDATION

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' opinion statement for Apr - Sept 2016 is set out in the attached document, and the opinion is summarised 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 for this quarter is that "reasonable 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 2016/17.

RESOURCE IMPLICATIONS

None

LEGAL/RISK IMPLICATIONS

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

None

APPENDICES

Appendix 1 Internal Audit Performance Report 2016/17

Appendix 2 Percentage of Management Actions Agreed 2016/17

Appendix 3 Implementation of Agreed Management Actions 2016/17

INTERNAL AUDIT REPORT – 6 Month Period – 1st April – 30th September 2016– (2016/17)

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 draft reports on these where possible/necessary. **Appendix 1** shows the progress at the end of 1st half of the year of the work completed against the plan and highlights the work completed. At the end of the first half of the year, Internal Audit have commenced/completed **27 audits**. The original plan identified **55 audits** to be completed, 2 additional audits not originally identified on the audit plan have been identified. This equates to 47% of the revised annual plan (specific reviews). 20 implementation reviews were identified in the original audit plan, the service has completed 20 in the first half of the financial year.

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 2016/17

Appendix 2 details the number of recommendations made. A total of 107 recommendations were made in the first half with 107 (100%) 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. Twenty implementation reviews were completed during the 1st half of 2016/17. **Appendix 3** details the implementation progress to date for the first half of the financial year with 74% (111/150) of the agreed management actions implemented/partially implemented at 1st implementation review and 72% (26/36) implemented/partially implemented at 2nd implementation review. Four recommendations not implemented at 2nd implementation review, and ten recommendations not implemented at 1st 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

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 “reasonable 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 first half of the 2016/17 financial year that would need to be highlighted as a corporate risk.

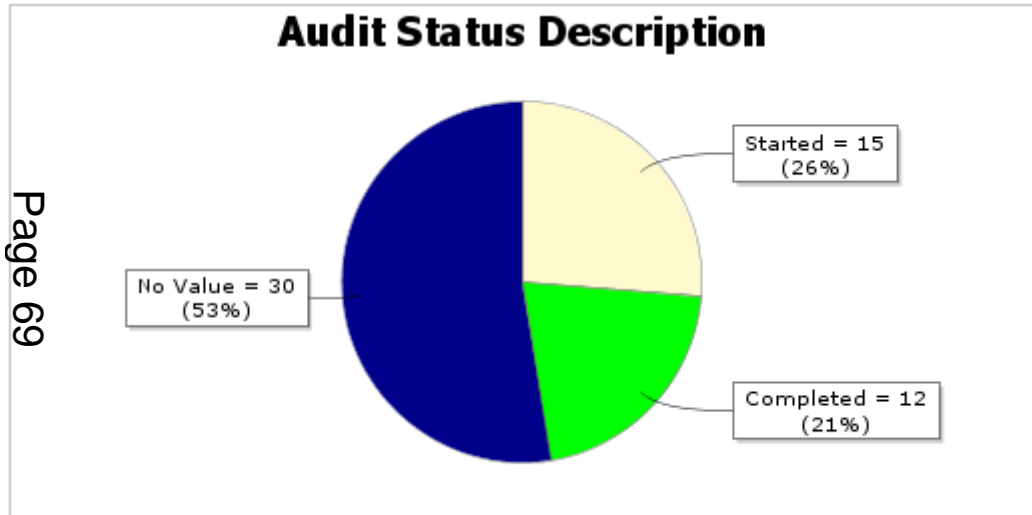
Angela Struthers,
Head of Internal Audit Services

Internal Audit Performance Report Audit Plan 2016/17

Report Type: Audit File Report

Report Author: Angela Struthers

Generated on: 06 October 2016



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Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
NNDR	Finance			Main financial system – full
Bank Reconciliation & Cash Collection	Finance			Main financial system – full
Housing Repairs QTR 4	Housing & Health			Main financial system – interim
Treasury Management QTR 4	Finance	✓	Completed	Main financial system – interim

Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
2015/16				
Community Development	Communities, Planning & Partnerships			System based review
IT Governance	Technology & Corporate Programmes			Information Technology
DIP Application Review	Technology & Corporate Programmes	✓	Started	Information Technology
Corporate Business Continuity	Technology & Corporate Programmes	✓	Started	System based review
Telephony Project Implementation Review	Technology & Corporate Programmes			Information Technology
All Us Policy	Transformation & Corporate Performance			System based review
Castle	Communities, Planning & Partnerships	✓	Started	System based review
Housing Rents	Housing & Health			Main financial system – full
Payroll	Transformation & Corporate Performance			Main financial system – full
Creditors & Procurement	Finance			Main financial system – interim
Housing Repairs QTR 1	Housing & Health	✓	Completed	Main financial system – interim
Housing Repairs QTR 2	Housing & Health	✓	Started	Main financial system – interim
Main Accounting & Budgetary Control	Finance			Main financial system – interim
Property Contracts QTR 1	Assets & Environment	✓	Completed	Main financial system – interim
Council Tax	Finance			Main financial system – full

Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
Capital Strategy & Programme Management	Finance			Main financial system – interim
Debtors	Finance			Main financial system – interim
Housing & Council Tax Benefits	Finance			Main financial system – interim
Housing Repairs QTR 3	Housing & Health			Main financial system – interim
Property Contracts QTR 4	Assets & Environment			Main financial system – interim
Property Contracts QTR 2	Assets & Environment	✓	Started	Main financial system – interim
Property Contracts QTR 3	Assets & Environment			Main financial system – interim
Treasury Management QTR 3 2016/17	Finance			Main financial system – interim
Treasury Management QTR 1 2016/17	Finance	✓	Completed	Main financial system – interim
Treasury Management QTR 2 2016/17	Finance			Main financial system – interim
Economic Development	Communities, Planning & Partnerships			Risk based review
Corporate Policy Management	Corporate	✓	Started	System based review
Health & Safety	Transformation & Corporate Performance	✓	Completed	System based review
Building Security	Transformation & Corporate Performance	✓	Started	System based review
Income Management	Finance	✓	Completed	System based review
IT Physical & Environmental Controls	Technology & Corporate Programmes	✓	Completed	Information Technology
Freedom of Information	Technology & Corporate	✓	Completed	Information Technology

Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
	Programmes			
Mobile Computing/BYOD	Technology & Corporate Programmes			Information Technology
IT Testing Thematic Review	Technology & Corporate Programmes			Information Technology
Customer Services Programme Management	Transformation & Corporate Performance			System based review
Gifts & Hospitality	Solicitor & Monitoring Officer	✓	Completed	System based review
Standards & Declarations	Solicitor & Monitoring Officer	✓	Started	Risk based review
Travel & Subsistence	Transformation & Corporate Performance	✓	Started	System based review
Page 72 Tenant Participation	Housing & Health	✓	Completed	Risk based review
Scheme of Delegation	Solicitor & Monitoring Officer			System based review
Land Charges	Solicitor & Monitoring Officer			System based review
Risk Management	Corporate	✓	Started	Risk based review
Housing Business Support	Housing & Health			Risk based review
Street Scene	Assets & Environment			Risk based review
Housing Services	Housing & Health			Risk Workshop
Partnerships Governance	Communities, Planning & Partnerships			System based review
Customer Services Transformation	Transformation & Corporate Performance	✓	Started	Consultancy
Commercial & Industrial Properties	Assets & Environment	✓	Started	Consultancy
Municipal Charities	Corporate	✓	Started	Transactional

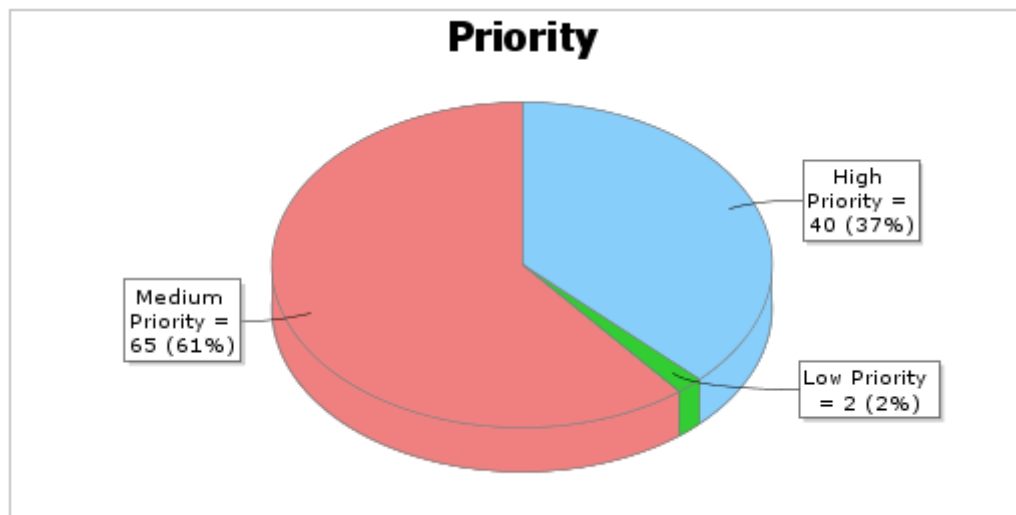
Title	Directorate Description	Audit Status Icon	Audit Status Description	Audit Assurance Type Title
Pension Contributions	Transformation & Corporate Performance	✓	Completed	Compliance
Safe Security		✓	Completed	Additional Consultancy
Review of Culture/ Ethics	Corporate	✓	Started	System based review
Disabled Facilities Grants	Assets & Environment	✓	Started	Additional System Based Review

Key to Audit Opinion	
	Substantial assurance
	Reasonable assurance
	Limited assurance
	No assurance

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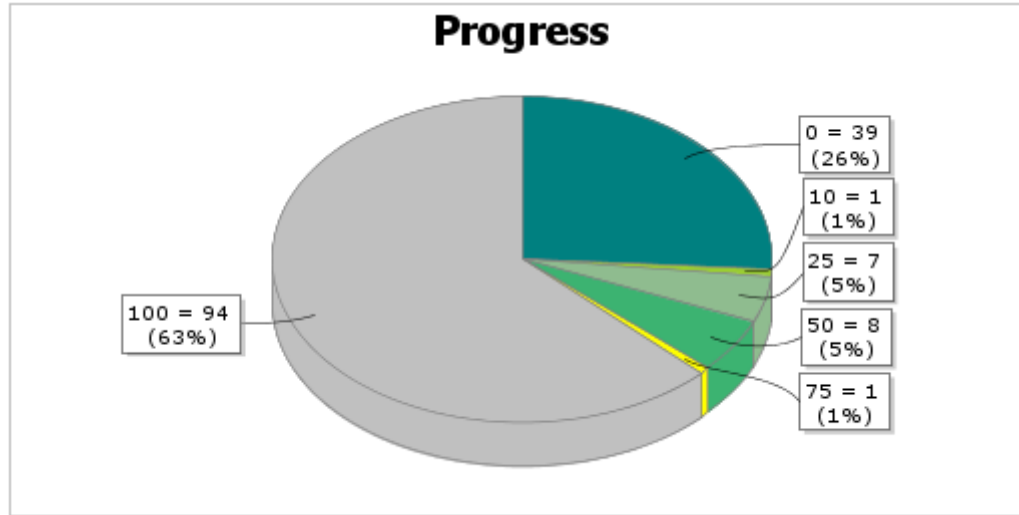
Percentage of Management Actions Agreed first 6 months 2016/17
















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Implementation Review 2016/17 1st Half year - 1st implementation reviews








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Audit Recommendation Code & Title	Audit Recommendation Status	Recommendation Priority	Recommendation Progress	Reason Not Implemented
1415 HSG HE 004 Case Management	?	High Priority	0%	Staffing Resources – Temporary
1415 R Access 05 Roles & Responsibilities	●	High Priority	0%	Other Higher Priorities
1415 R Access 12 Policies	?	High Priority	0%	Other Higher Priorities
1516 A&L 3.01 Legionella Risk Assessments – Due for Renewal	●	High Priority	0%	Reliance on 3rd Party – External
1516 A&L 3.05 Asbestos	●	High Priority	0%	Reliance on 3rd Party – External

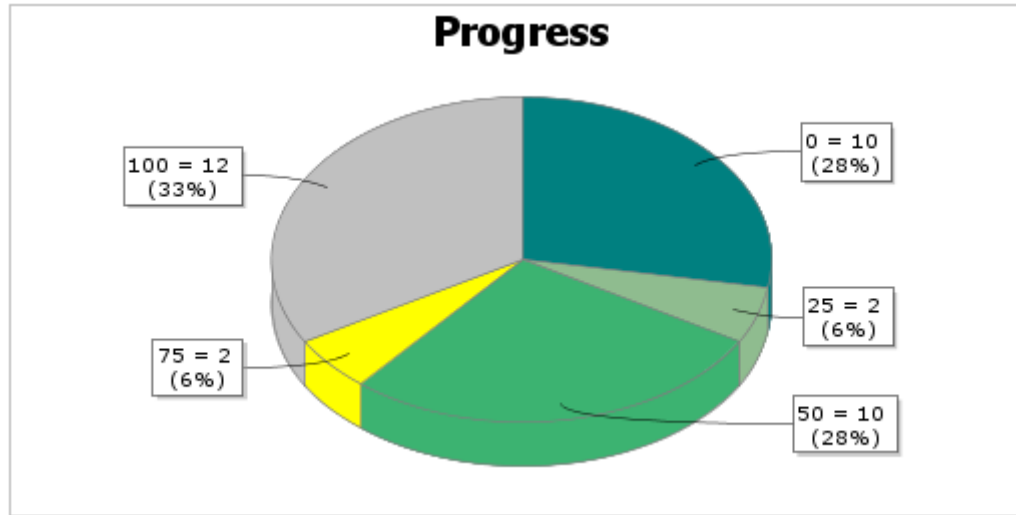
Audit Recommendation Code & Title	Audit Recommendation Status	Recommendation Priority	Recommendation Progress	Reason Not Implemented
Management Surveys – Due for Renewal				
1516 HSGHM 06.01 B&B Arrangements		High Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – Internal
1516 HSGHM 08.02 Homelessness Applications		High Priority	<input type="text" value="0%"/>	Staffing Resources – Temporary
1516 PSL 5.02 Monthly Lease Payments		High Priority	<input type="text" value="0%"/>	Staffing Resources – Temporary
1516 Recruit 1.2 Policy Review		High Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 V&L 1.01 Void Monitoring Process		High Priority	<input type="text" value="0%"/>	Other Higher Priorities
1415 HSG HE 003 Policies and Procedures		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1415 HSG HE 008 Review RTM		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1415 HSG HE 1.1 Housing Enforcement Risk Register		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1415 R Access 01 Contracts/Agreements		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 A&L 1.01 Asbestos & Legionella Risk Register		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 A&L 2.01 Asbestos/Legionella Management Plans		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 A&L 3.02 Invoices		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – External
1516 A&L 3.10 Asbestos		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – External

Audit Recommendation Code & Title	Audit Recommendation Status	Recommendation Priority	Recommendation Progress	Reason Not Implemented
Management Surveys – No Longer Required				
1516 A&L 4.03 Asbestos Management Surveys		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 ELECTION 1a Post Election Review Minutes		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 ELECTION 1c Business Continuity Plan		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 ELECTION 1d Risk Register		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 HSGHM 08.03 Rent Accounts		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – External
1516 HSGHM 08.04 B&B Arrears		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 HSGHM 11.02 THEP Sessions		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 HSGHM 12.01 Website		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 HSGHM 14.01 THEP Forward Plans		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 HSGHM 14.02 Feedback		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 OD 01 Absence Pl's		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 OD 05 Training Identification		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – Internal
1516 OD 08 Risk Registers		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 Recruit 1.1 Policy Availability		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities





Audit Recommendation Code & Title	Audit Recommendation Status	Recommendation Priority	Recommendation Progress	Reason Not Implemented
1516 Recruit 2.3 End of post		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 Recruit 3.1 Training		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 SC&VA 1.2 Records Management Policy		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – Internal
1516 V&L 2.02 Annual Lettings Plan		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 V&L 6.02 Decant Policy		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 V&L 6.07 Approval		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1516 V&L 6.09 Prescribed Time Limits		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities


Implementation Review 2016/17 1st Half Year - 2nd implementation reviews

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Audit Recommendation Code & Title	Audit Recommendation Status	Recommendation Priority	Recommendation Progress	Reason Not Implemented
1415 IT IC 11 Secure emails	?	High Priority	0%	Other Higher Priorities
1415 IT IC 16 Review of firewall rules	?	High Priority	0%	Other Higher Priorities
1415 PM 1.02 Training	?	High Priority	0%	Other Higher Priorities
1415 PMF 06.07 System Development	?	High Priority	0%	Reliance on 3rd Party – External
1314.GISGAZ04.3 Data uploads	●	Medium Priority	0%	Reliance on 3rd Party – Internal
1415 IT IC 02 User	●	Medium Priority	0%	Other Higher Priorities

Audit Recommendation Code & Title	Audit Recommendation Status	Recommendation Priority	Recommendation Progress	Reason Not Implemented
Responsibilities				
1415 IT IC 15 Firewall procedures		Medium Priority	<input type="text" value="0%"/>	Other Higher Priorities
1415 PMF 05.03 Promotion of Covalent		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – External
1415 PMF 05.04 Consultation		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – External
1415 PMF 06.08 Deputy System Administrator		Medium Priority	<input type="text" value="0%"/>	Reliance on 3rd Party – Internal

Key to Symbols	
Page 82	Not yet due
	

AUDIT AND GOVERNANCE COMMITTEE

27th October 2016

REPORT OF THE HEAD OF INTERNAL AUDIT SERVICES

RISK MANAGEMENT UPDATE 2016/17

EXEMPT INFORMATION

None

PURPOSE

To report on the Risk Management process and progress to date for the current financial year.

RECOMMENDATIONS

That the Committee:

- 1 Endorses the Corporate Risk Register.
- 2 Endorses the revised Risk Management policy.
- 3 Endorses the Risk Management Action Plan.

EXECUTIVE SUMMARY

One of the key functions of the Audit & Governance Committee is to monitor the effectiveness of the Authority's Risk Management Arrangements, including the actions taken to manage risks and to receive regular reports on risk management. Corporate risks are identified and managed and monitored by the Corporate Management Team (CMT) on a quarterly basis. Corporate risks have been assigned to relevant members of the Corporate Management Team. Through regular review, risks may be added or removed from the Corporate Risk Register. The Corporate Risk Register is attached as **Appendix 1** for information.

The Risk Management Policy has been reviewed and updated in line with best practice. The revised Risk Management Policy is attached as **Appendix 2**. Changes to the Policy are highlighted.

Work is continually completed by Internal Audit with Service Units to ensure that the operational risk register entries are aligned to the corporate risks. This will also identify areas where operational risk registers need to be updated to ensure that operationally, the corporate risks are managed. The Risk Management Action Plan for 2016/17 is attached as **Appendix 3** and shows status to date.

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

None


















APPENDICES











Appendix 1 – Corporate Risk Register

Appendix 2 – Risk Management Policy

Appendix 3 - Risk Management Action Plan 2016/17

Corporate Risk Register 2016

Risk Title	Risk Description	Gross Risk	– Assessment	Current Risk	– Assessment	Last Review Date
Corporate Risk Register 2016/17						
Medium Term Financial Planning & Sustainability Strategy	Loss of Funding and Financial Stability & application of uncertainties of Brexit		12 major – likely		8 major – unlikely	21-Jul-2016
Reputation	Damage to Reputation		9 serious–likely		4 significant–unlikely	21-Jul-2016
Governance & Regulatory Failure	Failure to achieve adequate Governance Standards and statutory responsibilities		9 serious–likely		4 significant–unlikely	21-Jul-2016
Partnership Working and Supply Chain Challenges	Failure in partnership working, shared services or supply chain		9 serious–likely		4 significant–unlikely	21-Jul-2016
Emergency & Crisis Response Threats	Failure to manage an external or internal emergency/disaster situation		9 serious–likely		4 significant–unlikely	21-Jul-2016
Economic Changes	Failure to plan and adapt services to economic changes within the community		6 serious–unlikely		3 serious–very unlikely	21-Jul-2016
Information Management & Information Technology	Failure to secure and manage data and IT infrastructure		12 major – likely		6 serious–unlikely	21-Jul-2016
Loss of Community Cohesion	Failure to achieve community cohesion		12 major – likely		9 serious–likely	21-Jul-2016

Risk Title	Risk Description	Gross Risk	- Assessment	Current Risk	- Assessment	Last Review Date
Workforce Planning Challenges	Failure to manage workforce planning challenges		9 serious-likely		4 significant-unlikely	21-Jul-2016
Health & Safety	Failure to manage Health & Safety		12 major - likely		6 serious-unlikely	21-Jul-2016
Corporate Change	Failure to manage corporate change		4 significant-unlikely		4 significant-unlikely	21-Jul-2016
Safeguarding Children & Vulnerable Adults	Failure to safeguard children and vulnerable adults		12 serious - very likely		9 serious-likely	21-Jul-2016
Inability to manage the impact corporately of the Government Austerity measures and new legislative requirements	Inability to manage the impact corporately of the Government Austerity measures and new legislative requirements		16 major - very likely		8 major - unlikely	21-Jul-2016

APPENDIX 2



RISK MANAGEMENT POLICY AND STRATEGY

Document Status: Final

Originator: A Struthers

Updated: A Struthers

Owner: Executive Director Corporate Services

Version: 01.01.045

Date: 27/10/16~~30/10/15~~

Approved by Audit & Governance Committee

Date ~~3-September-2015~~27 October 2016

Document Location

This document is held by Tamworth Borough Council, and the document owner is John Wheatley, Corporate Director - Resources.

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
April 2010	1.01.01	
18/09/12	1.01.02	Scheduled review
30/3/14	1.01.03	Scheduled review
03/09/15	1.01.04	Scheduled review
03/08/16	1.01.05	Scheduled review

Approvals

Name	Title	Approved
Audit & Governance Committee	Committee Approval	Yes
CMT	Group Approval	Yes
John Wheatley	Executive Director Corporate Services	Yes
Angela Struthers	Head of Internal Audit Services	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.

| Date ~~3-September-2015~~ [27 October 2016](#)

Contents

	Page Number
Risk Management Policy Statement	1
Protocol Objectives	3
Risk Management Strategy	3
Risk Appetite	4
Risk Management Roles and Responsibilities	5
Arrangements	6
Risk Management Process	6
Performance Management	7

| Date ~~3-September-2015~~ [27-October-2016](#)

Risk Management Policy Statement

Statement by the Leader of the Council and Chief Executive

The Authority is committed to the culture of Risk Management ensuring that its reputation is not tarnished by an unforeseen event nor is it financially or operationally affected by the occurrence.

It recognises that: -

- Management has the responsibility to plan and systematically approach, the identification, evaluation, and control of risk;
- In order for the Authority to improve, risks ([opportunities and threats](#)) need to be taken, but they need to be understood and appropriately managed ;
- All Managers and Team Leaders have responsibility for the effective control of risk utilising the support training and resources provided by the Authority;
- The responsibility for insurable losses is management's, not that of an insurance company. Insurance is not a substitute for the management of risk;
- The need to integrate Risk Management into the culture of the Authority.

Risk Management objectives for Tamworth Borough Council are:

- To safeguard the public, members and employees and to protect the Authority's reputation and assets;
- To manage risks in accordance with best practice and ensure risk management is integrated into the culture of Tamworth Borough Council and all those connected with it;
- To identify and take advantage of available opportunities to improve service delivery and/or the Authority's financial position;
- To ensure the Authority delivers its commitments to stakeholders and to demonstrate transparency, accountability and equity in its efforts to do so;
- To anticipate and respond positively to changing social, environmental and legislative requirements; and
- To identify and manage partnership risks.

The Audit & Governance Committee will regularly review the Risk Management Policy and Strategy to ensure their continued relevance to the Borough. They will also assess performance against the aims and objectives.

We attach great significance to Risk Management and it is essential that the Protocol is known and understood by all staff within the Authority. It will form part of the induction training and performance reviews for all staff and members and will be monitored as part of the performance review process utilising the corporate performance system Covalent. We will make adequate resources available to ensure that the commitments made in this statement are achieved.

Risk Management has our total support – it needs yours too for us to succeed.

(Signed)
Chief Executive

(Signed)
Leader of the Council

Protocol Objectives

In implementing this Protocol the Authority will: -

➤ Identify those assets and exposures which have or may give rise to loss producing events;

➤ Identify opportunity risks that may give rise to increased benefits

➤

➤ Maintain detailed 'Risk Registers' of the risks identified as threatening the Authority's operation and document their control on the Authority's Corporate Performance system Covalent;

➤ Assess the impact of potential loss producing events;

➤ Take reasonable physical or financial steps to avoid or reduce the impact of potential losses;

➤ Endeavour to reduce all serious (RED) risks to an acceptable level either by controls or ceasing the activity;

➤ Ensure that all systems of work reflect the positive risk management culture of the Authority;

➤ Establish a comprehensive information base of insurable and uninsurable losses;

➤ Maintain a detailed understanding of insurance;

➤ Purchase insurance for those risks which cannot be avoided or reduced further, always retaining risks where this is economically attractive.

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Risk Management Strategy

The Purpose of this Risk Management Strategy is to effectively manage potential opportunities and threats to the organisation achieving its objectives. The main objectives of the Authority's Risk Management Strategy are to: -

➤ Achieve continuous improvement in the management of risk;

➤ Develop a culture that integrates risk management into the day-to-day management process;

➤ Continue to develop robust systems to identify and evaluate risk;

- Develop reliable performance indicators for target-setting and for making appropriate comparisons;
- Develop systems for performance monitoring to bring about continuous improvements;
- Enabling the Organisation to anticipate and respond to changing social, environmental and legislative conditions;
- Reduce the total cost of risk and mitigate potential future increases in insurance premiums and self-insurance options.

To help achieve these objectives it will be necessary to: -

- Increase the profile of and commitment to Risk Management throughout the Authority;
- Ensure adequate resources (financial and time) are provided;
- To make all partners, providers and delivery agents aware of the Organisation's expectations on risk, both generally as set out in its Risk Management Policy, and where necessary in particular areas of service delivery;
- Develop arrangements to measure performance of RM activities against the aims and objectives;
- Establish clear accountabilities, roles and reporting lines across all services, departments, management and committees;
- Provide for risk assessment in all decision-making processes of the Authority;
- Develop training to build awareness across all levels of activity;
- Performance manage risk management across the Authority.

Risk Appetite

The risk appetite is "the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time" (CIPFA). The Authority will manage the risks by reducing, preventing, transferring, eliminating or accepting the risk.

Whilst the Authority acknowledges that it will have "severe" (red) risks from time to time, it will endeavour to reduce those to an acceptable level either through controls or ceasing the activity (if applicable). Sometimes risks are identified and even though managed, may still remain "severe" (red risk).

Risk Registers must be maintained and managed in the following areas:

Strategic Risks,
Operational Risks,
Project Risks,
Partnership Risks,
Opportunity Risks

“Severe” risks can appear in any of the above risk registers.

Risk Management Roles and Responsibilities

The importance of establishing roles and responsibilities within the risk management framework is pivotal to successful delivery. Considering risks must be embedded into corporate policy approval and operational service delivery.

The agreed roles and responsibilities within the risk management framework are outlined in the table below:

Group /Individual	Role
Corporate Management Team	<ul style="list-style-type: none"> ▪ Provide leadership for the process to manage risks effectively. ▪ Review and revise the Risk Management Policy and Strategy in accordance with the review period. ▪ Monitor and review the Corporate Risk Register on a quarterly basis including the identification of trends, upcoming events and potential new corporate risks.
Audit & Governance Committee	<ul style="list-style-type: none"> ▪ Monitor the effectiveness of the Authority’s risk management arrangements, including the actions taken to manage risks and to receive regular reports on risk management. ▪ To monitor the actions being taken to mitigate the impact of potentially serious risks
Cabinet	<ul style="list-style-type: none"> ▪ To provide strategic direction with regard to risk management.
Directors	<ul style="list-style-type: none"> ▪ To provide leadership for the process of managing risks within their directorate. ▪ To ensure that risk management methodology is applied to all service plans, projects, partnerships and proposals within their directorate. ▪ To identify and manage business /operational risks. ▪ To ensure that the management of risk is monitored as part of the performance management process.
Heads of Service	<ul style="list-style-type: none"> ▪ To ensure that all risks are identified, recorded and effectively managed in their area or responsibility. ▪ To review and update their risk register on at least on an annual

	<p>quarterly basis <u>but appropriate to the risk.</u></p> <ul style="list-style-type: none"> ▪ To determine the method of controlling the risk. ▪ To delegate responsibility if appropriate for the control of the risk. ▪ To notify the Director of new risks identified for consideration for inclusion on the corporate risk register.
All staff	<ul style="list-style-type: none"> ▪ To ensure that risk is effectively managed in their areas. ▪ To ensure that they notify their managers of new and emerging risks.
Head of Internal Audit Services	<ul style="list-style-type: none"> ▪ To ensure that the risk management strategy is regularly reviewed and updated. ▪ Promote and support the risk management process throughout the Authority. ▪ Advise and assist managers in the identification of risks.

Arrangements

- The Executive Director Corporate Services will ensure that all Managers are aware of their responsibility for Risk Management.
- The Head of Internal Audit Services will be responsible for ensuring that the risk strategy of the Authority is achieved.
- The Operations Accountant will be responsible for the administration of insurance and co-ordination of advice and support.

Risk Management Process

Risk Identification

The identification of risks is completed at various levels and primarily, risks (and opportunities) relate to the achievement of the Authority's objectives. The objectives can be Strategic, Operational, Project or Opportunity level. This stage can be repeated regularly to ensure that new risks arising are identified and recorded on the risk register as appropriate.

The Authority acknowledges that no one person is responsible for identifying key risks and that they are identified at various levels and various ways.

As a basis, the following risks must be identified:

Those that affect:

- 1 the delivery of the Strategic Plan;
- 2 the operational issues i.e. the delivery of a service;

- 3 the delivery of a project;
- 4 the delivery of a partnership.

Recording Risks

A Risk Register is the primary tool to administer the risks identified. The Covalent system **must** be used to record all corporate, directorate, service, project and partnership risk registers.

As part of business planning, risks are identified. Business plan actions are recorded on the Covalent system under Action Central. Managers should ensure that the associated risks are recorded on the risk register and linked to the appropriate business plan action.

All risks recorded on the risk register should identify the:

- Gross risk,
- Vulnerabilities/causes of the risk,
- Potential effect/consequences of the risk happening,
- Controls in place to reduce the risk,
- Net risk,
- Risk review period.

Reporting Risks

The Corporate Risk Register will be reviewed and updated by the Corporate Management Team on a quarterly basis and then reported to the Audit & Governance Committee.

All reports to any Committee of the Authority require that risks are identified. The Committee report template is set up so that this is completed. It is the duty of the report writer to ensure that the relevant risk register on Covalent is updated to take account of these risks.

Performance Management

The following key performance indicators for the risk management process will be completed.

- The Risk Management Policy and Strategy to be reviewed and updated on an annual basis;
- Corporate Management Team to review and update the corporate risk register taking into account emerging and changing risks on a quarterly basis;
- Risks to be reviewed appropriately to the severity /changing nature of the risk;

- Staff to be appropriately trained in Risk Management and the use of the Covalent system.

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Risk Management Action Plan 2016/17

Action Code	Action Title	Priority	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM1	Risk Management Policy	Priority		<input type="text" value="0%"/>	30-Sep-2016		Angela Struthers
Description	Risk Management Policy Review						
All Notes	Angela Struthers 03-Aug-2016 1st review of policy completed.						

Action Code	Action Title	Priority	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM2	Risk Management Training	Priority		<input type="text" value="0%"/>	31-Mar-2017		Angela Struthers
Description	Roll out of e-learning risk management module						
All Notes	Angela Struthers 28-Jul-2016 Roll out of e-learning module delayed due to purchase of upgraded package by HR. Will need to evaluate and test to see if the training we have written can be migrated to the new system.						

Action Code	Action Title	Priority	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM3	Opportunities Risk Register	Priority		<input type="text" value="0%"/>	31-Mar-2017		Angela Struthers
Description	Introduce an opportunities risk register						
All Notes	Angela Struthers 28-Jul-2016 A work around has been achieved so that an opportunities risk register can be recorded on the Covalent system. An opportunities risk matrix has been set up and will be rolled out for use in relevant areas. Guidance on it use has been reviewed and updated						

Action Code	Action Title	Priority	Current Status	Progress Bar	Due Date	Completed Date	Assigned To
RM4	Benchmarking Action Plan	Priority		<input type="text" value="0%"/>	31-Mar-2017		Angela Struthers
Description	Review the action plan arising from the benchmarking results and look at the viability of implementing actions						
All Notes							

Action Status	
	Cancelled
	Overdue; Neglected
	Unassigned; Check Progress
	Not Started; In Progress; Assigned
	Completed

PLANNED REPORTS TO AUDIT AND GOVERNANCE COMMITTEE

	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	Draft Annual Statement of Accounts	June	Executive Director Corporate Services	
5	Changes to Arrangements for Appointments for External Auditors	June	Executive Director Corporate Services	
6	Review of the Constitution and Scheme of Delegation for Officers	June	Solicitor to the Council and Monitoring Officer	
7	RIPA Quarterly Report	June	Solicitor to the Council and Monitoring Officer	
8	Internal Audit Annual and Quarterly Update	June	Head of Internal Audit	
9	Risk Management Quarterly Update	June	Head of Internal Audit	
10	Counter Fraud Update	June	Head of Internal Audit	

11	Review of the Effectiveness of Internal Control Environment	June	Head of Internal Audit	To include the review of the effectiveness of internal audit, compliance with PSIAS, roles of the CFO and HIAS
12	Annual Governance Statement and Code of Corporate Governance	June	Head of Internal Audit	
1	Audit Findings Report	September	Grant Thornton	
2	Management Representation Letter	September	Grant Thornton	
3	Annual Statement of Accounts	September	Executive Director Corporate Services	
4	Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2016/17	September	Executive Director Corporate Services	
5	RIPA Quarterly Report	September	Solicitor to the Council and Monitoring Officer	
6	Local Government Ombudsman's Annual Review and Report 2015/16	September	Solicitor to the Council and Monitoring Officer	
7	Internal Audit Quarterly Update	September	Head of Internal Audit	
8	Risk Management Quarterly Update	September	Head of Internal Audit	

1	Members/Standards	October	Solicitor to the Council and Monitoring Officer	
2	Anti Money Laundering Policy	October	Solicitor to the Council and Monitoring Officer	
3	Internal Audit Quarterly Update	October	Head of Internal Audit	
4	Risk Management Quarterly Update	October	Head of Internal Audit	
5	Annual Governance Statement Update	October	Head of Internal Audit	
1	Audit Report on Certification Work 2015/16	January	Grant Thornton	
2	Audit Progress Report	January	Grant Thornton	
3	Annual Audit Letter 2015/16	January	Grant Thornton	
4	RIPA Quarterly Report	January	Monitoring Officer Solicitor to the Council and	
5	Internal Audit Quarterly Update	January	Head of Internal Audit	
6	Risk Management Quarterly Update	January	Head of Internal Audit	
7	Counter Fraud Update	January	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 2017/18 and the Treasury Management Strategy Statement and Annual Investment Strategy Mid-Year Review Report 2016/17	March	Executive Director Corporate Services	
7	Final Accounts 2016/17 – Action Plan	March	Director of Finance	
8	RIPA Quarterly Report	March	Monitoring Officer Solicitor to the Council and	
9	Internal Audit Charter and Audit Plan	March	Head of Internal Audit	
10	Audit and Governance Committee Self Assessment	March	Head of Internal Audit	
11	Review of Financial Guidance	March	Head of Internal Audit	