

# GOVERNANCE AND AUDIT SCRUTINY COMMITTEE AGENDA

**Thursday 21<sup>st</sup> April 2022 at 7.15pm**

This is a decision making public meeting of the Governance and Audit Scrutiny Committee which will be held as a hybrid meeting. Members of the Governance and Audit Scrutiny Committee and some Officers will be in attendance in the Council Chamber, Causeway House, Braintree, CM7 9HB.

Members of the public will be able to view and listen to this meeting via YouTube.

To access the meeting please use the link below:

<http://www.braintree.gov.uk/youtube>

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**Members of the Governance and Audit Scrutiny Committee are requested to attend this meeting to transact the business set out in the Agenda.**

**Membership:-**

Councillor P Euesden	Councillor T Walsh
Councillor D Hume	Councillor Mrs L Walters
Councillor H Johnson (Vice Chairman)	Councillor D White
Councillor D Mann	Councillor J Wrench (Chairman)
Councillor Miss V Santomauro	

Members unable to attend the meeting are requested to forward their apologies for absence to the Governance and Members Team on 01376 552525 or email [governance@braintree.gov.uk](mailto:governance@braintree.gov.uk) by 3pm on the day of the meeting.

A WRIGHT  
Chief Executive

## **INFORMATION FOR MEMBERS – DECLARATIONS OF MEMBERS' INTERESTS**

### **Declaration of Disclosable Pecuniary Interests (DPI), Other Pecuniary Interests (OPI) or Non-Pecuniary Interests (NPI).**

Any Member with a DPI, OPI or NPI must declare the nature of their interest in accordance with the Code of Conduct. Members must not participate in any discussion of the matter in which they have declared a DPI or OPI or participate in any vote, or further vote, taken on the matter at the meeting. In addition, the Member must withdraw from the Chamber where the meeting considering the business is being held unless the Member has received a dispensation from the Monitoring Officer.

### **Public Question Time – Registration and Speaking:**

The Agenda allows for a period of up to 30 minutes for Public Question Time.

Members of the public wishing to participate are requested to register by contacting the Governance and Members Team on 01376 552525 or email [governance@braintree.gov.uk](mailto:governance@braintree.gov.uk) by midday on the second working day before the day of the Committee meeting. For example, if the Committee meeting is due to be held on a Tuesday, the registration deadline is midday on Friday, (where there is a bank holiday Monday you will need to register by midday on the previous Thursday). Public Question Time speakers may participate in person or virtually. Speaker preference must be indicated upon registration.

The Council reserves the right to decline any requests to register for Public Question Time if they are received after the registration deadline.

All questions or statements should be concise and should be able to be read within 3 minutes allotted for each question/statement.

The Chairman of the Committee has discretion to extend the time allocated for public question time and to amend the order in which questions/statements are presented to the Committee.

### **Public Attendance at Meetings:**

Public attendance is welcomed, but is subject to restrictions due to the Council's arrangements for keeping Causeway House Covid secure and visitors safe.

Public attendance is limited and will be on a first come first served basis with priority given to Public Registered Speakers. In order to maintain safe distances, the Council may have to refuse entry to members of the public. The public may not be able to sit in the Council Chamber, but will be able to observe the meeting from a public gallery through a large screen. Alternatively, the Council meetings are webcast and are available via the Council's YouTube Channel and can be viewed by the public as a live broadcast, or as a recording following the meeting.

Public speakers and public attendees are required to attend on their own, and where possible only one representative of any community group, family household or Company should attend. Members of the public intending to come to Causeway House to observe a meeting are recommended to watch the meeting via the webcast, or to contact the Governance and Members Team to reserve a seat within the public gallery.

### **Health and Safety/COVID:**

Causeway House is a Covid secure building and arrangements are in place to ensure that all visitors are kept safe. Visitors are requested to follow all instructions displayed at Causeway House or given by Officers during the course of their attendance. All visitors will be required to wear a mask or face covering, unless an exemption applies.

Anyone attending meetings is asked to make themselves aware of the nearest available fire exit. In the event of an alarm you must evacuate the building immediately and follow all instructions provided by staff. You will be directed to the nearest designated assembly point until it is safe to return to the building.

**Documents:** Agendas, Reports and Minutes can be accessed via [www.braintree.gov.uk](http://www.braintree.gov.uk)

**Data Processing:** During the meeting the Council will be collecting performance data of participants' connectivity to the meeting. This will be used for reviewing the functionality of MS Teams/Zoom and YouTube as the Council's platform for virtual meetings and for monitoring compliance with the legal framework for Council meetings. Anonymised performance data may be shared with third parties.

For further information on how the Council processes data, please see the Council's Privacy Policy.

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**Mobile Phones:**

Please ensure that your mobile phone is switched to silent during the meeting in order to prevent disturbances.

**Webcast and Audio Recording:**

Please note that this meeting will be webcast and audio recorded. You can view webcasts for up to 6 months after the meeting using this link: <http://braintree.public-i.tv/core/portal/home>. The meeting will also be broadcast via the Council's YouTube Channel.

**Comments and Suggestions:**

We welcome comments to make our services as efficient and effective as possible. If you have any suggestions regarding the meeting you have attended, you can send these to [governance@braintree.gov.uk](mailto:governance@braintree.gov.uk)

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|-----------|---|----------------|
| <b>1</b>  | <b>Apologies for Absence</b>  |                |
| <b>2</b>  | <b>Declaration of Interests - Scrutiny Committee</b><br>1. To declare the existence and nature of any interests relating to items on the agenda having regard to the Code of Conduct for Members and having taken appropriate advice (where necessary) before the meeting.<br>2. To declare the existence and nature of any instruction given by or on behalf of a political group to any Councillor who is a member of that group as to how that Councillor shall speak or vote on any matter before the Committee or the application or threat to apply any sanction by the group in respect of that Councillor should he/she speak or vote on any particular matter. |                |
| <b>3</b>  | <b>Minutes of the Previous Meeting</b><br>To approve as a correct record the minutes of the meeting of the Governance and Audit Scrutiny Committee held on 13 <sup>th</sup> January 2022 (copy previously circulated).  |                |
| <b>4</b>  | <b>Public Question Time</b><br><br>(See paragraph above)  |                |
| <b>5</b>  | <b>External Audit Update - Verbal Update to be received from BDO</b>  |                |
| <b>6</b>  | <b>Key Financial Indicators as at 28<sup>th</sup> February 2022</b>   | <b>5 - 10</b>  |
| <b>7</b>  | <b>Progress Against Internal Audit Plan 2021/22</b>   | <b>11 - 28</b> |
| <b>8</b>  | <b>Internal Audit Charter 2022/23</b>   | <b>29 - 43</b> |
| <b>9</b>  | <b>Fraud Update</b>   | <b>44 - 65</b> |
| <b>10</b> | <b>Urgent Business - Public Session</b><br>To consider any matter which, in the opinion of the Chairman, should be considered in public by reason of special circumstances (to be specified) as a matter of urgency.  |                |

<b>Report Title:</b> To receive a suite of the Council's Key Financial Indicators as at 28 <sup>th</sup> February 2022	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> April 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Phil Myers, Head of Finance	
<b>Enquiries to:</b> Phil Myers, Head of Finance ( <a href="mailto:phil.myers@braintree.gov.uk">phil.myers@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1 To receive a suite of the Key Financial Indicators of the Council on performance in the current financial year to 28<sup>th</sup> February 2022. To evidence that the Council adopts good practice in actively monitoring its financial performance and actively manages issues as and when they may arise.

## **2. Recommendations**

- 2.1 Members are asked to accept the report of the Key Financial Indicators as at 28<sup>th</sup> February 2022.

## **3. Summary of Issues**

- 3.1 The attached schedule (Appendix A) provides details of performance recorded for the financial year to 28<sup>th</sup> February 2022.

### **3.2 Commentary:**

- 3.2.1 The net General Fund revenue budget for the year is £15.4m. The anticipated position as at 28<sup>th</sup> February was for a net expenditure of £9.7m, the actual net expenditure recorded was £8.7m, with a positive variance of £980k. The main reason for the variance is higher levels of income, a major proportion of which is as a result of significant increases in market prices paid for recycling material collected from households.

- 3.2.2 Assessments of the financial impact of Covid on the Council continue to be requested on a monthly basis by the Government. The latest return (19<sup>th</sup>) was submitted on 4<sup>th</sup> March 2022, and for this it was estimated that for the period up to the end of February, the Council had incurred additional expenditure of £554k, and suffered a reduction in fees and charges and other commercial income (including reduced investment income) of £798k. An estimate for the year indicated additional expenditure of £591k and reduced income of £850k. The Council has obtained financial support from a number of sources towards the impact: the National Leisure Recovery Fund, received in 2020/21, part of which was carried over into 2021/22; Government funding of £686k provided as part of the Local Government Finance Settlement for 2021/22; and £177k

of Contain Outbreak funding, a ringfenced grant. A claim was also submitted for £108k to the Government's Income Compensation Scheme for losses from sales, fees and charges for the period April to June 2021. The Council also made provision for an anticipated reduction in investment income in 2021/22 for which a transfer from the Treasury Management reserve was agreed.

- 3.2.3 Accountants are currently preparing the outturn position for the year which will be included in the Annual Performance report to be reported to the Cabinet on 11<sup>th</sup> July 2022.
- 3.2.4 The total budget for Salaries for the whole year is £19.6m. Expenditure on salaries for the year to the end of February was £17.6m. This compares to a profiled budget of £17.7m. A positive variance of £120k was reported after allowing for £275k of the Efficiency Factor (£300k for the year). The main reasons for the variance are vacant posts, organisational changes, and other efficiency savings.
- 3.2.5 Commercial rents invoiced to the end of February is £3.5m against a profiled budget of £3.4m. Rent income will be adjusted at the end of the financial year to reflect quarterly prepayments and, therefore, the latest projection for the year is £65k above the budget of £2.9m. The Council has 221 units for let and the number of units occupied at 28<sup>th</sup> February was 219, an occupancy rate of 99%.
- 3.2.6 The updated capital programme for the year is £33.0m, which includes estimated expenditure on major projects: Manor Street Development of £13.0m; Enterprise Centre at Horizon 120 of £11.1m; Horizon 120 infrastructure works of £3.8m; I-Construct of £1.5m; and Pedestrianisation of Braintree town centre of £1.1m. Actual expenditure incurred to the end of February is £25.8m.
- 3.2.7 Capital receipts totalling £17.5m was anticipated for the year, which included: right-to-buy sales and VAT shelter savings from agreements with Eastlight Community Housing; the disposal of apartments at Victoria Square; the sale of serviced land plots at Horizon 120; and the sale of land assets which had been identified for potential residential development. The actual value and timing of receipts can vary as they are subject to interest from prospective buyers; commercial arrangements; and, in some cases, contracts are exchanged subject to receipt of satisfactory planning consents. The amount of capital receipts accrued to the end of February is £18.9m.
- 3.2.8 The total Council Tax collectable debit for the year is £102.6m. The collection rate as at the end of February was 95.4% (£97.9m collected), which compares to a rate of 95.9% for the same period last year. Whilst the collection rate at the end of the period is lower than that achieved for the same period last year, performance is higher than the Essex average of 93.6%.
- 3.2.9 The total Business Rates collectable debit for the year is £39.7m. The collection rate as at the end of February was 95.5% (£38.0m collected), which compares to a rate of 94.4% for the same period last year. The amount collectable is reduced from that in pre-pandemic years due to the continuation

of Covid related reliefs provided by the Government. The total value of these reliefs awarded at the end of February was £8.4m, for which the Council will be compensated for its share.

- 3.2.10 A total of 859 write-offs of Council Tax, with a value of £196k have been authorised in the year to 28<sup>th</sup> February: 225 in respect of the current year and 634 in respect of previous financial years.
- 3.2.11 A total of 36 write-offs of Business Rates, with a net value of £5k, have been authorised in the year to 28<sup>th</sup> February: 11 in respect of the current year and 25 in respect of previous financial years.
- 3.2.12 The amount of sundry debts owed to the Council, i.e. monies other than for Council Tax and Business Rates, was £2.6m, of which £1.5m was in respect of Housing Benefit overpayments. Payment plans are agreed and range from payment within 14 days, payments by instalments throughout the year, and plans determined under Regulations (prescribed maximum amount that can be received from a debtor's benefit award). A review of historical debts resulted in an increase in the number and total value of write-offs in the year, and which is being met from provisions set aside.
- 3.2.13 The proportion of supplier payments made within 30 days is 96.4%. The target for this area of activity is currently being reviewed to take into account changes in services and working practices that have occurred over the last few years.
- 3.2.14 The rate of return achieved on short-term investments in the year to-date remained close to zero, due to the ultra-low interest rates that have prevailed for most of the year. However, with the increases in the Bank of England Base Rate there has been some recent upturn in short-term rates. The average amount invested short-term in the period April to February was £41.8m and which was mainly placed with the Debt Management Office, and various Money Market Funds.
- 3.2.15 The amount invested in pooled funds comprising equity, property and multi-assets, has been maintained at a total of £19m. Dividend income earned from these funds to the end of February is £641k. The annualised return on these funds at the end of Q3 was 4.4%. Market prices fell in the wake of the Russian/ Ukraine conflict, nevertheless the total value of funds was £21.4m at the end of February, representing an overall unrealised gain of £2.4m. These investments are placed in the knowledge that their capital values will be subject to market volatility but overall their trend has been positive over the medium term.
- 3.2.16 Detail of the Council's investments of surplus monies, totalling £61.8m, as at 28<sup>th</sup> February 2022, is provided at Appendix B.

#### **4. Options**

- 4.1 To receive and ask questions as appropriate on the Key Financial Indicators contained in this report.

## **5. Financial Implications**

- 5.1 There are no new financial implications arising from the recommendations set out in this report.

## **6. Legal Implications**

- 6.1 There are no specific legal implications arising out of this report at this time.

## **7. Other Implications**

- 7.1 There are no other implications arising out of this report at this time.

## **8. Equality and Diversity Implications**

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The content of this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **9. List of Appendices**

Appendix A – Key Financial Indicators (including Revenue, Capital and Taxation collection) for the period 1<sup>st</sup> April 2021 to 28<sup>th</sup> February 2022.

Appendix B – Treasury Management – Details of the Council's investments for the period 1<sup>st</sup> April 2021 to 28<sup>th</sup> February 2022.

## **10. Background Papers**

None.



**Key Financial Indicators at 28th February 2022**
**APPENDIX A**

	Full Year Budget 2021/22	Actual 28 Feb 2022	Profile to 28 Feb 2022	Variance from Profile	
	£'000	£'000	£'000	£'000	%
<b>General Fund - Expenditure</b>					
Salaries	19,582	17,597	17,717	-120	-0.7%
Other Controllable Expenditure	41,468	34,275	33,872	403	1.2%
<b>General Fund - Income</b>					
Commercial & Industrial Property - Rental Income	-2,905	-3,468	-3,403	-65	1.9%
Other Controllable Income	-42,713	-39,729	-38,531	-1,198	3.1%
<b>General Fund - Net Revenue (Controllable)</b>	<b>15,432</b>	<b>8,675</b>	<b>9,655</b>	<b>-980</b>	<b>-10.2%</b>
<b>Capital Programme</b>					
Capital Expenditure	32,992	25,830			
Capital Receipts	17,543	18,964			

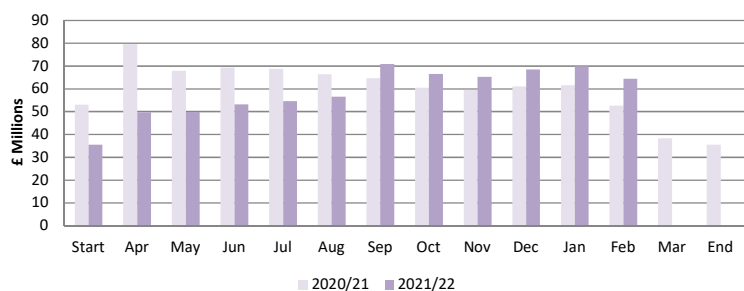
	Full Year Target	Actual 28 Feb 2022	Actual 28 Feb 2021	Variance
Council Tax collection in year - %	98.30%	95.40%	95.96%	-0.56%
Council Tax collection - income collected for year - £m	£102.62	£97.90	£93.99	£3.91
Write-offs in year - £'000		£47	£15	£32
Write-offs in year - number		225	102	123
Write-offs all years £'000		£196	£24	£172
Write-offs all years - number		859	587	272
Business Rates collection in year - %	98.60%	95.53%	94.35%	1.18%
Business Rates collected for year - £m	£39.72	£37.95	£25.00	£12.95
Write-offs in year - £'000		£2	£31	-£29
Write-offs in year - number		11	14	-3
Write-offs all years - £'000		£5	£62	-£57
Write-offs all years - number		36	47	-11
Creditors - payment of invoices within 30 days of receipt	Under review	96.42%	98.00%	-1.58%

Debtors - Balance Outstanding	31-Mar-19	31-Mar-20	31-Mar-21	28-Feb-22
	£'000	£'000	£'000	£'000
Charges for services provided by: Democratic Services, Training Services, Procurement Services, etc.	12	12	109	48
Charges for services provided by: ICT, Marketing, Offices, Elections, etc	43	60	71	57
Development & Environment	585	375	512	249
Finance	91	92	102	81
Leisure (incl. joint-use recharges)	279	212	92	96
Operations	953	1,076	1,312	538
Housing	51	65	43	69
Sub-Total - excluding Hsg. Benefits	2,014	1,892	2,241	1,138
Housing Benefits	1,719	1,673	1,613	1,491
<b>Total</b>	<b>3,733</b>	<b>3,565</b>	<b>3,854</b>	<b>2,629</b>
Profile by Recovery Stage:				
Invoice	2,109	1,914	2,088	735
Reminder	421	648	791	595
Pre-legal	366	104	145	499
Enforcement Agent	354	328	184	179
Tracing Agent	-	3	2	1
Charging Order	31	30	22	22
Attachment to Benefits/Earnings	452	538	622	598
<b>Total</b>	<b>3,733</b>	<b>3,565</b>	<b>3,854</b>	<b>2,629</b>
Write-offs (debits and credits) in year - value - £000	£5.1	£7.7	£0.6	£90.6
Write-offs in year - number	140	114	141	205

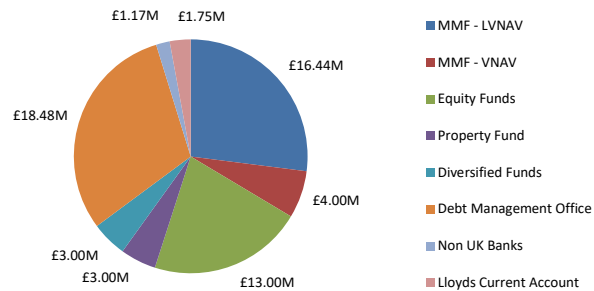
**Progress on achieving Efficiency Savings Targets**

The amount of the Efficiency Savings target included in the budget for 2021/22 is a net amount of £300,000. The underspend on salaries of £120,000, recorded above, is after offsetting £275,000 of the target.

Average Cash Balances Managed



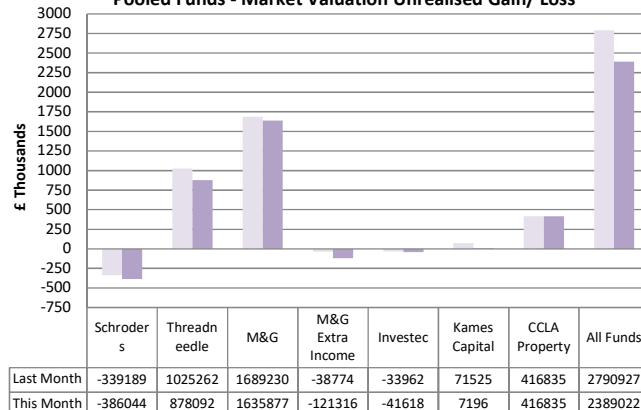
Average Invested to end of Period



Investment Activity

	Investment Activity			
	This Month Made £m	Sold £m	Cumulative Made £m	Sold £m
<b>External Investments</b>				
Property Fund	0.0	0.0	0.0	0.0
Equity Funds	0.0	0.0	0.0	0.0
Multi Funds	0.0	0.0	0.0	0.0
MMF - LVNAV	0.0	10.0	21.0	18.0
MMF - VNAV	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>0.0</b>	<b>10.0</b>	<b>21.0</b>	<b>18.0</b>
<b>Deposits - Fixed</b>				
UK Bank & Building Soc.	0.0	0.0	0.0	0.0
Non-UK Banks	3.0	3.0	9.0	3.0
Debt Mgt Office	10.0	6.0	140.5	122.0
Local Authorities	0.0	0.0	0.0	0.0
<b>Sub-Total</b>	<b>13.0</b>	<b>9.0</b>	<b>149.5</b>	<b>125.0</b>
Lloyds Bank PLC	0.0	1.0	0.0	1.1
<b>Sub-Total</b>	<b>0.0</b>	<b>1.0</b>	<b>0.0</b>	<b>1.1</b>
<b>Total</b>	<b>13.0</b>	<b>20.0</b>	<b>170.5</b>	<b>144.1</b>

Pooled Funds - Market Valuation Unrealised Gain/ Loss

**Commentary**

Average sum invested in the month £64.37m (Last year £52.66m)

Average sum invested for the year to date £60.84m (Last year £64.82m)

Actual sum invested at the end of the period £61.83m (Last year £46.48m)

Interest secured on instant access accounts, fixed deposits, and MMFs at the end of the period £20670 a return of 0.05% [Annual Updated Budget £23k]

Note: 3mth Libid 0.16% 6mth LIBID 0.27%

Dividends earned (declared) on equity, property and diversified funds to the end of the period £641k [Annual Budget £686k]

Unrealised gain/-loss at end of period for equity, property and diversified funds is a net £2389k a change of £-402k from last month

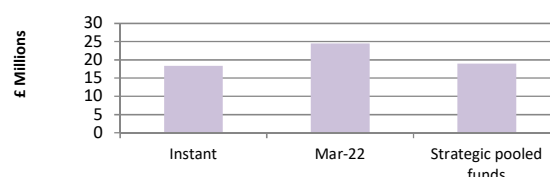
**INVESTMENT HOLDINGS AT END OF PERIOD**

COUNTERPARTY	Type	Principal	Start	Maturity	Yield
LANDESBANK HESSEN-THURINGEN (HELABA)	FIXED	3000000	01/02/2022	01/03/2022	0.20%
AUSTRALIA & NZ BANKING GROUP	FIXED	3000000	06/01/2022	07/03/2022	0.24%
DEBT MANAGEMENT OFFICE	FIXED	3000000	29/10/2021	01/03/2022	0.07%
DEBT MANAGEMENT OFFICE	FIXED	10000000	08/02/2022	30/03/2022	0.35%
DEBT MANAGEMENT OFFICE	FIXED	3000000	09/11/2021	01/03/2022	0.03%
DEBT MANAGEMENT OFFICE	FIXED	2500000	18/11/2021	21/03/2022	0.06%
LLOYDS BANK	CALL A/C	1330000	28/02/2022	01/03/2022	0.40%
DEUTSCHE	MMF	0			-
GOLDMAN SACHS	MMF	0			-
CCLA PUBLIC DEPOSIT	MMF	5000000	28/02/2022	01/03/2022	0.36%
FEDERATED PRIME	MMF	5000000	28/02/2022	01/03/2022	0.31%
ABERDEEN STANDARD	MMF	3000000	28/02/2022	01/03/2022	0.28%

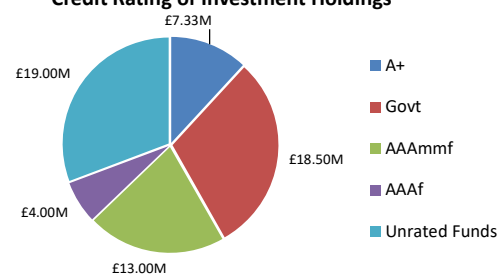
**EXTERNAL FUND INVESTMENTS**

SHROEDERS INCOME MAX.	EQUITY	2500000		5.71%
THREADNEEDLE UK EQUITY	EQUITY	5000000		4.18%
M&G GLOBAL DIVIDEND	EQUITY	2500000		3.97%
M&G EXTRA INCOME	EQUITY	3000000		4.21%
AEGON (PREV. KAMES)	MULTI	2000000		5.16%
NINETY ONE (PREV. INVESTEC)	MULTI	1000000		3.68%
CCLA - LAMIT PROPERTY	PROPERTY	3000000		3.90%
ROYAL LONDON CASH PLUS	MMF-VNAV	4000000		0.17%

Maturity Profile at end of Period



Credit Rating of Investment Holdings



Note: MMF yields is the 1d yield as at 28th Feb. For Equity/ Multi-asset/Property funds the yield quoted is at end Q3 based on average sum invested

<b>Report Title:</b> Internal Audit Update, Including Progress Against 2021/22 Internal Audit Plan	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> April 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance and Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance and Fraud Manager ( <a href="mailto:angmi@braintree.gov.uk">angmi@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1 The Public Sector Internal Audit Standards (PSIAS) requires the Internal Audit activity to report functionally to the Governance and Audit Scrutiny Committee, being the committee charged with independent assurance on the adequacy of the risk management framework and the associated internal control environment.
- 1.2 The 2021/22 Internal Audit Plan was approved by the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021. This report provide Members with an update on the Internal Audit activity, and progress and performance against planned work and any other matters affecting the provision of the Internal Audit Service. This is in accordance with the Governance and Audit Scrutiny Committee role and the requirements of the PSIAS.
- 1.3 The report also provides an update on progress against the External Quality Assessment Action Plan and the outcome of the Internal Audit Service self-assessment against the Local Government Application Note reflecting the Public Sector Internal Audit Standards
- 1.4 The report also provides an update on Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) applications made by the Authority

## **2. Recommendations**

- 2.1 Members note the progress and performance against the 2021/22 Internal Audit Plan.

## **3. Summary of Issues**

### **3.1 Progress against the 2021/22 Internal Audit Plan**

- 3.1.1 The progress against the 2021/22 Internal Audit Plan is detailed in **Appendix 1**.
- 3.1.2 The following audits have been completed since the last progress report to the Governance and Audit Scrutiny Committee (13<sup>th</sup> January 2022).  
**Appendix 2** provides a summary of the outcomes of these audits:

- Business Rates Refunds – **Full Assurance**
- Procurement / P2P Procurement System – **Significant Assurance**
- North Essex Parking Partnership – **Significant Assurance**
- Corporate Credit Cards – **Significant Assurance**
- Debtors Invoicing – **Full Assurance**
- Local Council Tax Support Document Verification – **Significant Assurance**
- Unit 4 Fuel System – **Full Assurance**
- Commercial Waste – **Full Assurance**
- Affordable Housing & Homelessness – **Full Assurance**
- Project Realisation of Benefits – **Limited Assurance**
- Cyber Security – **Full Assurance**
- Culture & Ethics – **Full Assurance**
- Homeworking – Security of Data – **Significant Assurance**

3.1.3 The Audit, Insurance and Fraud Manager (AIFM) has also reviewed the Council's Risk Management arrangements, and established that the Policy had not been reviewed for some years and included out of date references, roles and responsibilities, and did not reflect evolution in Risk Management best practice. The AIFM has drafted a revised policy and strategy for consideration by Corporate Management. During the review, it was also noted that whilst the Service Business Plan format includes an Operational Risk Register proforma, not all Service Business Plans were up to date. The Strategic Risk Register and corporate risk appetite will be subject to Management and Member review during 2022/23.

3.1.4 The proportion of planned work completed was affected by the following factors:

- A significant proportion of the Audit Manager's time is spent on Insurance work, and some time also spent on Fraud work. In 2021/22 the insurance related work included the re-tender of three areas of insurance cover which required significant resource input. This tender was unplanned (as all insurance covers were tendered in 2020) but was a response to the former insurer deviating from the Long Term Agreement and imposing significant premium increases. In addition there remains a high claims caseload.
- The Audit Manager reviewed the Risk Management Policy & Strategy
- The Audit Manager is reviewing Fraud related policies
- Additional ad hoc advice and consultancy services have been provided in the areas summarised in Appendix 1.

3.1.4 The Internal Audit Plan is prioritised, and Audits are assigned based on their relative priority with consideration to Auditor experience and auditee preferred timescales, but is also flexible to respond to changing corporate needs. Progress of and any changes to planned work is reported to the Governance and Audit Scrutiny Committee.

## 3.2 **Progress Against the External Quality Assessment Action Plan**

3.2.1 The outcome of the External Quality Assessment of the Audit function against the Public Sector Internal Audit Standards (PSIAS) was reported to the Governance Committee on 12 April 2018. This assessment concluded the Council '*Partially Conforms*' to the PSIAS, and 22 recommendations, 10 suggestions and 4 observations were made by the assessor to support the Council in its journey to '*Generally Conforms*'.

### Of the 22 recommendations:

- **21 have been completed**
  - relating to the Audit Charter; Annual Report (2); the Audit Insurance & Fraud Manager post; staff training and development; alignment of the Internal Audit Plan to Council risks and strategies (2); engagement of Senior Management in the Audit Planning process; reporting results of self-assessments against the PSIAS; quality assessments and reporting compliance (2); performance measures; risk based audit planning aligned to corporate priorities (2); Terms of Reference for audit assignments; reporting audit assignments (2); duration & scope of routine audits.
  - The Chief Executive agreed to twice yearly reporting to Management Board, coinciding with Committee reporting. This is in addition to Performance Reporting via the Head of Finance.
  - The assessor recommended inclusion of: governance and ethical objectives, service delivery, performance, and achievement of the Council's objectives in the scope of all audits – these areas have been included in audit scoping, and are included where appropriate but audits will not all include all suggested areas.
- **1 is in progress:**
  - Audit Manual – staff are provided with training, and have access to guidance and templates. The incorporation into a wider audit manual is in progress

### Of the 10 suggestions:

- **8 have been completed** – relating to the Audit Insurance & Fraud Manager meeting with the Chair of the Governance and Audit Scrutiny Committee; Audit Manager access to the Audit Committee Chair is included in the revised Committee Terms of Reference, reference to the annual Public Service Networks compliance audit in the annual opinion; statement of conformance to the PSIAS in the annual report; classification of audits within the Audit Plan; statement on delivery of the Audit service, and document retention policy. Staff have also been asked to confirm they understand and will comply with the principles, code of ethics, standards and Nolan principles, and also acknowledge this in each Audit report
- **2 are not expected to be taken forward** –
  - Whilst there was some reallocation of non-audit duties away from Internal Audit staff, the Audit Manager retains operational responsibility for Insurance and Fraud, and has undertaken

additional duties associated with Risk Management and administration of the Corporate Credit Card

- the Senior Auditor is not seeking to obtain the CIA qualification, but is supported with relevant training (the Auditor is currently studying for the CMIIA qualification).

And of the 4 Observations:

- **Use of Computer Assisted Audit Techniques (CAATs) for continuous auditing** – computer analysis is used where appropriate, and existing technology offers a wide range of functions, but dedicated software has not been purchased at this time.
- **Audit Management system** – Options were reviewed, but we are assessing the opportunities offered by the implementation of Sharepoint to determine whether a separate system is still appropriate.
- **Buying in specialist IT Audit Services** – potential suppliers identified, but many audits are capable of completion by general auditors, and sources of third party specialist assurance are also reviewed. In addition, Audit staff now participate in IT Security Sub Group meetings. Specialist Internal Audit services are procured if/when required, and have been procured for other areas of audit work.
- **Proactive approach to change and audit team involvement in change projects** – team does provide ad hoc support and guidance with change (such as has been the case in respect of the Council's response to the Covid-19 pandemic), and consultancy work is reported to the Governance and Audit Scrutiny Committee.

### 3.3 **Self-Assessment Against The Local Government Application Note (LGAN) (Reflecting Public Sector Internal Audit Standards (PSIAS))**

3.3.1 A full self-assessment of compliance against the LGAN checklist (incorporating requirements from the PSIAS and the LGAN) has been completed. The assessment covers:

- **Mission** of Internal Audit
- **Definition** of Internal Auditing
- **Core Principles** (integrity, competence and due professional care, objectivity and independence, alignment with corporate strategies objectives and risks, position (status) and resourcing, quality and continuous improvement, communication, assurance, future focus, promotes improvement)
- **Code of Ethics** (including integrity, objectivity, confidentiality, competency, and the Seven Principles of Public Life)
- **Attribute Standards** (including purpose authority and responsibility, independence and objectivity, and Quality Assurance & Improvement Programme)
- **Performance Standards** (including managing the internal audit activity, nature of work, engagement planning, engagement performance, communicating results, monitoring progress, and communicating acceptance)

of risk)

3.3.2 The completion of the assessment questionnaire determines whether the internal audit activity conforms, partially conforms, or fails to conform with the requirements of the PSIAS and the LGAN. My assessment is that the **Braintree DC Internal Audit function on the whole conforms** with these requirements, although there are areas which would benefit from further development:

<b>PSIAS / LGAN</b>	<b>Description</b>	<b>Further Action</b>
Organisational Independence – reporting and management arrangements	Guidance suggests Chief Audit Executive (CAE) independence must be safeguarded by ensuring their remuneration/performance assessment is not inappropriately influenced by those subject to audit, this could be achieved by feedback from the Board/Chief Exec.	<b>Feedback</b> would be the most practical approach, arrangements to be determined in conjunction with the Head of Finance (2022/23)
Requirements of the Quality Assurance and Improvement Programme – internal assessments	Guidance indicates that obtaining stakeholder feedback contributes to effective performance monitoring.  Feedback at Member level is via Governance & Audit Scrutiny Committee, and at Corporate level is via Head of Finance / Corporate Director / Chief Executive	We will explore options for obtaining feedback at assignment level (2022/23)
Proficiency and Due Professional Care	Guidance promotes use of Computer Assisted Audit Techniques. Computer analysis is conducted and the Council engages in wider data matching exercises, but CAATS will be reviewed.	To review options for <b>Data Analytics</b> (2022/23)
Policies and Procedures to guide the internal audit activity	The function has a range of policies and procedures, checklists and pro-forma documents to guide the audit process, and training and experienced staff. Whilst guidance is available, the information is being drawn together in the form of a manual, this is in progress	<b>Audit Manual</b> to be completed, to include review of retention of audit records (2022/23)
Risk Management – Internal Audit evaluation of effectiveness of risk management processes	The Audit Manager has conducted a review and drafted proposals for consideration by Management Board	Update Risk Management arrangements pending review by Management Board, and roll out (2022/23)

Risk Management – Fraud Risk Assessment	Fraud risks are considered and fraud updates provided to Senior Management / Committee on Fraud risks and prevention / detection activity	<b>Fraud Risk Assessment</b> against <i>CIPFA Code of Practice on Managing the Risk of Fraud &amp; Corruption</i> (2022/23)
Risk Management – auditors to avoid managing risks themselves when assisting management in establishing or improving risk management processes	For management of risks, advice and guidance is provided but responsibility for implementation rests with services / risk owners  Audit Manager has identified improvements to Risk Management policy and strategy for consideration by Management Board	Updated Risk Management arrangements pending review by Management Board, and roll out (2022/23)

### 3.4 Regulation of Investigatory Powers Act (RIPA) and Investigatory Powers Act (IPA) Applications

3.4.1 There were no RIPA / IPA applications in 2021/22 to the date of producing this report.

3.4.2 In March 2022, training was provided to key officers – those most likely to prepare or authorise RIPA applications received tutored training including follow up knowledge tests, and other staff deemed to require an understanding of RIPA and the circumstances in which it would be applied were provided with E-Learning.

### 3.5 Corporate Objectives

3.5.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- The Internal Audit Plan 2021/22 includes work across all Corporate Objectives:
  - A sustainable environment and a great place to live, work and play;
  - A well connected and growing district with high quality homes and infrastructure;
  - A prosperous district that attracts business growth and provides high quality employment opportunities;
  - Residents live well in healthy and resilient communities where residents feel supported;
  - A high performing organisation that delivers excellent and value for money services;
  - Delivering better outcomes for residents and businesses and reducing costs to taxpayers.



#### **4. Options**

- 4.1 This report invites Members of the Governance and Audit Scrutiny Committee to receive and note the progress against the 2021/22 Internal Audit Plan, additional work performed, and any other matters affecting the Internal Audit service.

#### **5. Financial Implications**

- 5.1 There are no financial implications arising from the recommendations set out in this report.

#### **6. Legal Implications**

- 6.1 There are no specific legal implications arising from this report.

#### **7. Other Implications**

- 7.1 There are no other implications arising from this report.

#### **8. Equality and Diversity Implications**

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:

- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
- (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
- (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.

- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).

- 8.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

#### **9. List of Appendices**

Appendix 1 – Progress Against the 2021/22 Internal Audit Plan.

Appendix 2 - Outcome of Audits Completed Since The Previous Report To Governance Committee (13<sup>th</sup> January 2022).

#### **10. Background Papers**

None.

## **PROGRESS AGAINST THE 2021/22 INTERNAL AUDIT PLAN – as at 4 April 2022**

This Appendix summarises the work completed in respect of the 2021/22 Internal Audit Plan (presented to the Governance and Audit Scrutiny Committee on 22<sup>nd</sup> July 2021).

	<b>Audit</b>	<b>Priority</b>	<b>Current Status</b>	<b>Date Report to Governance &amp; Audit Scrutiny</b>
<b>2021/22 Internal Audit Plan – All Audits</b>				
1	Core Financial Systems – Back to Basic Reviews <ul style="list-style-type: none"> <li>• Business Rates Refunds</li> <li>• Business Rates</li> <li>• Council Tax</li> </ul>	1	Completed Completed In progress	22 July 2021 21 April 2022
2	Payroll Shared Service	1	External Source of Assurance	28 October 2021
3	Managers Self Service (initial review completed but scope extended to Payroll investigation)	2	In progress	
4	Procurement / P2P E-Procurement System	2	Completed	21 April 2022
5	North Essex Parking Partnership	2	External Source of Assurance	21 April 2022
6	BACS System	2	Completed	28 October 2021
7	Corporate Credit Cards	2	Completed	21 April 2022
8	Debtors Invoicing	3	Completed	21 April 2022
9	LCTS Document Verification	3	Completed	21 April 2022
10	Business Support Grants	1	Completed	28 October 2021
11	Leisure Provision Contract	1	<i>(Deferred at service request)</i>	<i>Note 1</i>
12	North Essex Economic Board Partnership	2	In Progress	
13	European Regional Development Funds	2		
14	Uniform System Security	2	Completed	13 January 2022
15	Disabled Facilities Grants / Major Housing Grants	2	Completed	28 October 2021
16	Landlord Safety Checks	1	Completed	28 October 2021
17	Plant & Vehicle Workshop	2		
18	Unit 4 Fuel System	2	Completed	21 April 2022
19	Commercial Waste	2	Commercial Waste	21 April 2022
20	Agency Supply Contract	2		
21	Safe Recruitment	2	Completed	13 January 2022
22	Pest Control	3		
23	Affordable Housing & Homelessness (extended to include Government Grants)	2	Completed	21 April 2022
24	Accuracy of Housing Application Processing	2		
25	Projects Realisation of Benefits	2	Completed	21 April 2022
26	Commercial Rents	3	Completed	28 October 2021

27	Risk Management	1	Completed	21 April 2022
28	Business Resilience	2	Deferred at service request	Note 2
29	Information Management	1	Completed	13 January 2022
30	Cyber Security	1	Completed	21 April 2022
31	Social Media	2	Completed	13 January 2022
32	Culture & Ethics	2	Completed	21 April 2022
33	Homeworking – Security of Data	2	Completed	21 April 2022
34	IT Inventory	2	In progress	
35	Performance Management	3	Completed	13 January 2022
36	Major Projects – General	1		
37	Major Project – in Depth Review	1		
38	Strategic Investment	2		
39	Climate Change	2	Completed	13 January 2022
40	Annual Governance Statement	1		
41	Follow Up Limited Assurance Reports: <ul style="list-style-type: none"> <li>Contract Management (2019/20)</li> <li>Manor Street (2019/20)</li> <li>Housing Application Document Verification (2019/20)</li> <li>Contract Management – Major Contracts (2020/21)</li> <li>PCI DSS Compliance (2020/21)</li> </ul>	2	<ul style="list-style-type: none"> <li>Completed</li> <li></li> <li></li> <li></li> <li>Completed</li> </ul>	13 January 2022     22 July 2021

**Note 1 – Leisure Provision Contract:** The scope of the audit was to review arrangements for challenge of business plan and contractual targets, to ensure performance against targets was monitored, and to ensure information used for decision making was accurate and up to date, prior to the review of the contract and decisions on options to extend. The extreme circumstances of the Coronavirus pandemic and the consequential extended closure of leisure centres led to the Council conducting a review of options at the current time and options which might be available at the expiry of the extension period, and working with the provider to establish revised arrangements. Details were reported to Cabinet in September 2021. This area will be deferred to a future Audit Plan

**Note 2 – Business Resilience:** The scope of the audit was to ensure the business continuity arrangements managed the risks associated with reliance on key staff. The service was working on the Corporate Business Continuity Plan, having reviewed arrangements operating as a result of the Coronavirus pandemic, and requested the audit be deferred until the Corporate BC Plan had been approved. This area will be deferred to a future Audit Plan

#### **ADDITIONAL WORK COMPLETED**

Since the last report to the Corporate Governance Group the function has provided ad hoc advice and guidance in a number of areas, including the following. No assurance levels are assigned to this work:

- Continued review of the **Local Authority Covid 19 Protect & Vaccinate Grant Conditions** – we were informed of a requirement for the grant declaration to be signed by the Chief

Executive and Chief Internal Auditor, this required work to be performed to ensure grant criteria met (outcome is reported in Appendix 2)

- Review of Member Council Tax accounts
- Review of arrangements for staff overtime payments
- Information supplied in respect of Freedom of Information Act request (Covid Grant Fraud)
- Advice provided to Leased Car Administrator relating to two applicants
- The service has provided further assistance in conducting financial appraisals in connection with procurement of contracts
- The service continues to undertake administrative support for the Councils Barclaycard arrangements

The Audit Insurance & Fraud Manager continues to offer advice in relation to insurance and the management of risks

## APPENDIX 2 – OUTCOME OF AUDITS COMPLETED SINCE THE PREVIOUS REPORT TO GOVERNANCE COMMITTEE (13 January 2022)

Recommendations reflect only High and Medium priority matters raised:

[illegible]

		individual orders and segregation of duties, and orders are renewed	Review use of exceptions to identify root cause		Commercial Manager Action date – July 2022
<b>North Essex Parking Partnership (NEPP)</b>  <i>Alternative source of assurance</i> <i>Reasonable Assurance</i>  Equivalent to BDC <b>Significant Assurance</b>	<p>Internal Audit reviews of NEPP are conducted annually by Colchester Borough Council Internal Audit provider as they are the lead authority for the partnership. The last audit was presented to the NEPP joint committee on 24<sup>th</sup> June 2021 and has a reasonable assurance rating (similar to our significant assurance rating).</p> <p>The objective of the audit was to review the systems and controls in place in Parking Services, to help confirm that these are operating adequately, effectively and efficiently.</p> <p>In relation to cash collection and income reconciliations the audit found:</p> <ul style="list-style-type: none"> <li>• <i>Adequate processes are in place to ensure that income collected from Car park machines, PCNs and MiPermit are recorded and regularly reconciled</i></li> <li>• <i>Daily reports of cash collected from carpark machines are prepared by G4S and sent to NEPP along with Receipts from the carpark machines detailing amounts collected. Daily reconciliation of the CALE report (operating software for the car parking machines) with the G4S report, for both cash and contactless Pay and Display machines, is done by a member of the Parking Team and countersigned by the Parking Business Manager. A Bulk Cash reconciliation is also carried out to reconcile income collected by G4S with income banked.</i></li> <li>• <i>A review of the Bulk Cash reconciliation confirmed that the reconciliation is up to date and latest reconciliation was done in February 2021</i></li> </ul> <p>The audit identified that the contract with G4S expired in November 2016, and recommended that a new contract be put in place. Colchester Borough Council's Corporate Governance Manager confirmed that "a new contract was drawn up and put out to tender, with G4S then successfully taking that contract."</p>				
<b>Corporate Credit Cards</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>• Authorisation of card holders / card users</li> <li>• User agreements in place</li> <li>• Review, reconciliation and challenge of expenditure</li> </ul>	Areas of good practice <ul style="list-style-type: none"> <li>• There are only a small number of corporate credit cards, most with a low limit (and in total well below the Council's overall limit)</li> <li>• Authorised signatory required to approve new card holders</li> <li>• Leavers cards are inactivated</li> </ul>	Cardholders to be provided with copy of terms and conditions / user agreement, and confirm they have read and understood it. Central record of this to be held.	Medium	Agreed – Barclaycard Administrator  Completed April 2022

		<ul style="list-style-type: none"> <li>• Use of the Procurement card requires approval from an authorised signatory</li> <li>• Statements are checked, and proof of purchase is retained</li> </ul>			
<b>Debtors Invoicing</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>• The reconciliation of reports and invoices for benefit overpayments, to confirm all invoices raised</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• Following an overpayment being raised, a 4 week reminder to review is set (to allow for any further adjustments). If a payment plan is not in place, an invoice is raised</li> <li>• Monthly Overpayment reports are run to identify customers in receipt of benefits with no recovery plan, and not in receipt of benefits and invoice required, these are issued to Benefits Officers to action</li> <li>• Debtors staff monitor payment plans and invoices for payment</li> <li>• Exception reporting identifies any accounts where invoice not produced to prompt printing</li> </ul>	There were no recommendations arising from this review		
<b>LCTS Document Verification</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>• Staff knowledge to identify false documents</li> <li>• Protocols for reporting false documents</li> <li>• Process for checking document validity</li> <li>• Records maintained of documents checked</li> </ul>	<p>Areas of good practice</p> <ul style="list-style-type: none"> <li>• Benefits staff are experienced with good knowledge of claims and related identification documents</li> <li>• Verification and assessment of claims work instruction exists and is followed, and validation checklist is used</li> <li>• Training has been provided</li> <li>• Staff have access to DWP systems to verify information</li> <li>• Referral processes exist</li> <li>• Scanned images of documentation are retained</li> </ul>	Provide refresher training programme for document verification	Medium	Agreed: Revenues and Benefits Manager Action date – August 2022

<b>Unit 4 Fuel System</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>Fuel system and monitoring arrangements ensure correlation between fuel use and vehicle profile</li> <li>Fuel is stored securely</li> <li>There are appropriate controls and security arrangements in place for Fuel cards</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>The fuel system is tracked and monitored, staff know how much fuel is delivered, how much is in the tank, and how much is put into each vehicle and by whom</li> <li>Reconciliations between expected and actual readings are conducted, and any significant discrepancies are investigated by Accountancy</li> <li>In cab technology is used including to manage rounds including number of bins at each location), additional collections, and reporting exceptions</li> <li>Waste is taken to the Waste Transfer site for processing</li> </ul>	<p>There were no high or medium priority recommendations arising from this review</p>
<b>Commercial Waste</b>  <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>Adequacy of fraud prevention and detection procedures for commercial waste</li> <li>Additional waste collections</li> <li>Classification of waste</li> <li>Security of waste tracking systems</li> <li>Use of unauthorised waste sites and third parties</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>Trade Waste terms and conditions are agreed with customers, and waste transfer notes are completed at the outset of the agreement and updated</li> <li>Trade waste price is based on volume of waste collected</li> <li>Collection of additional waste is by arrangement with business support staff</li> <li>Managers conduct sample observations on waste crews</li> <li>Waste vehicles are not left unattended</li> </ul>	<p>There were no high or medium priority recommendations arising from this review</p>
<b>Affordable Housing &amp; Homelessness</b>	<ul style="list-style-type: none"> <li>Accounting for and reconciliation of temporary accommodation</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>Use of and spend on temporary accommodation is tracked on spreadsheets</li> </ul>	<p>There were no high or medium priority recommendations arising from this review</p>



Full Assurance	<ul style="list-style-type: none"> <li>• Correct completion of Government returns</li> <li>• The audit was extended to include Government Grants</li> </ul>	<ul style="list-style-type: none"> <li>• The Council has access to temporary accommodation units with Eastlight Community Homes, and Peabody, with minimal associated costs. Sample checks of payments for these identified no errors</li> <li>• Use of hotel / B&amp;B accommodation is recorded. Use of these increased significantly during the pandemic</li> <li>• Each housing grant is allocated a separate cost code to track spend (and ensure spend not duplicated across grants)</li> <li>• Housing grant related spend is overseen by an Accountant</li> </ul>	Grants were reviewed against grant conditions and assurance return submitted to the Department for Levelling Up Housing & Communities. Not Housing Grants had concluded at the time of the review, therefore additional grant work will continue in 2022/23		
<b>Project Realisation of Benefits</b>  <i>(provisional outcome - Limited Assurance)</i>	<p>Note the review <u>excluded</u> major Strategic Investment projects - the testing focussed on a sample of 23 projects identified on the Corporate Performance Management system to ensure:</p> <ul style="list-style-type: none"> <li>• Project closure documentation demonstrates business case benefits have been realised and lessons learned</li> <li>• Post implementation reviews are conducted</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• Guidance for managing projects is available via the Beehive, this includes project closure and Post Implementation Reviews</li> <li>• Council projects are managed and monitored using the Pentana system. Project status and completion is reported to Members quarterly (via the Performance Management Report)</li> </ul> <p>However post implementation reviews are not consistently conducted and the expected measurable outcomes and benefits from projects were often unclear and/or not demonstrated on the Council's Performance Management System, and Corporate project management processes did not reflect current oversight arrangements</p>	<p>Identify whether Pentana software can prevent project closure until completion of project closure information, communicate project closure requirements, and require project managers to complete project training on the Learning Management System</p> <p>Update guidance to reflect current arrangements for project oversight, and identify appropriate person(s) to conduct post implementation reviews, provide relevant training, and determine</p>	<p>Medium</p> <p>Medium</p>	<p><i>Management response pending</i></p> <p><i>Management response pending</i></p>

			arrangements for collating and communicating findings		
<b>Cyber Security</b> <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>• Arrangements for Penetration Testing</li> <li>• Management of risks associated with unsupported software</li> <li>• Compliance with PSN (Public Sector Network) requirements</li> </ul>	<p>Areas of good practice</p> <ul style="list-style-type: none"> <li>• For the year ended 12 March 2022, the Council's infrastructure is deemed secure by the Cabinet Office through PSN requirements.</li> <li>• External consultant recommendations are reviewed prior to certificate expiry to ensure continued compliance with PSN standards</li> <li>• Council ICT staff ensure software on the Council's Network is supported by the vendor and accords with Council requirements</li> </ul>	There were no high or medium priority recommendations arising from this review		
<b>Culture &amp; Ethics</b> <b>Full Assurance</b>	<ul style="list-style-type: none"> <li>• Desired conduct has been agreed and communicated</li> <li>• Culture related risks are not identified and monitored</li> </ul>	<p>Areas of good practice:</p> <ul style="list-style-type: none"> <li>• An updated Officers Code of Conduct has been prepared and is pending review by Management Board</li> <li>• The Strategic Risk Register is reviewed annually and approved by Members. It recognises cultural elements associated with some risks and the need to appropriate policies and strategies, for example in cyber security awareness and breach prevention, to ensure commitment to the Council's approach to climate change, and to recognise the impact of Partner commitment on a Council project</li> <li>• The Council promotes a positive approach to Health &amp; Safety</li> </ul>	There were no high or medium priority recommendations arising from this review		

		<ul style="list-style-type: none"> <li>Changes affecting staff, such as the move to hybrid working, are subject to consultation with staff</li> <li>Staff were also engaged with the Council's £1.6m challenge to ensure financial stability</li> <li>Internal controls are applied to ensure the Council's approach is adhered to, eg. the investment culture defined in the Treasury Management Strategy</li> </ul>			
<b>Home working – Security of Data</b>  <b>Significant Assurance</b>	<ul style="list-style-type: none"> <li>Protocols in place for homeworking</li> <li>Guidance for staff on expectations, including data security</li> <li>Staff awareness of data implications associated with homeworking</li> <li>Manager data security checks for staff who are working from home</li> </ul>	<b>Areas of good practice:</b> <ul style="list-style-type: none"> <li>The Council has a Hybrid Working – Home working Policy and Guidance, Homeworking Checklist and Work Station Assessment in place, and many staff are familiar with these</li> <li>No issues were highlighted in respect of data security relating to officers working from home</li> </ul>	Managers to ensure officers have read the Hybrid Working Policy and completed the homeworking checklist and work station assessment	Medium	Agreed – HR Business Partner This was completed in March 2022
<b><u>Updates for Matters Previously Notified to the Governance and Audit Scrutiny Committee (formerly the Corporate Governance Group) / Follow Up Reviews:</u></b>  <b>2018/19 – Leased Car Audit (Significant Assurance)</b> <ul style="list-style-type: none"> <li>There were 4 medium priority recommendations relating to: Scheme documentation and the clarification of Leased Car criteria, application of approved criteria and transparency over any exceptions applied; Enforcement of mileage criteria for eligibility; Clarity of arrangements for early termination and recharge of termination payments; and Arrangements for charging excess mileage</li> </ul> <i>As at April 2022 – we were previously advised that the recommendations had been implemented but were pending a report to Management Board. The timescale for resolving the amended scheme is pending. We note that the number of leased car holders is reducing (currently 8 members of staff have leased cars)</i>					
<b>2018/19 – Risk Management (Significant Assurance)</b>					

- Whilst most recommendations were completed, there are 2 medium priority recommendations outstanding relating to the review and regular update of the risk policy and strategy, and ensuring the updated policy and strategy are accessible to staff  
*As at April 2022, the Audit Manager has revised the Risk Management policy and strategy, which is pending review by the Corporate Director and Management Board.*

#### **2019/20 – Housing Application Document Verification (Limited Assurance)**

- There were 3 high priority recommendations relating to the checking of original documents, certifying copies, and procedures to clarify mechanism for reporting false documents. – *The Covid-19 pandemic created additional challenges for the service, which is exploring additional options for validating applications – the service trialled an Application Checker system, and The IT system was enhanced to enable applicants to upload supporting documents with their applications. In addition Housing staff work to the ‘Gateway to Homechoice – Prevention and Detection of Fraud Procedure’. This area was reviewed in 2021/22 (relating to LCTD document verification, see details above), and additional options for verification are under consideration.*

#### **2019/20 – Manor Street (Limited Assurance)**

- 11 high priority, 2 medium priority and 1 low priority recommendations – *formal audit follow up review remains pending (Governance and Audit Scrutiny Members were provided with a an update from the Corporate Director in July 2021)*

**2021/22 Audits** – Audit work is in progress and will be followed up and reported at a later date.

#### **Key:**

*For the scope of objectives subject to review during the audit:*

<i>Full Assurance</i>	<i>Internal controls meet acceptable standards and are consistently applied. Reasonable, but not absolute, assurance that adequate risk management and controls are in place.</i>
<i>Significant Assurance</i>	<i>Significant assurance that the internal control framework meets minimum acceptable standards. Some weaknesses or inconsistent application in control means some risks are not adequately mitigated.</i>
<i>Limited Assurance</i>	<i>Internal control framework does not meet minimum acceptable standard. Weaknesses or inconsistent application of controls means some risks are not mitigated and require significant improvement</i>
<i>No Assurance</i>	<i>The internal control framework does not meet the minimum acceptable standards and no assurance can be given</i>

**Agenda Item: 8**

<b>Report Title:</b> Internal Audit Charter – 2022/23	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> April 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance and Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance and Fraud Manager <a href="mailto:angmi@braintree.gov.uk">angmi@braintree.gov.uk</a>	

**1. Purpose of the Report**

- 1.1 To ensure that there is an Internal Audit Charter which complies with the Public Service Internal Audit Standards.

**2. Recommendations**

- 2.1 To approve the updated Internal Audit Charter.

**3. Summary of Issues**

- 3.1 The Public Sector Internal Audit Standards (PSIAS) came into effect on 1<sup>st</sup> April 2013 and were revised March 2017, these standards form the proper practices for Internal Audit required by the Accounts and Audit Regulations 2015.
- 3.2 The PSIAS require an Audit Charter to be in place defining the purpose, authority and responsibility of the Internal Audit function, and for the Charter to be reviewed periodically and presented to the Governance and Audit Scrutiny Committee for approval.
- 3.3 This Charter sets out the purpose, authority and responsibility of the Council's Internal Audit function.
- 3.4 The Internal Audit Charter has been reviewed to ensure it remains up to date, and reflects requirements of the PSIAS. The following changes have been made to the Charter since it was last reported to the Committee:
- Change of role holding the position of S151 Officer;
  - Updates relating to non-audit operational activity undertaken by audit staff, and;

- Other minor typographical amendments.

3.5 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- A sustainable environment and a great place to live, work and play;
- A well connected and growing district with high quality homes and infrastructure;
- A prosperous district that attracts business growth and provides high quality employment opportunities;
- Residents live well in healthy and resilient communities where residents feel supported;
- A high performing organisation that delivers excellent and value for money services;
- Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

An effective, skilled and properly resourced Internal Audit function which operates in accordance with Public Sector Internal Audit Standards (PSIAS) will focus governance, risk management and internal control assurance work across all corporate priorities and risks.

#### **4. Options**

- 4.1 The Committee is invited to approve the updated Internal Audit Charter (the Charter reflects requirements of the PSIAS, therefore this is the preferred option). The Committee may offer amendments prior to approval. To not have an approved Charter would be considered a non-conformance against the PSIAS, and would affect the overall assessment of the quality of the Internal Audit function.

#### **5. Financial Implications**

- 5.1 There are no financial implications arising from the recommendation to approve the Internal Audit Charter.

#### **6. Legal Implications**

- 6.1 The Accounts and Audit (England) Regulations 2015 require the Council to ensure it has a sound system of internal control. In particular, Section 5 refers specifically to Internal Audit, requiring that the Council ‘...must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account *Public Sector Internal Auditing Standards or guidance*’ (PSIAS).

The PSIAS require an Audit Charter to be in place, reviewed periodically and presented to the Governance and Audit Scrutiny Committee (being the body

charged with oversight of the organisation's governance arrangements) for approval

## **7. Other Implications**

- 7.1 There are no other implications arising from the recommendations in this report.

## **8. Equality and Diversity Implications**

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **9. List of Appendices**

- 9.1 Internal Audit Charter 2022/23.

## **10. Background Papers**

- 10.1 Public Sector Internal Audit Standards.



# INTERNAL AUDIT CHARTER

2022/23



## Braintree District Council Internal Audit Charter

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## INTERNAL AUDIT CHARTER

### 1. Introduction

The purpose, authority, and responsibility of the Internal Audit activity must be formally defined in an Internal Audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards.

The Internal Audit Charter establishes Internal Audit's position within Braintree District Council, including the Chief Audit Executive's reporting lines, authorisation to access to records, staff and physical properties relevant to the performance of engagements, and also defines the scope of Internal Audit activities. It is also a reference point for measuring the effectiveness of Internal Audit.

The Charter will be reviewed annually and presented to the Governance and Audit Scrutiny Committee for approval.

### 2. Purpose and Mission

The Council is responsible for establishing and maintaining appropriate risk management processes, control systems, accounting records and governance arrangements. The purpose of the Internal Audit function is to provide independent, objective assurance and consulting services to the Council to add value and improve the Council's operations.

The Internal Audit mission is to *Enhance and protect organisational value by providing risk based and objective assurance, advice and insight.*

Internal Audit helps the Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes. The Council's response to Internal Audit activity should also lead to the strengthening of the control environment and, therefore, contribute to the achievement of the organisation's objectives.

### 3. Standards and Statutory Requirements

The Accounts and Audit (England) Regulations 2015 require the Council to ensure it has a sound system of internal control which:

- Facilitates effective exercise of its functions and achievement of its aims and objectives
- Ensures effective financial and operational management
- Includes effective arrangements for risk management
- Requires review of effectiveness of Controls, AGS, and Statement of Accounts, by a Committee or Full Council

Section 5 of the Accounts & Audit Regulations refers specifically to Internal Audit:

- A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account *Public Sector Internal Auditing Standards or guidance*

Section 151 of the Local Government Act 1972 also states that “every local authority shall make arrangements for the proper administration of their financial affairs and shall secure that one of their officers has responsibility for the administration of those affairs. The Head of Finance is the Council’s S151 Officer.

The CIPFA Statement of the Role of Chief Financial Officer in Local Government also states that the Chief Financial Officer must ‘*Ensure an effective Internal Audit function is resourced and maintained*’

The Public Sector Internal Audit Standards (PSIAS) defines core principles, adoption of which enables the Audit function to be effective, and also provides additional Practice Advisories, Practice Guides and Position Papers to support Auditors in their role.

In addition to the PSIAS, the Internal Audit section will operate in accordance with mandatory elements of the Institute of Internal Auditors’ International Professional Practices Framework (IPPF), including the:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- International Standards for the Professional Practice of Internal Auditing
- Definition of Internal Auditing

The Audit Manager will report periodically regarding conformance to standards and requirements. (See also 13. *Quality Assurance and Improvement Programme* below)

#### 4. Definitions

For the purposes of this charter, the following definitions apply:

Board	The governance committee charged with independent assurance on the adequacy of the risk management framework, the internal control environment and the integrity of financial reporting. At Braintree District Council this shall mean the Governance and Audit Scrutiny Committee.
Senior Management	Those responsible for the leadership and direction of the Council. At Braintree District Council this shall mean the Chief Executive, and the Management Team including Corporate Directors and Heads of Service. The Head of Finance is also the S151 Officer.

Chief Audit Executive	The Chief Audit Executive (CAE) is the person tasked with directly managing the Internal Audit function. At Braintree DC this role is performed by the Audit Insurance & Fraud Manager.
Consulting Activities	Internal Audit advice and guidance to management on risk and control issues within individual systems to improve those systems and processes where necessary
Standards	Public Sector Internal Audit Standards (PSIAS), and the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing and the Definition of Internal Auditing

## 5. Professionalism & Ethics

Compliance with the Code of Ethics is mandatory, this code includes the following Principles relevant to the profession and practice of Internal Auditing:

### **Integrity:**

- The integrity of auditors establishes trust and thus provides the basis for reliance on their judgement

### **Objectivity:**

- Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined
- Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgements

### **Confidentiality:**

- Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so

### **Competency:**

- Internal auditors apply the knowledge, skills and experience needed in the performance of internal auditing services

All records, documentation and information accessed in the course of undertaking internal audit duties shall be used solely for the conduct of internal audit activities. The Internal Audit Manager and individual audit staff are responsible and accountable for maintaining the confidentiality of the information they receive during their audit work

## 6. Authority

The Audit Manager reports functionally to the Governance and Audit Scrutiny Committee, and organisationally to the Head of Finance, and also has access to Corporate Directors and the Chief Executive who carry the responsibility for the proper management of the Council and for ensuring that the principles of good governance are reflected in sound management arrangements.

Where considered necessary to the proper discharge of Internal Audit function, the Audit Manager has direct access to elected Members of the Council and in particular those who serve on committees charged with governance (i.e. the Governance and Audit Scrutiny Committee). The Audit Manager will communicate and interact directly with the Governance and Audit Scrutiny Committee as appropriate.

To establish, maintain and assure that the Council's Internal Audit section has sufficient authority to fulfil its duties, the Governance and Audit Scrutiny Committee will:

- Approve the Internal Audit Charter;
- Approve the risk-based audit plan;
- Approve Internal Audit's strategy and resource plan;
- Receive communications from the Audit Manager on Internal Audit's performance relative to its plan and the results of the quality assurance programme, and other matters, such as significant findings and/or emerging risks, and;
- Make appropriate enquiries of management and the Audit Manager to determine whether there is inappropriate scope or resource limitations.

The authority of internal audit is set out in the Council's Financial Procedure Rules. The Internal Audit remit extends to the Council's entire control environment, and there are no limits to Internal Audit's right of access to Braintree DC premises, property, documents and assets, and auditors may receive from any Council officer, agent or contractor appointed by the Council such information and explanations which it considers necessary for the purpose of the audit and to fulfil its responsibilities. In addition the Governance and Audit Scrutiny Committee authorises internal audit to:

- Allocate resources, set frequencies, select subjects, determine scope of work and apply techniques required to accomplish audit objectives and issue reports
- Obtain assistance from the appropriate personnel within the Council and other specialised services in order to complete engagements

## 7. Scope of Internal Audit Activity

The scope of internal audit encompasses, but is not limited to the objective examination of evidence for the purpose of providing independent assessment to the Governance and Audit Scrutiny Committee, management and other parties such as External Audit on the adequacy and effectiveness of governance, risk management and control processes for the Council. This extends to any services provided through partnership arrangements or external providers.

A range of internal audit services are provided to form the annual opinion. The approach is determined by the Audit Manager giving consideration to the assurance required, the significance of the objectives under review, inherent risks, and the level of confidence that controls are operating as intended. Internal audit assessments include evaluation of whether:

- Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed
- Actions of Officers, Directors, employees and contractors are in compliance with Council policies, procedures, applicable laws, regulations and governance standards
- Results of operations or programmes are consistent with established goals & objectives
- Business systems and processes are carried out effectively and efficiently, and whether there is opportunity for performance improvement
- Established processes and systems enable compliance with the policies, procedures, laws and regulations that could significantly impact the Council
- Information and the means used to identify, measure, analyse, classify and report such information are reliable and have integrity
- Resources and assets are acquired economically, used efficiently and protected adequately

Internal Audit may also perform consulting activities (providing independent advice and guidance on governance, risk management and control issues) as appropriate for the organisation, and may evaluate specific operations at the request of the Governance and Audit Scrutiny Committee or management, for example in respect of major projects and in the development of new systems and processes.

## 8. Independence & Objectivity

Internal Audit must be free from interference in determining the scope of activity, performing work and communicating results, and shall be free to review any aspect of service delivery, finance or governance irrespective of whether those arrangements are provided directly or indirectly (via partnerships, contracts or any other business arrangement).

The Internal Audit function is organisationally situated within the Financial Services department. The Audit Manager reports to the Head of Finance (S151 Officer) who in turn reports to the Corporate Director. The Audit Manager has a right of access to the Management Board, Chief Executive and Members.

The Audit Manager is responsible for ensuring Internal Audit remains free from conditions that threaten the ability of Auditors to carry out their responsibilities in an unbiased manner, including matter of audit selection, scope, procedures, frequency, timing and report content. If the Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Where Audit staff have roles and/or responsibilities that fall outside the scope of Internal Audit, safeguards will be established to limit impairments to independence or objectivity. Internal Auditors, including the Audit Manager will:

- Disclose any impairment of independence or objectivity in fact or appearance, to appropriate parties
- Exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgements.

Internal Audit staff do perform some non-audit operational functions:

- The Audit Manager is also operationally responsible for the Insurance and Fraud functions. Responsibility for these operational areas is recognised by senior management and the Governance and Audit Scrutiny Committee. The Audit Manager is not involved in audit reviews of these areas and to maintain independence will accept any recommendations arising from independent reviews. In addition, the Council employs the services of a broker to advise on the scope of cover and insurance arrangements.
- The Audit Manager has recently reviewed the Council's Risk Management Strategy, and will be involved in the review of strategic risks. Members and Senior Officers retain roles relating to oversight, identification and management of risks
- The Audit Manager is one of the administrators for the Council's Credit card account.
- The Senior Auditor performs the following non-audit operational activities, and will therefore not perform any audit in these areas:
  - Provides ad hoc support for Barclaycard administration
  - Accesses the DWP Customer Information System (CIS) to administer Council users (supporting Benefit team System Administrators to



provide resilience – as changes require approval of a second administrator)

- The Senior Auditor and Trainee Auditor perform the following non-audit operational activities and will therefore not perform any audit in this area:
  - Equifax passwords user administration (this system is used by both Fraud and Benefits staff)
  - Maintain records (but not oversight) of gifts and hospitality, authorised signatories and declarations of interest
- The Auditor performs the following non-audit operational activity and will therefore not participate in any audit of this area:
  - As part of the Procurement process, the Auditor is one of the Finance Team involved in conducting financial appraisals on organisations submitting tenders.

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Auditors will have no direct operational responsibility or authority over any of the activities they audit and therefore will not:

- Implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment;
- Assess operations for which they had responsibility within the previous year (with the exception of follow up reviews).

The Audit Manager will confirm to the Governance and Audit Scrutiny Committee, at least annually:

- The organisational independence of Internal Audit;
- Any interference and related implications in determining the scope of Internal Auditing, performing work and/or communicating result.

## 9. Reporting

### Assignment Reporting:

Terms of Reference are agreed for each assignment, and a report is produced on completion of the assignment, including management responses to specific findings and recommendations. Heads of Service / Managers are responsible for providing responses to recommendations and for ensuring agreed recommendations are implemented in the timescales agreed with the auditor.

Internal Audit will follow up implementation of high and medium priority recommendations, and report progress to Senior Management and the Governance and Audit Scrutiny Committee.

### Senior Management / Governance and Audit Scrutiny Committee Reporting:

The Audit Manager reports periodically on:



- Internal Audit's purpose, authority and responsibility;
- Internal Audit's plan and performance relative to the plan;
- Internal Audit's conformance with the Institute of Internal Auditors (IIA) Code of Ethics and Standards, and action plans to address any significant conformance issues;
- Significant risk exposure and control issues including fraud risks, governance issues and other matters requiring the attention of the Governance and Audit Scrutiny Committee;
- Results of audit engagements or other activities, including opportunities for improving governance, risk management and control processes, and;
- Any response to risk by management that may be unacceptable to the Council.

The Audit, Insurance and Fraud Manager is also responsible for delivery of an annual audit opinion and report that can be used to inform the Council's Governance Statement, the annual opinion will conclude on the overall adequacy and effectiveness of the Council's framework of governance, risk management and control, based on:

- The internal audit work carried out;
- Follow up on the implementation of high and medium priority recommendations;
- Any significant governance issues (as reported within the Council's Annual Governance Statement), and;
- The annual review of effectiveness of Internal audit (see Quality Assurance and Improvement Plan, section 13 below).

Annual Governance Statement:

The Audit Manager's annual overall opinion on the Council's internal; control environment, risk management arrangements and governance framework supports the Council's Annual Governance Statement

## 10. Resources

The Corporate Director and Head of Finance (S151 Officer) will provide the Audit Manager with the resource necessary to fulfil the Council requirements and expectations for a robust and adequately scoped Internal Audit opinion. The Audit Manager will, at least annually, submit to Senior Management and the Governance and Audit Scrutiny Committee an Internal Audit Plan for review and approval. The plan will take into account the requirement to produce an annual Internal Audit Opinion and the assurance framework, and will be developed based on a prioritisation of potential audit activities. Significant matters affecting delivery of the plan will be discussed with Senior Management and the Governance and Audit Scrutiny Committee. The plan will be kept under review to ensure it remains responsive to the changing priorities and risks of the Council.

The Audit Manager is responsible for delivery of the plan and will ensure the Internal Audit service has access to an appropriate range of knowledge, skills, qualifications and experience. The level and nature of resources required to deliver an adequate level of coverage of the Internal Audit Plan will be determined with due consideration to the content and complexity of audits and auditor experience. Any significant imbalance and proposed solutions will be reported to senior management and the Governance and Audit Scrutiny Committee.

Internal audit services are provided by staff employed directly by the Council, and additional resources are achieved by working with partners or external contractors.

#### 11. Fraud and Corruption

Internal auditors will plan and evaluate their work so as to have a reasonable expectation of detecting fraud and identifying any significant weaknesses in internal controls.

The Council's Constitution requires Heads of Service and Corporate Directors to immediately notify the Head of Finance (S151 Officer) and Monitoring Officer immediately of any circumstances which may suggest the possibility of financial irregularity, and the HR Team will inform the Audit Manager of any employee issues with fraud or internal control implications. The Audit Manager will determine the audit response to allegations on the basis of risk, and the HR Team will guide Management on application of the Council's Disciplinary Rules and Procedure where appropriate.

The Council's Counter Fraud Strategy and the Fraud Corruption and Dishonesty Policy confirm these arrangements.

#### 12. Relationship with External Audit and Other Assurance Activities

Internal Audit will establish and maintain an open relationship with the external auditor and any other assurance provider, and will plan work to ensure adequate coverage and to minimise duplication of the assurance effort. External Audit will have unrestricted access to all Internal Audit strategies, plans, working papers and reports.

#### 13. Quality Assurance & Improvement Programme (QAIP)

The Chartered Institute of Internal Auditors has defined mandatory Core Principles, which taken as a whole articulate internal audit effectiveness. For an internal audit function to be considered effective and achieve its mission, all Principles must be present and operating effectively. The Core Principles are:

- Demonstrates integrity;
- Demonstrates competence and due professional care;

- Is objective and free from undue influence (independent);
- Aligns with the strategies, objectives, and risks of the organisation;
- Is appropriately positioned and adequately resourced;
- Demonstrates quality and continuous improvement;
- Communicates effectively;
- Provides risk-based assurance;
- Is insightful, proactive and future-focussed;
- Promotes organisational improvement.

Internal Audit will maintain a QAIP which covers all aspects of the Internal Audit activity. The programme will include an evaluation of Internal Audit's conformance with the Principles, the Standards, and an evaluation of whether Internal Auditors apply the IIA's Code of Ethics (see 5. *Professionalism and Ethics* above). The programme will also assess the efficiency and effectiveness of Internal Audit and identify opportunities for improvement.

The programme includes:

- An annual internal self-assessment of conformance with the Public Sector Internal Audit Standards (including the Principles, Standards and Code of Ethics). The results of this assessment will be communicated to senior management and the Governance and Audit Scrutiny Committee.
- An External Quality Assessment (EQA) will be conducted at least once in every 5 years and may be a full external assessment or a self-assessment with validation by a qualified independent assessor. The results of this assessment will also be communicated to senior management and the Governance and Audit Scrutiny Committee. The last assessment was December 2017 (report to the Governance Committee in April 2018), the next EQA will be commissioned in 2022/23.
- The Audit Manager defines the Internal Audit approach and conducts assignment reviews to ensure consistent application of the standards

Instances of non-conformance with the Standards will be included in the annual Internal Audit report. If there is significant non-conformance this will be included in the Council's Annual Governance Statement.

*Angela Mitchell*  
*Audit, Insurance and Fraud Manager*  
*April 2022*

<b>Report Title:</b> Fraud Update	
<b>Report to:</b> Governance and Audit Scrutiny Committee	
<b>Date:</b> 21 <sup>st</sup> April 2022	<b>For:</b> Decision
<b>Key Decision:</b> No	<b>Decision Planner Ref No:</b> N/A
<b>Report Presented by:</b> Angela Mitchell, Audit, Insurance and Fraud Manager	
<b>Enquiries to:</b> Angela Mitchell, Audit, Insurance and Fraud Manager ( <a href="mailto:angmi@braintree.gov.uk">angmi@braintree.gov.uk</a> )	

## **1. Purpose of the Report**

- 1.1. The Governance and Audit Scrutiny Committee functions include monitoring the Council's counter fraud and corruption arrangements.
- 1.2. The Public Sector Internal Audit Standards (PSIAS) require the '*Chief Audit Executive*' (the Audit Insurance & Fraud Manager) to periodically report significant risks and controls, including fraud risks. The report provides Members with an overview of Fraud affecting Local Authorities, and the work undertaken by staff including the Audit Insurance and Fraud, and Revenues and Benefits teams, in this respect.
- 1.3. This report provides an updated Anti Money Laundering Policy, which identifies Council and staff responsibilities under Money Laundering Regulations, and protocols for record keeping and reporting.

## **2. Recommendations**

- 2.1 Members note the report.
- 2.2 Members approve the revised Anti Money Laundering Policy.

## **3. Summary of Issues**

- 3.1 Introduction
  - 3.1.1 No recent statistics are available for fraud losses specific to Local Government, however 'The Financial Cost of Fraud 2021' (Crowe / University of Portsmouth) reports global fraud data, and on the basis of Fraud Loss Measurement exercises estimated that '*fraud and error losses in any organisation should be expected to be at least 3%, probably almost 6.5% and possibly more than 10%*'. It further comments on the increase in fraud since the advent of the Covid-19 pandemic, in both Covid-19 specific frauds and scams, and in fraud driven by the economic situation, with risks being both internal and external to organisations. A report to the Government's Committee of Public Accounts (June 2021) notes that the Cabinet Office reported that fraud accounts for 40% of all crime committed across the UK,

and the Office for National Statistics also reported that patterns of crime in the year ending September 2021 were significantly affected by the pandemic, and makes the following comparison between crime trends compared with the pre-coronavirus year ending September 2019:

- A 14% increase in total crime, driven by a 47% increase in fraud and computer misuse.
- Crime excluding fraud and computer misuse decreased by 14%, largely driven by an 18% decrease in theft offences (related to the limited social contact).
- In England and Wales there were 5.1million fraud offences in the year to September 2021.

3.1.2 Fraudsters are constantly evolving their techniques, and further challenges arise from changes in the public sector landscape, including budget reductions, service remodelling and integration, and Government policy changes. The Government Counter Fraud Function has produced a functional standard (GovS 013: Counter Fraud (August 2021)) setting expectations for the management of counter fraud, bribery and corruption activity in government departments and their arm's-length bodies (but considers '*other public sector organisations, devolved or local, might find this standard useful*'). The standard includes a **Counter Fraud Organisational Basics Checklist** summarised as:

- Have an **accountable individual** at board level who is responsible for counter fraud, bribery and corruption.
- Have a **counter fraud, bribery and corruption strategy**.
- Have a **fraud, bribery and corruption risk assessment**.
- Have a **policy and response plan** for dealing with potential instances of fraud bribery and corruption.
- Have an action plan summarising **key actions to improve capability, activity and resilience**.
- Have outcome based **metrics**.
- Have established **reporting routes** for staff, contractors and members of the public to report suspicions of fraud bribery and corruption, and a mechanism for recording referrals and allegations.
- **Report identified loss** from fraud, bribery, corruption and error
- Have access to **trained investigators**.
- Undertake activity to **detect fraud in high risk areas**.
- Ensure staff have access to and **undertake fraud awareness, bribery and corruption training** as appropriate.
- Have **policies and registers for gifts, hospitality and conflicts of interest**.

## 3.2 Public Sector Fraud Risks

3.2.1 The following identifies some fraud risks affecting the public sector. This list is not exhaustive:

- **Internal and recruitment** – abuse of position, conflict of interest, failure to declare convictions, false declarations, failure to follow process, undeclared working, false timesheets and expense claims, abuse of flexitime or annual leave, working elsewhere whilst sick or on Council time, misuse of equipment, bribery and corruption.
- **Social care fraud (personal budgets and direct payments)** – overstatement of needs through false declaration, multiple claims across authorities, third party abuse by carer, family or organisation, and posthumous continuation of claims.
- **Benefits / Council Tax Support** – false applications, documents or ID, failure to notify changes.
- **Right to Buy** – fraudulent applications under the right to buy / acquire
- **Money Laundering** – exposure to suspect transactions.
- **Commissioning of services** – (including joint commissioning, joint ventures, commercial services, third sector partnerships) – conflicts of interest, collusion.
- **Tenancy** – fraudulent applications for housing or successions of tenancy, and sub-letting of the property.
- **Procurement** – tendering issues, split contracts, ghost contractors, double invoicing, bid rigging and cartels, bribery, collusion between officers and contractors, violation of procedures, failure to supply, inflation of performance information.
- **Payments / creditors** – misuse of credit/procurement cards, false invoices and claims, duplicate payments, mandate fraud (attempts to divert payments by impersonating suppliers) and whaling (impersonating senior Council staff).
- **Payroll** – false (ghost) employees, overtime claims, expenses.
- **Identity Fraud** – false identity / fictitious persons applying for services / payments.
- **Council Tax** – fraudulent applications for Council Tax Support, discounts & exemptions, new properties not on list (e.g. built without planning permission).
- **Business Rates** – fraudulent applications for exemptions, reliefs and grants, failure to declare occupation or register business where rates are applicable, payment using false bank details.
- **Credit income and refunds** – (Council Tax / NDR/Rents) suppression of notification of debt, improper write off, failure to instigate recovery protocols, transferring arrears, manipulating credit balances, payment using false instrument then claiming refund.
- **Blue Badge** – use of counterfeit / altered badges, use when disabled person is not in the vehicle, use of a deceased person's Blue Badge, badges issued to institutions being misused by employees.
- **Grants** – fake application, collusion, misuse of funds, work not carried out, funds diverted, ineligibility not declared.
- **Insurance fraud** – false claims including slips and trips.

- **Disabled Facilities Grants** – fraudulent applications for adaptations to homes aimed at the disabled.
- **Concessionary Travel schemes** – use of concession by ineligible person, including freedom passes.
- **No recourse to public funds** – (S115 of the Immigration & Asylum Act 1999 states a person has no recourse to public funds if they are subject to immigration control) - fraudulent claims of eligibility.
- **Local Enterprise Partnerships (LEP)** – (partnerships between Local Authorities and businesses – all LEP's should now be incorporated with a Local Authority as an accountable body) – Procurement fraud, grant fraud. Consider LEP governance and procedures for allocating / prioritising grants.
- **Immigration** – sham marriages, false entitlement to services and payments.
- **Cyber dependent crime and cyber enabled fraud** – range of fraud such as ransomware, phishing, whaling, hacking, and denial of service attacks, diversion of funds, or creation of false applications for services and payments.
- **Assets** – land and property (sell for less than market value, collusion eg re planning, leases and covenants), theft such as IT equipment, vehicles and tools, disposal of assets no longer required.
- **Investment** – misappropriation, loss through procedure breach, false instruments.
- **Money Laundering** – using the Council to hide improper transactions, link to organised crime.
- **Electoral fraud** – fraudulent voting, acts by presiding officers / clerks / postal vote staff / verification and count staff. Fraudulent application for individual registration, absent voter, and staff employed as canvassers.
- **Development management** – inducements, conflict of interest, areas where checking compliance, planning process to increase land value.
- **Housing** – fraudulent or false application, fraudulent succession or assignment, unlawful sub-letting, not using property as main home, Right to Buy (fraudulent application, valuation etc.).

### 3.3 Corporate Counter Fraud Arrangements

- 3.3.1 The Council has a Counter Fraud Strategy which states the Council is determined that the culture and tone of the organisation is one of openness, honesty and opposition for theft, fraud, corruption and bribery, and that there is an expectation and requirement that Council Members, Chief Officers and staff at all levels will lead by example in these matters and that all individuals and organisations associated with the Council will recognise this strategy and associated policies.
- 3.3.2 The Council has adopted a corporate anti-fraud framework including Codes and Policies which underpin this strategy and exist to protect the Council against loss and reputational damage arising from theft, fraud, corruption or bribery. The approach includes:

- An established Governance and Audit Scrutiny Committee whose remit includes monitoring the effectiveness of counter fraud and corruption arrangements.
- Adopted Codes of Conduct for Members and Officers.
- The Constitution, including Financial Procedure Rules and procedures relating to Contracts and Procurement.
- Dedicated and qualified Audit and Fraud staff whose roles include detection, prevention and sanctioning of fraud.
- Participation in data matching exercises to increase opportunity for detection of fraud. These include the National Fraud Initiative (NFI), the Pan Essex Compliance and Counter Fraud Scheme, and LoCTA (Locating Council Tax Absconders), all of which provide access to data and matches across a range of data sets.
- Reviews of fraud risks and approaches.

### 3.4 Council Fraud Investigation

- 3.4.1 The Council's Fraud Investigator, employed within the Audit Insurance and Fraud Team, conducts investigations into alleged or suspected fraud, liaising with other services or organisations as appropriate. He is experienced and professionally qualified to conduct investigations, and ensures appropriate cases are sanctioned in accordance with the Council's Prosecution Policy. In addition to the investigation activity, he has developed Fraud related policies, and arranged training for relevant staff within the organisation.
- 3.4.2 The main emphasis of Fraud work has been on Council Tax Support and Single Person Discount.
- 3.4.3 Housing Benefit fraud is the responsibility of the Department for Work and Pensions (DWP) Single Fraud Investigation Service. The Council has a formal protocol with the DWP for the exchange of information relating to Benefit Fraud investigations, and will conduct joint working on relevant investigations where the opportunity arises, however the DWP temporarily suspended joint working in March 2020. The Fraud Investigator continues to work with other Council Services and external organisations as required to address other fraud risk areas.
- 3.4.4 The Council's Fraud Investigator identified the following in 2021/22:
- £84,382.44 Housing Benefit Overpayments
  - £27,050.19 Council Tax Support Overpayments
  - £10,568.77 Single Person Discount Overpayments

A further £10,398.28 in Single Person Discount Overpayments was identified through the National Fraud Initiative Data Matching exercise

### 3.5 Data Matching

- 3.5.1 The National Fraud Initiative (NFI) is a data matching exercise conducted by the Cabinet Office under Data Matching Powers set out in the Local



Accountability and Audit Act 2014. Certain bodies, including Local Authorities, are required to participate through the provision of data for matching purposes, an initiative that matches electronic data within and between public and private sector bodies to prevent and detect fraud. The Council participates in all mandatory elements of the NFI data matching and results of the latest data matching exercise have been released and are currently being reviewed by Audit and Fraud staff. The Cabinet Office has extended the scope of NFI data matching to include post-payment assurance matching for Covid-19 Business Grants.

- 3.5.2. The Pan Essex Compliance and Counter Fraud Scheme performs monthly data matching of a number of data sets from Local Authorities across Essex; Braintree DC is one of 14 Councils who participate in this matching exercise. The Council has employed a Data Matching Officer since March 2018 (within the Revenues and Benefits Team) to upload data and review the results.
- 3.5.3. The Council also subscribes to LoCTA, a Local Authority based data sharing system for tracing debtors and minimising fraud with integrated access to other data sets (such as Companies House and Land Registry).

### 3.6 Business Grant Fraud

- 3.6.1 The Council's Revenues and Recovery Team worked with Economic Development staff to administer a range of Business Grants in connection with the Coronavirus pandemic. As at March 2022, the Council has paid out a total of £55,946,301
- 3.6.2 The following actions were taken to mitigate the risk of undetected fraud in Business Grant applications:
- An application form was required to be completed for each grant by the business rate account holder, and in respect of Discretionary Grants, additional supporting information was also required. All information was evaluated before any grant was approved for payment.
  - For each application the applicant confirmed by signing the form that if they falsify their records to gain additional grant money they would face prosecution and any grant paid would be recoverable.
  - For each application the applicant confirmed by signing the form that the payment of the grant would not contravene State Aid rules.
  - For each grant to be processed, the details on the grant application form, company number, bank account and sort code details were checked to the details held on the council's records, and if the details did not match, the application was not processed.
  - Business rate grant applications were also verified using the Government's Spotlight system where possible. This system performs due diligence checks on the applications using Companies House information
  - LoCTA (a search hub for sharing and integrating Local Authority and national data sets) was used to check company and individual applicant information.

- Application forms were checked to business rate accounts to ensure business names and bank details matched those on the application form, and where an application warranted further investigation this was completed by a member of the Revenues team and reviewed by the Recovery and Revenues Manager.
- Additional work is planned to review rejected applications for false statements.

3.6.3 As noted above (para 3.5.1) the scope of the National Fraud Initiative Data Matching is being extended to include Business Grants

### 3.7 Corporate Policies and Procedures

3.7.1 The Council currently has the following Fraud related strategies, policies and procedures. The Audit Insurance & Fraud Manager will coordinate the review of these documents:

- Counter Fraud Strategy (March 2013) – summarises the Council’s approach to delivering counter fraud measures throughout the Council
- Fraud, Corruption and Dishonesty Policy (November 2015) – defines fraud, corruption and dishonesty, and includes the Code of Conduct for Employees, the Code of Practice for Councillors and Officers Engaged in the Determination of Planning Applications, and summarises expectations.
- Anti-Money Laundering Policy & Guidance (updated April 2022) – identifies Council and staff responsibilities under Money Laundering Regulations, and protocols for record keeping and reporting.
- Prosecution Policy (November 2015) – defines considerations for the prosecution of Local Council Tax Support and other fraud.
- The Regulation of Investigatory Powers Act 2000 (RIPA) & the Investigatory Powers Act 2016 (IPA) Policy (updated July 2020, will be subject to further review following recent training) – defines key staff contacts and outlines requirements for compliance with RIPA and IPA.
- Use of Social Networking Sites for Investigations (approved by the Corporate Governance Group in January 2021) – clarifies the legitimate uses of social media to prevent misuse and the circumstances in which such activity becomes targeted or covert surveillance.

3.7.2 In addition, the Council has a range of Policies and Procedures which support development of controls and approaches contributing to the prevention and detection of fraud, including the following:

- Whistleblowing Policy (November 2015) – defines whistleblowing, encourages reporting of wrongdoing, defines protocols for reporting and lists key officer contacts.
- Risk Management Policy, Strategy and Implementation Plan (this policy is currently being reviewed) – defines responsibility and protocols for corporate risk management.

- The Constitution (updated in 2021) – defines how the Council operates, how decisions are made and the procedures followed to ensure these are efficient, transparent and accountable to local people.
- Local Code of Corporate Governance (updated annually as part of the Annual Governance Statement) – defines the systems and processes, culture and values by which the Council is controlled.
- Code of Conduct for Members, including Gifts and Hospitality (within the Constitution) – defines obligations and protocols which if followed ensure that Member actions are consistent with the “Nolan Principles” and interests are disclosed.
- Standards of Conduct for Staff, including Gifts and Hospitality (within the Fraud Corruption & Dishonesty Policy) – promotes high standards of behaviour and conduct including avoidance of conflicts of interest and separation of roles during tendering.
- Code of Practice for Members engaged in the Determination of Planning Applications (within Fraud Corruption & Dishonesty Policy) – applies to Members and Officers, and defines protocols for ensuring fair and impartial decision making.
- Disciplinary Procedures (January 2022) – provides guidance on how managers will treat cases of unsatisfactory conduct.
- Staff Declarations of Conflicts of Interest – form for enabling staff to report conflicts.
- IT Security Policy and ICT Codes of Practice – specify how the Council will apply information security.
- Recruitment Policies – includes requirements for ensuring a fair recruitment and selection process, and the pre-employment checks conducted by HR and recruiting managers.

### 3.8 Corporate Fraud Training

3.8.1 The Council has provided the following training for staff to support them to prevent and detect fraud

- **Regulation of Investigatory Powers Act (RIPA) Applications and Authorisation** – March 2022. 11 staff attended training which included legislative requirements for surveillance, including tests for necessity and proportionality, and the application process.
- **Document Awareness** – October 2019. The training covered the features to examine to verify the legitimacy of identity documents (such as driving licences and passports. Two sessions were arranged by HR to extend this training to a wide selection of staff. Additional sessions are planned for 2022, to include Revenues and Benefits staff.
- **General - Learning Hive** – The Council’s new E-Learning system includes a range of modules including fraud related modules (such as Anti Money Laundering). This system is in the process of being rolled out.

### 3.9 Anti-Money Laundering Policy

3.9.1 Money Laundering involves the 'cleaning' of illegal proceeds to disguise their criminal origin. This policy defines the Council's responsibilities under Money Laundering Regulations and the commitment to the prevention of money laundering, and provides a mechanism for reporting concerns.

3.9.2 The policy has been updated to reflect that the role of Money Laundering Reporting Officer has changed to Phil Myers, Head of Finance. Finance and Asset Management staff have also been consulted on the content and scope of the policy.

3.9.3 The revised policy is attached at **Appendix 1**.

### 3.10 **Corporate Objectives**

3.10.1 The recommendations set out in this report will help the Council to deliver the following Corporate Objectives:

- The approach to preventing, detecting and dealing with fraud directly supports the following Corporate Objectives, but also indirectly supports the Council's ability to deliver all Corporate Objectives:
  - A high performing organisation that delivers excellent and value for money services;
  - Delivering better outcomes for residents and businesses and reducing costs to taxpayers.

## 4. **Options**

4.1 To receive and ask questions as appropriate on the Council's arrangements for dealing with fraud risks.

4.2 To approve the revised Anti-Money Laundering Policy. The Committee may propose changes to the draft policy.

## 5. **Financial Implications**

There are no financial implications arising from the recommendations set out in this report.

## 6. **Legal Implications**

There are no specific legal implications arising from this report.

## 7. **Other Implications**

There are no other implications arising from this report.

## **8. Equality and Diversity Implications**

- 8.1 Section 149 of the Equality Act 2010 creates the public sector equality duty which requires that when the Council makes decisions it must have regard to the need to:
- (a) Eliminate unlawful discrimination, harassment and victimisation and other behaviour prohibited by the Act
  - (b) Advance equality of opportunity between people who share a protected characteristic and those who do not
  - (c) Foster good relations between people who share a protected characteristic and those who do not including tackling prejudice and promoting understanding.
- 8.2 The protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, gender and sexual orientation. The Act states that 'marriage and civil partnership' is not a relevant protected characteristic for (b) or (c) although it is relevant for (a).
- 8.3 The Equality Impact Assessment indicates that the proposals in this report will not have a disproportionately adverse impact on any people with a particular characteristic.

## **9. List of Appendices**

Appendix 1 – Anti-Money Laundering Policy.

## **10. Background Papers**

None.

## ANTI MONEY LAUNDERING POLICY GUIDANCE & FORMS



### Author:

- Angela Mitchell, Audit, Insurance & Fraud Manager

### Internal Consultees (for March 2022 update):

- Phil Myers, Head of Finance
- Mark Jarvis, Financial Services Manager

(Consultees for V1 also included Interim Corporate Director for Growth, and Monitoring Officer / Head of Governance)

### Background / Purpose of Policy:

This policy identifies Council and staff responsibilities under Money Laundering Regulations, and protocols for record keeping and reporting. The Council is responsible for:

- Appointing a Money Laundering Reporting Officer to receive disclosures from Members or employees
- Implement a procedure to enable the reporting of suspicions of money laundering
- Maintain client identification procedures in certain circumstances
- Maintain records

### Version Control:

V1. January 2020 – approved by Corporate Governance Group October 2020

- This version supersedes 'Prevention of Money Laundering Procedures' (June 2009)
- Policy updated to reflect current legislation (Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017)

V2. April 2022

- Policy updated to reflect change of Money Laundering Reporting Officer, and addition of link to National Crime Agency reporting facility

### Policy Approval – Officer Level:

- Phil Myers, Head of Finance / S151 Officer

### Policy Approval – Member level:

- Governance and Audit Scrutiny Committee (21 April 2022)

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**1. INTRODUCTION**

- 1.1. Although Local Authorities are not directly covered by the requirements of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017, guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA) indicates that they should comply with the underlying spirit of the legislation and regulations.
- 1.2. Braintree District Council is committed to the prevention of money laundering and to working with the appropriate authorities to apprehend those who commit offences under the anti-money laundering regulations.

**2. SCOPE OF THE POLICY**

- 2.1. This policy applies to all employees (permanent and temporary), contractors and Members of the Council. The aim of the policy is to enable employees to respond to any concern they have in the course of their duties.

**3. MONEY LAUNDERING DEFINITION**

- 3.1. Money Laundering involves the ‘cleaning’ of illegal proceeds in order to disguise their criminal origin. The proceeds of criminal activity, usually cash but also other illegally gained assets, could be introduced in to the organisation’s systems and processed, enabling them to leave the systems appearing to come from a legitimate source.
- 3.2. Money Laundering occurs when funds from a crime are paid into a bank account or used to buy an asset - layers of complex and numerous transactions are then carried out to conceal the source of the proceeds of crime, and once sufficiently hidden the funds are integrated back into the financial system.

#### **4. COUNCIL OBLIGATIONS**

- 4.1. The main requirements of Money Laundering Legislation are:
- To appoint a Money Laundering Reporting Officer (see section 5 below)
  - Maintain client identification procedures in certain circumstances (see Section 6 below)
  - Implement a procedure to enable the reporting of suspicions of money laundering
  - Maintain record keeping procedures
- 4.2. Not all areas of Council operations are likely to encounter money laundering risks, however the safest way to ensure compliance is to apply these requirements to all staff and work areas. The obligations on the Council are to establish and maintain appropriate and risk sensitive policies and approaches for the following:
- Customer due diligence measures and ongoing monitoring
  - Reporting
  - Record-keeping
  - Internal control
  - Risk assessment and management
  - Monitoring and management of compliance with, and the internal communication of relevant policies and procedures
- 4.3. All employees, contractors and Members are required to follow the procedures set out in this policy. This will enable the Council to properly discharge its obligations under the Money Laundering regime. Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them, and failure to comply with legislation may also result in an individual being fined or imprisoned.
- 4.4. The primary duty of any employee, member or third party under this policy is to ensure that any suspicions or concerns that money laundering has occurred or is likely to occur are reported to the MLRO as soon as the suspicion arises. The disclosure should be within hours rather than several days or weeks later.
- 4.5. The Council will take appropriate measures to ensure employees are aware of the law relating to money laundering, and will arrange targeted training to key individuals most likely to be affected.

#### **5. MONEY LAUNDERING REPORTING OFFICER (MLRO)**

- 5.1. Employees and Members are obliged to report any suspicion of money laundering or terrorist financing to the Council's nominated Money Laundering Reporting Officer (MLRO).



- The Council's **MLRO is Phil Myers**, Head of Finance  
[phil.myers@braintree.gov.uk](mailto:phil.myers@braintree.gov.uk) or 01376 557801
- The **Deputy MLRO is Angela Mitchell**, Audit Insurance & Fraud Manager  
[angie.mitchell@braintree.gov.uk](mailto:angie.mitchell@braintree.gov.uk) or 01376 557821

## 6. CLIENT IDENTIFICATION PROCEDURES

- 6.1. Although not a legal requirement, the Council has developed formal client identification procedures which must be followed to verify the identity of a person who is (or is applying to) to business with the Council – including when land or property is being sold or purchased (in the latter the Council must buy only from the owner as verified via Land Registry). These procedures require individuals and if appropriate companies to provide proof of identity and current address. If satisfactory identification is not obtained at the outset of a matter, then the transaction must not be progressed and a disclosure report must be submitted to the MLRO.
- 6.2. Evidence of identification checks conducted must be retained for five years commencing on the date which all activities taking place in the course of the transaction in question were completed.

**WHERE SATISFACTORY EVIDENCE OF IDENTITY IS NOT AVAILABLE, THE BUSINESS ARRANGEMENT OR ONE OFF TRANSACTION SHOULD NOT PROCEED FURTHER**

## 7. DISCLOSURE PROCEDURE

- 7.1. Where you know or suspect that money laundering activity has or may take place, or if you are concerned that your involvement in the matter may amount to a prohibited act (see Section 9.2) you must report all details to the MLRO as consent will be required from the NCA (National Crime Agency) to take any further part in the transaction. This is the case even if the client gives instructions for the matter to proceed before consent is given (you should make it clear in the report if such consent is required and clarify any deadlines for consent eg. a completion date or court deadline). The NCA link is here [National Crime Agency - Suspicious Activity Report](#)
- 7.2. Once a report has been made to the MLRO you must follow any directions they may give you and NOT make any further enquiries yourself. All staff are required to cooperate with the MLRO and the authorities in any money laundering investigation.
- 7.3. **OFFICERS ARE REMINDED THAT TIPPING OFF IS A SERIOUS OFFENCE.** You must NOT voice any suspicions to the person(s) whom you suspect of money laundering, even if the NCA has given consent to a transaction proceeding – otherwise you may commit an offence of 'tipping off' (see section

9.3). This means you should not make any reference on a client file to a report having been made to the MLRO – the MLRO will keep the appropriate records in a confidential manner.

- 7.4. The MLRO will make other reasonable enquiries they consider appropriate to determine whether a report to the NCA is required, and will liaise with the Monitoring Officer and Audit Manager as appropriate. The MLRO will communicate any NCA instruction to you.
- 7.5. The NCA has a statutory seven day ‘notice period’ in which to make a decision (the day the disclosure is submitted is ‘Day 0’). If the NCA notifies a refusal to give consent, they have a further 31 days to take action – a moratorium period of 31 days starts on the day the Council receives the refusal notice.
- 7.6. The reporting forms are provided at Appendix 1.

## 8. LEGISLATION

- 8.1. The following legislation places obligations on the Council to establish procedures to prevent the use of services for money laundering and the prevention of terrorist financing:
- **Proceeds of Crime Act 2002**
  - **Terrorism Act 2000**
  - **Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (as amended 2019)** (which supersede the Money Laundering Regulations 2007, 2012 and 2015)
    - Establishes that as long as business are not operating within the ‘regulated sector’ then offences of failing to disclose suspicions of money laundering, and tipping off, do not apply – Local Authorities are not included in the list of businesses within the regulated sector.
    - However in their publication *Combating Financial Crime* (August 2020), CIPFA have advised that ***‘it is prudent and responsible practice for public service organisations, including those outside the scope of the regulations, to put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements, designed to enable them to detect and avoid involvement in the crimes described in the legislation and regulations’*** and there could be a ***‘substantial reputational risk for an authority which does not have such procedures in place.’***
- 8.2. Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, even when undertaking regulated activities within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, however guidance from finance and legal professions is that it is prudent and responsible practice for public service organisations to

comply with the underlying spirit of the legislation and have in place appropriate and proportionate anti-money laundering safeguards. Local Authorities ARE bound by the Proceeds of Crime Act 2002 and the Terrorism Act 2006, both of which place duties and responsibilities on local authority employees and Members in order that they do not find themselves subject to criminal prosecution.

8.3. This Policy defines the approach which must be followed to enable the Council to demonstrate compliance with its legal obligations. Failure by any employee to comply with these procedures may lead to disciplinary action being taken against them in accordance with the Council's Disciplinary Rules and Procedures. Appendix 1 contains further guidance on areas of risk for money laundering and examples of due diligence checks.

8.4. The Anti Money Laundering (AML) policy is part of the Council's anti-fraud framework, including the Whistleblowing arrangements, and should be read alongside those documents. It is also part of a wider set of mutually supporting arrangements for corporate governance which are collectively designed to ensure we

- Conduct our business in line with the law and proper standards;
- Safeguard and properly account for public money, and spend it economically, efficiently and effectively.

## 9. MONEY LAUNDERING OFFENCES

9.1. Money Laundering offences concern the improper handling of funds that are the proceeds of criminal acts, or terrorist acts, so that they appear to have come from a legitimate source, and include both the activities of organised crime but also to those who benefit financially from dishonest activities such as receiving stolen goods.

9.2. The **PROCEEDS OF CRIME ACT 2002** (amended by the Serious Organised Crime and Police Act 2005, and further amended by the Serious Crime Act 2015), creates criminal offences arising from dealing with proceeds of crime – the main offences that may be committed under money laundering legislation (known as '**Prohibited Acts**') are:

- **Concealing, disguising, converting, transferring or removing criminal property** from anywhere in the UK (POCA Section 327)
- **Entering into or becoming concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property** by or on behalf of another person (POCA Section 328)

- **Acquiring, using or possessing criminal property\*** (POCA Section 329)

*\*Criminal property – something which constitutes a person's benefit from criminal conduct or represents such benefit; it is not limited to money and there is no minimum value*

9.3. There are also two offences applicable to the regulated sector (credit institutions or financial institutions) – therefore, these will not always strictly apply to Local Authorities, however all individuals and organisations have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from terrorism, proceeds of acts carried out for the purposes of terrorism or finance likely to be used for terrorism, where that information has come to them in the course of their business or employment.

- **Failing to disclose information relating to money laundering** offences (in respect of both criminal property and terrorist property) where there is reasonable ground for knowledge or suspicion (POCA Section 330).
- **Tipping off or informing** someone who is, or is suspected of being involved in money laundering activities, in such a way as to reduce the likelihood of or prejudice an investigation (POCA Section 333A).

9.4. The **TERRORISM ACT 2000** (amended by the Anti-Terrorism and Security Act 2001 and Terrorism Act 2006, and further amended by the Money Laundering Regulations 2007) lists the following offences:

- Offence 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;
- Obligation on individuals and businesses to **report knowledge, reasonable grounds for belief or suspicion about the proceeds from, or finance likely to be used for terrorism** or its laundering, where it relates to information which comes to them in the course of their business or employment.

## **General Guidance**

A money laundering issue may arise where officers unwittingly become concerned or involved in an arrangement in which they know or suspect enables criminal property to be retained or acquired by a third party. Some offences and suspicions may be difficult to identify, staff should be willing to question where something just does not look right. Types of activity which could be affected are:

<b>Area</b>	<b>The Types of activity that may be affected:</b>
New customers with high value transactions	<ul style="list-style-type: none"> <li>• Selling property or renting out property to individuals or businesses</li> <li>• Entering into other lease agreements</li> <li>• Undertaking services for other organisations</li> </ul>
Secretive clients	<ul style="list-style-type: none"> <li>• Housing benefit claimants who have sums of money entering into / out of their bank account (even if we do not award them benefit, we should still consider money laundering implications)</li> <li>• People buying or renting property from the Council who may not want to say what it is for</li> <li>• People receiving grant funding refusing to demonstrate how funding was used</li> </ul>
Customers who we think are acting dishonestly or illegally	<ul style="list-style-type: none"> <li>• People paying for Council services who do not provide details about themselves</li> <li>• People making odd or unusual requests for payment arrangements</li> </ul>
Illogical transactions	<ul style="list-style-type: none"> <li>• People paying in cash and then requesting refunds</li> <li>• Requests for the Council to pay seemingly unconnected third parties in respect of goods / services provided to the Council</li> <li>• Requests for the Council to pay in foreign currencies with no legitimate reason</li> </ul>
Payments of substantial sums by cash	<ul style="list-style-type: none"> <li>• Large debt arrears paid in cash</li> <li>• Refunding overpayments</li> <li>• Deposits / payments for property</li> </ul>
Movement of funds overseas	<ul style="list-style-type: none"> <li>• Requests to pay monies overseas such as 'for tax purposes'</li> </ul>
Cancellation of earlier transactions	<ul style="list-style-type: none"> <li>• Third party 'refunds' grant payment as 'no longer needed'</li> <li>• No payment demanded after good / service has been provided</li> <li>• Sudden and unexpected termination of lease agreements</li> </ul>
Requests for client account details	<ul style="list-style-type: none"> <li>• Queries from other companies regarding legitimacy of customers</li> </ul>

outside normal course of business	<ul style="list-style-type: none"> <li>• Council receiving correspondence / information on behalf of other companies</li> </ul>
Extensive and over complicated client business structures / arrangements	<ul style="list-style-type: none"> <li>• Requests to pay third parties in respect of goods / services</li> <li>• Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties</li> </ul>
Poor accounting records and internal financial controls	<ul style="list-style-type: none"> <li>• Requests for grant funding / business support indicates third party not supported by financial information</li> <li>• Companies tendering for contracts unable to provide proper financial information / information provided raises concerns</li> <li>• Tender for a contract which is suspiciously low</li> </ul>
Unusual property investments/transactions	<ul style="list-style-type: none"> <li>• Requests to purchase Council assets / land with no apparent purpose</li> <li>• Requests to rent Council property with no apparent business motive</li> </ul>
Overcomplicated legal arrangements / multiple solicitors	<ul style="list-style-type: none"> <li>• Property transactions where the Council is dealing with several different parties</li> </ul>
Evidence of Identity not available	<ul style="list-style-type: none"> <li>• Property transactions – land or property purchases should only be via the actual owner verified through Land Registry</li> <li>• Be wary if dealing with a company (particularly if overseas company)</li> </ul>

### **Undertaking Customer Due Diligence Checks**

The Council may undertake activities that may be considered under Money Laundering Regulations to be regulated, however it does not undertake these activities by way of business and therefore would not normally be expected to undertake due diligence in respect of any clients to whom it provides these services. The activities that are regulated are:

- Credit and Financial institution;
- Legal, Auditors, Accountants and Tax Advisors;
- Trust or Company service providers;
- Estate Agents;
- Casinos, and;
- High value dealers (i.e. dealing in goods of any description whenever a transaction involves accepting a total cash payment of more than £8750 / €10,000 (value defined by HMRC))

It is good practice that whenever the Council does enter into such activities with a third party that due diligence checks are actioned before establishment of a relationship or transaction. These checks should remain proportionate to the risks of the individual business and the relationship, and can take a number of forms. If the other party is not physically present, certified copies (by a practicing solicitor known to the Law Society) are required. HMRC have issued core guidance which recommends taking one or more of the following where applicable:

- Confirming the identity of the client via documentation, data or information obtained from a reliable and independent source (eg passport/photo driving licence, and/or position within an organisation where appropriate).
- Obtaining information from Companies House of details of Company registration and business.
- Seeking electronic verification such as performing credit checks.
- Obtaining confirmation from regulated industry bodies (eg for accountants check to CCAB certified bodies).
- Requesting copies of financial statements.
- Requesting details of interests and beneficial ownerships (an individual holding more than 25% of the shares voting rights or interest in a company, partnership or trust).
- Obtaining information on the purpose and intended nature of the business relationship.

Evidence of current address may include bank or credit card statement, mortgage or insurance details, or a utility bill. Other information may be available from internal sources:

- Other transaction patterns or volumes, or number of one-off or linked one-off transactions.
- Length of business relationship and identification evidence held.

Further information may be obtained from the MLRO and the following

- National Crime Agency [www.nationalcrimeagency.gov.uk](http://www.nationalcrimeagency.gov.uk)
- Guidance for the Accountancy Sector [www.ccab.org.uk](http://www.ccab.org.uk)
- Guidance for the legal sector [www.lawsociety.org.uk](http://www.lawsociety.org.uk)

**REPORT TO THE MONEY LAUNDERING REPORTING OFFICER  
RE: SUSPECTED MONEY LAUNDERING ACTIVITY**

To: **Money Laundering Reporting Officer / Deputy Money Laundering Reporting Officer**

<b>Report From:</b>	
Name	
Directorate / Department	
Phone	
<b>Details of Suspected Offence:</b>	
<b><i>Names and addresses of persons involved:</i></b>	
 <b><i>If company / body – details of the nature of their business:</i></b>	
<b><i>(Please enclose copies of any relevant supporting documentation)</i></b>	
<b><i>Nature, value, timing of activity involved (including timing of any deadlines for giving consent):</i></b>	
 <b><i>What are your suspicions regarding the activity:</i></b>	
 <b><i>Has any investigation been undertaken:</i></b>	
 <b><i>Have you discussed your suspicion with anyone else?:</i></b>	
 <b><i>Have you consulted any supervisory body eg. The Law Society?:</i></b>	
 <b><i>Any further information you think relevant:</i></b>	

Signed \_\_\_\_\_

Dated \_\_\_\_\_

***Please do not discuss the content of this report with anyone you believe to be involved in suspected money laundering***



**MONEY LAUNDERING DISCLOSURE FORM – TO BE COMPLETED BY THE  
MONEY LAUNDERING REPORTING OFFICER**

Form completed by:	
Date Form Received:	
Date acknowledged:	
Unique case reference number:	
Are there reasonable grounds for suspecting money laundering activity? Provide details:	
If yes – details of reporting to National Crime Agency (NCA) :	
Date reported:	
Details of liaison with NCA:	
Is consent required from NCA for any ongoing or imminent transactions which would otherwise be prohibited? If yes, details:	
Date consent received from NCA to proceed with the transaction:	
Date consent given to employee to proceed with the transaction:	
If there are reasonable grounds to suspect money laundering but you do not intend to report the matter to NCA:	
Detail reasons for non-disclosure:	
Date consent given to employee to proceed with the transaction:	

Signed \_\_\_\_\_

Dated \_\_\_\_\_

**RETAIN THIS REPORT FOR AT LEAST 5 YEARS**