

A meeting of the Audit Committee will be held on Tuesday 21 February 2023 at 3pm.

Members may attend the meeting in person or via remote online access. Webex joining details will be sent to Members and officers. Members are requested to notify Committee Services by 12 noon on Monday 20 February 2023 how they intend to access the meeting.

In the event of connectivity issues, Members are asked to use the *join by phone* number in the Webex invitation and as noted above.

Please note that this meeting will be live-streamed via YouTube with the exception of any business which is treated as exempt in terms of the Local Government (Scotland) Act 1973 as amended.

Further information relating to the recording and live-streaming of meetings can be found at the end of this notice.

IAIN STRACHAN
Head of Legal & Democratic Services

BUSINESS

1. Apologies, Substitutions and Declarations of Interest	Page
PERFORMANCE MANAGEMENT	
2. Internal Audit Progress Report – 28 November 2022 to 27 January 2023 Report by Interim Director Finance & Corporate Governance	p
3. External Audit Action Plans – Current Actions Report by Interim Director Finance & Corporate Governance	p
NEW BUSINESS	
4. Review of Internal Audit Charter Report by Interim Director Finance & Corporate Governance	p
5. Inverclyde Council Criminal Finances Act 2017 Policy Report by Head of Legal & Democratic Services	p

The reports are available publicly on the Council's website and the minute of the meeting will be submitted to the next standing meeting of the Inverclyde Council. The agenda for the meeting of the Inverclyde Council will be available publicly on the Council's website.

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Enquiries to – Lindsay Carrick - Tel 01475 712114

Report To: Audit Committee **Date:** 21 February 2023
Report By: Interim Director **Report No:** AC/05/23/AP/APr
Finance & Corporate Governance
Contact Officer: Andi Priestman **Contact No:** 01475 712251

Subject: INTERNAL AUDIT PROGRESS REPORT – 28 NOVEMBER 2022 TO 27 JANUARY 2023

1.0 PURPOSE

- 1.1 For Decision For Information/Noting
- 1.2 The purpose of this report is to enable Members to monitor the performance of Internal Audit, to discharge their scrutiny and performance monitoring roles and gain an overview of the overall control environment throughout the Council.
- 1.3 The Monitoring Report from 28 November 2022 to 27 January 2023 is attached at Appendix 1 since its content is essential to the understanding of the Council's control environment.

2.0 RECOMMENDATIONS

- 2.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 28 November 2022 to 27 January 2023.

Alan Puckrin
Interim Director
Finance & Corporate Governance

3.0 BACKGROUND AND CONTEXT

- 3.1 In February 2022, the Audit Committee approved the Internal Audit Annual Plan which detailed a programme of activity to be undertaken during 2022-23.
- 3.2 Internal Audit regularly reports findings and action plans to relevant Council Officers and the Audit Committee as part of the annual audit plan. A follow up process is in place to allow follow up of current internal audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.
- 3.3 There were 2 internal audit reports finalised since the last Audit Committee meeting in January 2023:
- Freedom of Information Arrangements
 - Cyber Security Arrangements
- 3.4 These reports contained 10 issues categorised as follows:

Red	Amber	Green
0	2	8

- 3.5 The 2022/23 audit plan is now underway and the current status is as follows:

Stage	Number of Reports
Final Report	4
Draft Report	1
Fieldwork Complete – report N/A	2
Fieldwork Complete	1
Fieldwork in Progress	3
Planning	1
Deferred to 23/24 audit plan	3
Total	15

- 3.6 In relation to the audit of Supplier Management, new guidance has been prepared by Corporate Procurement which is being rolled out to Services. Therefore the fieldwork for the audit will be deferred to 2023/24 to allow the new guidance to be embedded within Services. In addition, due to staff capacity, there are 2 corporate fraud reviews which have not yet started relating to Corporate Purchase Cards and Catering Stock Checks. These areas have previously been reviewed as part of the 2020/21 and 2021/22 audit plans and no significant issues were identified. It is intended that both reviews will be deferred to the 2023/24 audit plan.
- 3.7 In relation to internal audit action plans there were no actions due for completion by 31 December 2022. The current status report is attached at Appendix 2.
- 3.8 An update on the current status of GREEN audit action plans was provided to the October meeting of the Audit Committee. It is intended that a further report on the status of GREEN actions will be provided to the April 2023 meeting.
- 3.9 The CMT has reviewed and agreed the current status of actions.

4.0 PROPOSALS

- 4.1 It is recommended that Members agree to note the progress made by Internal Audit in the period from 28 November 2022 to 27 January 2023.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources		X	
Strategic (LOIP/Corporate Plan)	X		
Equalities & Fairer Scotland Duty		X	
Children & Young People's Rights & Wellbeing		X	
Environmental & Sustainability		X	
Data Protection		X	

5.2 Legal/Risk

Where delays arise in delivering the Internal Audit Plan, there is a risk that this may result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance. The main basis for providing assurance is coverage of the planned risk-based audits. Every endeavour is therefore made to ensure that no material slippage occurs in risk-based audits by concentrating resources on these audits.

5.3 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

- 6.1 Relevant officers have been consulted in the preparation of this report.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 File of completed internal audit reports: Available from Andi Priestman, Chief Internal Auditor.



**Audit Committee Report
Report on Internal Audit Activity from
28 November 2022 to 27 January 2023**

Section	Contents	Page
1	Audit work undertaken in the period	1
2	Summary of main findings from reports issued since previous Audit Committee	2
3	Audit Plan for 2022-2023 – progress to 27 January 2023	5
4	Corporate Fraud Activity	6
5	Ad hoc activities undertaken since the previous Audit Committee	7

1 Audit work undertaken in the period

Reports issued since last update

1.1 In each audit, one of 4 overall opinions is expressed:

Strong	In our opinion there is a sound system of internal controls designed to ensure that the organisation is able to achieve its objectives.
Satisfactory	In our opinion isolated areas of control weakness were identified which, whilst not systemic, put some organisation objectives at risk.
Requires improvement	In our opinion systemic and/or material control weaknesses were identified such that some organisation objectives are put at significant risk.
Unsatisfactory	In our opinion the control environment was considered inadequate to ensure that the organisation is able to achieve its objectives.

1.2 Detailed findings and recommendations reported to management are currently graded using the following criteria:

Red	<ul style="list-style-type: none"> In our opinion the control environment is insufficient to address the risk and this could impact the Council as a whole. Corrective action must be taken and should start immediately. Overseen to completion by Corporate Management Team.
Amber	<ul style="list-style-type: none"> In our opinion there are areas of control weakness which we consider to be individually significant but which are unlikely to affect the Council as a whole. Corrective action must be taken (some exceptions may be agreed with IA) within reasonable timeframe. Overseen to completion by Head of Service.
Green	<ul style="list-style-type: none"> In our opinion the risk area is well controlled or our audit highlighted areas for minor control improvement and/or areas of minor control weakness. Process improvements/efficiencies may be actioned at management discretion in consultation with Internal Audit (IA). Managed by service owner.

1.3 There were two audit reviews finalised since the January Audit Committee, which are identified below, together with a summary of the gradings of the issues identified. In Section 2 we have provided a summary of the main findings from the reviews.

Reports finalised since previous Audit Committee	Grading			Total Number of Issues
	Red	Amber	Green	
Freedom of Information	0	0	6	6
Cyber Security Arrangements	0	2	2	4
Total	0	2	8	10

Risk Management

1.4 Risk Management is the subject of separate reporting to Audit Committee and a full report on risk management activity is submitted separately on an annual basis.

Internal Audit Action Plan Follow Up

- 1.5 The current status of Internal Audit Action plans is set out as an attachment at Appendix 2 to this report.

2 Summary of main findings from reports issued since previous Audit Committee

- 2.1 We have provided below a summary of the key findings from the final reports issued after 25 November 2022.

Freedom of Information Arrangements

- 2.2 The Freedom of Information (Scotland) Act 2002 provides members of the public with a legal right to access information which is held by the Council. This legislation came into effect on 1st January 2005 with the aim of increasing both openness and accountability across the public sector. Citizens can access information which enables them to question decisions taken by the Council. The right to access information sits alongside citizens' ability to contact elected members regarding a wide range of issues.

Information provided to those making Freedom of Information (Fol) requests is subject to regulated conditions and exemptions. To this end an approved Council publication scheme exists to guide the holding and release of information. When responding to Fol requests officers have a deadline of 20 working days. The legislation recognises that valid reasons can exist to refuse the release of information. For example, information which pertains to individuals and commercial contracts. It is therefore important that adequate arrangements are in place to fully comply with Freedom of Information legislation and closely related legislation regarding environmental information, the Environmental Information (Scotland) Regulations 2004.

- 2.3 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks faced by Inverclyde Council in relation to the Council's Freedom of Information arrangements.
- 2.4 The review focused on the high-level processes and procedures in relation to the Council's Freedom of Information arrangements and concentrated on identified areas of perceived higher risk, such as not processing all Freedom of Information requests in accordance with relevant legislation and prescribed timescales and not fully utilising the Workpro case management system. We excluded coverage of subject access rights and data protection requirements due to the distinct arrangements for those areas and our previous review of GDPR.
- 2.5 The overall control environment opinion for this audit was **Satisfactory**. In terms of areas of good practice, the review identified that designated officers within Legal & Democratic Services provide all Council Services with on-going practical support and advice in managing Freedom of Information and Environmental Information Regulation (EIR) requests.
- 2.6 The review identified 6 GREEN issues which would enhance the control environment and an action plan is in place to address all issues by 30 June 2023.

2 Summary of main findings from reports issued since previous Audit Committee (continued)

Cyber Security Arrangements

2.7 Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls and is part of the wider activity of information security. Information security is a broad term that encompasses electronic, physical and behavioural threats to an organisation's systems and data, covering people and processes.

Cyber incidents pose an increasing threat to local authority's management of their information, with hacking, ransomware, cyber fraud and accidental information losses all present throughout the public sector. Security breaches can negatively impact the Council both financially and in terms of reputation. A realistic understanding of cyber issues is essential to protecting public services and users, particularly since the changes to the way the Council staff work due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services and the continuing need to share data.

2.8 The objective of this audit was to provide management and the Audit Committee with an assessment of the adequacy and effectiveness of the governance, risk management and controls surrounding the key risks in relation to cyber security arrangements.

2.9 The review focused on the high level processes and procedures in relation to cyber security arrangements and concentrated on identified areas of perceived higher risk, such as the Council not having a comprehensive strategy and response for its overall approach to cyber security, staff not being appropriately trained in cyber security risks, the Council's critical controls not being appropriately assessed and accredited on a regular basis or policies and procedures are not in place for identity and access management including intrusion prevention and detection arrangements

2.10 The overall control environment opinion was **Satisfactory**. There were 2 AMBER issues identified as follows:

Staff training in relation to cyber security awareness (Amber)

Inverclyde Council's e-learning facility, Inverclyde Learns has a mandatory course on Information Security which staff who require access to a computer must complete prior to being given access to the Council's network. This course also includes some aspects of cyber security training in areas such as protection against viruses, identity and access management, and internet security. The completion rate is very high for this course. 2270 staff members have completed this course to date.

Another course, whilst mandatory, but not required to be completed before being given access to the Council's network is the cyber security awareness course. This course should be completed by all Inverclyde Council employees who have access to a computer. However, only 236 employees out of 1,465 employees who have a corporate account have completed this training to date. In addition, although there have been several training events including two table-top exercises to test the Council's cyber resilience recovery plan, there is currently no regular timetabled programme of training in place and a planned phishing exercise to measure staff awareness of cyber risks has yet to be actioned.

Untrained users may increase the risk of successful cyber attacks and security events affecting the Council due to a lack of training and awareness by staff of potential cyber attacks.

2 Summary of main findings from reports issued since previous Audit Committee (continued)

Overdue external assessments and accreditations (Amber)

The Public Services Network (PSN) provides the Council with secure access to a number of services provided by National and Central Government departments. In order to be eligible to connect to the PSN, the Council is required to pass the PSN compliance process which includes an IT Health Check, completed by an external assessor. Inverclyde Council also holds an accreditation from Cyber Essentials Plus which ensures that the council's IT infrastructure is protected against any threats that may lead to a cyber-attack.

However, it was identified that both the PSN compliance/IT Health Check and Cyber Essentials re-assessment for 2021/2022 have not been submitted as the Council has determined that the assessment and accreditation process should be undertaken once the migration to Microsoft 365 is completed.

Where external assessments and accreditations are overdue, the Council is not complying with the core requirements of the Scottish Public Sector Cyber Resilience Framework.

- 2.11 The review identified 4 issues, 2 of which we consider to be individually significant and an action plan is in place to address all issues by 31 October 2023.

3 Audit Plan for 2022/2023 – Progress to 27 January 2023

Planned Audit Coverage	Not started	Planning	TOR Issued	Fieldwork in Progress	Fieldwork Complete	Draft Report	Report Finalised	Reported to Audit Committee
Risk-Based Reviews								
Residential Care – Children’s Services (b/f)		✓	✓	✓	✓	✓	✓	October 2022
Workforce Planning Arrangements		✓	✓	✓	✓	✓	✓	October 2022
Supplier Management		✓	✓	Deferred to 2023/24 audit plan				
Cyber Security Arrangements		✓	✓	✓	✓	✓	✓	February 2023
Freedom of Information Arrangements		✓	✓	✓	✓	✓	✓	February 2023
Climate Change – Utilities Management		✓	✓	✓	✓	✓		
Limited Scope Financial Reviews								
Debt Recovery		✓	✓	✓				
Project Assurance Reviews								
Learning Disability Hub (b/f from 2021-22)		✓	✓	No report required. Audit advice and support provided to project.				
Swift Replacement System (Social Work IT System)		✓		Planning is underway in relation to audit support required at testing and implementation phases of the project.				
Corporate Fraud Reviews								
Discretionary Payments	Fieldwork is complete. Draft findings being prepared for discussion with management.							
Client Accounts – Quarterly Checks	Quarterly checks underway.							
Catering – Quarterly Stock Checks	Not yet started. Work in this area will be deferred to the 2023/24 audit plan.							
Education Establishment Placing Requests	Validity checks are complete. No significant issues identified.							
Regularity Audits								
Education CSA		✓	✓	✓				
Corporate Purchase Cards – Quarterly Checks	Not yet started. Work in this area will be deferred to the 2023/24 audit plan.							
Corporate Governance								
Annual Governance Statement 2021-22	Complete - Input provided by CIA.							
Other Work								
Council Tax Reduction Scheme/Discounts/Exemptions	Checks are carried out to establish the validity of discounts and exemptions – see section 4.							
National Fraud Initiative	22/23 Exercise has started – see section 4 of report for more information.							
Carry forward from 2021/22 Audit Plan	Reports finalised: Self-Directed Support; Public Protection; Covid-19 Response; and Employee Expenses.							
Inverclyde IJB	40 days allocated to IJB audit plan. Two audits are underway.							

4 Corporate Fraud Activity

- 4.1 The undernoted table sets out progress to date on corporate fraud activity in the period 26 September to 25 November 2022:

National Fraud Initiative Exercise					
In relation to the 2022/2023 Exercise, the relevant datasets have been uploaded by relevant services by the required deadline. It is anticipated that matches will be received in early 2023 for review and investigation as appropriate.					
The Council Tax Single Person Discount recheck exercise was refreshed in May 2022 and the results to date are as follows:					
Matches received	Number investigated	No issues	Fraud	Error	Value of Fraud/Error
5947	1123	1090	29	4	£28,508.45
Discretionary Payments – 2022-2023					
Fieldwork is complete. Draft findings being prepared for discussion with management.					
Client Money Accounts Quarterly Checks – 2022-2023					
Quarterly checks are underway.					
Catering – Quarterly Stock Checks – 2022-2023					
Not yet started. Will be deferred to 2023/24 audit plan.					
Education Establishment Checks 2022-2023					
Validity confirmation checks are complete. No significant issues identified.					

- 4.2 The team continues to investigate whistleblowing and other enquiries in relation to DWP benefit, blue badge, and Council Tax referrals. Since 1 April 2022 these enquiries have resulted in the identification of overpayments of council tax discounts and exemptions of £23,310.51.

- 4.3 The team is also progressing whistleblowing and other enquiries as follows:

File Ref	Description	Status
Other enquiries		
22/16	Potential discrepancy in school funds.	Report being prepared for management comment.
22/52	Allegation that one organisation is being favoured over other organisations.	Ongoing investigation.
22/92	Allegation of unlicensed HMO and flat conversion.	Ongoing investigation.
Whistleblowing enquiries		
22/86	Whistleblowing complaint alleging inappropriate behaviour of Council employee.	Referred to service for investigation. Investigation complete.

5 Ad hoc activities undertaken since the previous Audit Committee

- 5.1 From time to time, management will request the assistance of Internal Audit in certain activities that are in addition to the annual Operational Plan. Examples of such activities include investigations of alleged irregularities, review of changes in system procedures etc.
- 5.2 Contingency has been made available in the Operational Plan for such ad hoc activities. Since the previous Audit Committee, ad hoc activity undertaken in the period is as follows:
- Providing relevant information in relation to FOI requests.
 - Investigations as set out at sections 4.2 to 4.3 of the report.
 - Provision of ongoing advice and support to services.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
AT 31 DECEMBER 2022

Summary: Section 1 Summary of Management Actions due for completion by 31/12/2022

There were no actions due for completion by 31 December 2022.

Section 2 Summary of Current Management Actions Plans at 31/12/2022

At 31 December 2022 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/12/2022

At 31 December 2022 there were 10 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 December 2022 there were 3 audit action points where the original due date had been missed.

Section 5 Summary of Action Plan Points by Audit Year

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.12.2022**

SECTION 1

Directorate	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*
Health and Social Care Partnership (HSCP)	0	0		
Education, Communities and Organisational Development	0	0		
Environment, Regeneration & Resources	0	0		
Total	0	0		

* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF CURRENT MANAGEMENT ACTION PLANS AS AT 31.12.2022**

SECTION 2


CURRENT ACTIONS BY DIRECTORATE

HSCP	
Due for completion January 2023	1
Due for completion February 2023	1
Due for completion March 2023	1
Total Actions	3
Education, Communities and Organisational Development	
Due for completion June 2023	2
Total Actions	2
Environment Regeneration and Resources	
Due for completion March 2023	1
Due for completion April 2023	1
Due for completion May 2023	1
Due for completion June 2023	2
Total Actions	5
Total current actions:	10


**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.12.2022**




SECTION 3

P Education Control Self-Assessment (Report Issued January 2020)

Description	Status	Original Due Date	Due Date	Assigned To
Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.		14-Aug-2020	30-Jun-2023*	Head of Education
In addition, staff will be given corporate e-mail address access and use of corporate printers.		14-Aug-2020	30-Jun-2023*	Head of Education

P Homelessness (Report Issued August 2021)

Description	Status	Original Due Date	Due Date	Assigned To
Adequacy of policies and procedures (Amber) Management will: <ul style="list-style-type: none"> Update the rent management policy and procedures and obtain CMT and committee approval as appropriate; review the arrangements for implementation and reporting of the Rent Management Policy; set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and ensure that version control is consistently and fully applied to all Homelessness policies and procedures. 		31-Mar-2022	31-Mar-2023*	Service Manager (Homelessness and Addictions)


Action Status	
	Overdue
	In Progress
	Completed

* See Section 4


**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.12.2022**

SECTION 3


P Residential Care – Children’s Homes (Report Issued August 2022)




Description	Status	Original Due Date	Due Date	Assigned To
Adequacy of procedural guidance (Amber) Management will ensure that step by step guidance for new and existing staff is developed in partnership with the three homes and a copy retained at all homes; Management will ensure that the induction process is updated to ensure all new staff know where to access the guidance.		31-Jan-2023	31-Jan-2023	Team Lead, Children’s Residential & After Care Services
		28-Feb-2023	28-Feb-2023	Home Manager/Depute Manager

P Employee Expenses (Report Issued August 2022)

Description	Status	Original Due Date	Due Date	Assigned To
High Mileage Claims (Amber) The service will carry out a refreshed value for money study that takes into account the current situation and will make recommendations accordingly.		31-Mar-2023	31-Mar-2023	Head of Roads and Transportation

P Cyber Security Arrangements (Report Issued January 2023)





Description	Status	Original Due Date	Due Date	Assigned To
Staff Training in Relation to Cyber Security (Amber) Management will ensure that the cyber security course is included as a mandatory course for all new employees to complete prior to being given access to the Council ICT network.		31-Mar-2023	31-Mar-2023	ICT Manager




Action Status	
	Overdue
	In Progress
	Completed

* See Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
CURRENT MANAGEMENT ACTIONS AS AT 31.12.2022**

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
<p>Staff Training in Relation to Cyber Security (Amber) Management will ensure that the cyber security course is included as a mandatory course for all new employees to complete prior to being given access to the Council ICT network.</p>		30-Jun-2023	30-Jun-2023	ICT Manager
<p>Staff Training in Relation to Cyber Security (Amber) Management will ensure that an exercise is completed to ensure that all employees on the Council ICT network have completed the relevant mandatory training courses by 30 June 2023 and staff who have not completed the relevant courses will have their network access suspended. Progress on this exercise will be overseen by the Information Governance Steering Group.</p>		30-Jun-2023	30-Jun-2023	ICT Manager
<p>Staff Training in Relation to Cyber Security (Amber) The planned phishing exercise is actioned as soon as possible to measure staff awareness of the risks of cyber security.</p>		30-Apr-2023	30-Apr-2023	ICT Manager
<p>Overdue External Assessments and Accreditations (Amber) The ICT Manager will ensure that both the PSN compliance/IT Health Check and the Cyber Essentials accreditation for 2021/22 are submitted for assessment as soon as possible.</p>		31-May-2023	31-May-2023	ICT Manager

Action Status	
	Overdue
	In Progress
	Completed

* See Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Education CSA (January 2020)	<p>Inefficient Use of ICT Systems (Amber) Once the pilot has been completed, the corporate transition will be implemented for the remaining schools.</p> <p>In addition, staff will be given corporate e-mail address access and use of corporate printers.</p>	<p>14.08.20</p> <p>14.08.20</p>	<p>30.06.23</p> <p>30.06.23</p>	<p>The pilot exercise was undertaken however the rollout to remaining schools was halted as a result of responding to COVID-19.</p> <p>As part of the new Education Services digital strategy which was approved by Education Committee in November 2021, alongside the changes that ICT proposed in the wider council digital strategy, Education Services has investigated moving away from the current networks resulting in storage of sensitive or more confidential information being moved to a secure cloud based approach. A solution using the M365 platform was identified and implementation was completed over summer 2022 and the solution is ready for use within the schools.</p> <p>Education HQ will now identify relevant staff within school support and management areas who will be provided with secure email and cloud storage functionality with an anticipated completion date of June 2023 for this action.</p>

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
Homelessness (August 2021)	<p>Adequacy of policies and procedures (Amber) Management will:</p> <ul style="list-style-type: none"> • Update the rent management policy and procedures and obtain CMT and committee approval as appropriate; • review the arrangements for implementation and reporting of the Rent Management Policy; • set a date to finalise its review of Homelessness assessment, housing support and case handling procedures; and • ensure that version control is consistently and fully applied to all Homelessness policies and procedures. 	<p>31.03.22 30.11.22</p>	31.03.23	<p>The rent management policy is still in progress. The team is still working through arrears. Monthly meeting in place with key staff and identified actions. There is a need to accelerate process to deal with level of historical arrears. Work now done to prevent new arrears in place.</p> <p>Review of procedures is now complete. Scheduled reports from SWIFT and regular caseload reviews ensures governance in place for monitoring.</p> <p>In relation to version control all standard operating procedures are recorded on central log. The team is currently in the process of updating and developing a number of standard operating procedures. Care governance meeting overseen by Head of Service will ratify the procedures.</p>

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF INTERNAL AUDIT ACTION PLAN POINTS (RED AND AMBER ONLY)
SUMMARY OF ACTION PLAN POINTS BY AUDIT YEAR**

SECTION 5

The following table sets out the total number of agreed actions raised by audit year together with their completion status at 31 December 2022.

Audit Year	Total Agreed Actions	Total Actions Completed	Total Current Actions Not Yet Due*		
			Red	Amber	Green
2016/2017	66	66	0	0	0
2017/2018	53	50	0	0	3
2018/2019	45	40	0	0	5
2019/2020	43	41	0	2	0
2020/2021	36	31	0	1	4
2021/2022	24	18	0	1	5
2022/2023	26	10	0	6	10
Total	293	256	0	10	27

*This part of the table sets out the total number of current actions not yet due at the date of the follow up report. The AMBER actions are included in Section 3 of the follow up report.

Report To:	Audit Committee	Date: 21 February 2023
Report By:	Interim Director Finance & Corporate Governance	Report No: AC/06/23/AP/APr
Contact Officer:	Andi Priestman	Contact No: 01475 712251
Subject:	EXTERNAL AUDIT ACTION PLANS - CURRENT ACTIONS	

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Members of the status of current actions from External Audit Action Plans at 31 December 2022.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members note the progress to date in relation to the implementation of external audit actions.

Alan Puckrin
Interim Director
Finance & Corporate Governance

3.0 BACKGROUND AND CONTEXT

- 3.1 External Audit regularly report findings and action plans to relevant Council Officers and the Audit Committee as part of their annual audit plan.
- 3.2 A follow up process is in place to allow follow up of current external audit actions to be co-ordinated and updated by Internal Audit on a monthly basis with regular reporting to CMT and the Audit Committee.
- 3.3 The Chief Internal Auditor co-ordinates follow up reporting on current actions arising from External Audit Action Plans on a monthly basis with regular reporting to CMT and the Audit Committee.
- 3.4 There were no actions due for completion by 31 December 2022.
- 3.5 There are 4 current external audit actions being progressed by officers. These are set out in the status report at Appendix 1.

4.0 PROPOSALS

- 4.1 The Audit Committee is asked to note the progress to date in relation to the implementation of external audit actions.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources		X	
Strategic (LOIP/Corporate Plan)	X		
Equalities & Fairer Scotland Duty		X	
Children & Young People's Rights & Wellbeing		X	
Environmental & Sustainability		X	
Data Protection		X	

5.2 Legal/Risk

There is a risk that failure to implement agreed audit actions in a timely manner could result in an inability to provide a reasonable level of assurance over the Council's system of internal control to those charged with governance.

5.3 Strategic

This report relates to strong corporate governance.

6.0 CONSULTATIONS

- 6.1 Relevant Officers were asked to provide updates to the report as appropriate.

7.0 LIST OF BACKGROUND PAPERS

- 7.1 External Audit reports. Copies available from Andi Priestman, Chief Internal Auditor.

INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
AT 31 DECEMBER 2022

Summary: Section 1 Summary of Management Actions due for completion by 31/12/2022

There were no actions due for completion by 31 December 2022.

Section 2 Summary of Current Management Actions Plans at 31/12/2022

At 31 December 2022 there were no audit reports delayed due to management not finalising the action plan within agreed timescales.

Section 3 Current Management Actions at 31/12/2022

At 31 December 2022 there were 4 current audit action points.

Section 4 Analysis of Missed Deadlines

At 31 December 2022 there were no audit action points where the agreed deadline has been missed.

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF MANAGEMENT ACTION PLANS DUE FOR COMPLETION BY 31.12.2022

SECTION 1

Area	No. of Actions Due	No. of Actions Completed	Deadline missed Revised date set*	Deadline missed Revised date to be set*	No action proposed
Chief Executive	0				
Environment, Regeneration and Resources	0				
Health and Social Care Partnership (HSCP)	0				
Education and Communities	0				
Total	0				

* These actions are included in the Analysis of Missed Deadlines – Section 4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

SUMMARY OF CURRENT MANAGEMENT ACTIONS AS AT 31.12.2022

SECTION 2





CURRENT ACTIONS BY DIRECTORATE

Environment, Regeneration and Resources	
Due for completion June 2023	2
Due for completion April 2026	1
Total Actions	3
Education, Communities and Organisational Development	
Due for completion March 2023	1
Total Actions	1
Total current actions:	4

**INVERCLYDE COUNCIL INTERNAL AUDIT
REPORT TO AUDIT COMMITTEE ON
STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS**

CURRENT MANAGEMENT ACTIONS AS AT 31.12.2022

SECTION 3

Description	Status	Original Due Date	Due Date	Assigned To
Annual Report to Members on the 2021/22 Audit (November 2022)				
Heritage Assets Valuation review (New) Officers within Finance and Cultural Services will progress a revaluation of the heritage assets prior to the closure of the 2022/23 Accounts.		30-Jun-2023	30-Jun-2023	Interim Director Finance & Corporate Governance/ Corporate Director, Education, Communities & OD
Estimation and judgement disclosure (B/f) A review has not been carried out for the 2021/22 Accounts due to limited time and resource. A review will be progressed taking into account the approach taken by other Councils.		30-Jun-2023	30-Jun-2023	Finance Manager (Environment & Technical)
Internal Controls (B/f) Management will carry out a review and ensure appropriate controls are implemented on a timely basis to address the reported weakness.		31-Mar-2023	31-Mar-2023	Head of OD, Policy & Communications
Local Development Plan (B/f) The preparation of the LDP will commence in February 2023 and be complete in April 2026.		30-Apr-2026	30-Apr-2026	Director Environment & Regeneration

Action Status



Overdue



In Progress



Completed

**INVERCLYDE COUNCIL INTERNAL AUDIT
 REPORT TO AUDIT COMMITTEE ON
 STATUS OF EXTERNAL AUDIT ACTION PLAN POINTS
 ANALYSIS OF MISSED DEADLINES**

SECTION 4

Report	Action	Original Date	Revised Date	Management Comments
There are no current actions where the original action date has been missed.				

Report To:	Audit Committee	Date:	21 February 2023
Report By:	Interim Director Finance & Corporate Governance	Report No:	AC/08/23/AP/APr
Contact Officer:	Andi Priestman	Contact No:	01475 712251
Subject:	REVIEW OF INTERNAL AUDIT CHARTER		

1.0 PURPOSE

1.1 For Decision For Information/Noting

1.2 The purpose of this report is to advise Members that a review of the Internal Audit Charter has been undertaken and there were no significant changes identified.

2.0 RECOMMENDATIONS

2.1 It is recommended that Members approve the Internal Audit Charter.

Alan Puckrin
Interim Director
Finance & Corporate Governance

3.0 BACKGROUND AND CONTEXT

- 3.1 The Public Sector Internal Audit Standards (PSIAS) are based on the mandatory elements of the International Professional Practices Framework (IPPF) of the Global Institute of Internal Auditors (IIA) and are intended to promote further improvement in the professionalism, quality, consistency and effectiveness of internal audit across the public sector. The Standards were revised on 1 April 2017 to reflect the latest changes in the IPPF.
- 3.2 Standard 100 of the PSIAS sets out the requirement for an Internal Audit Charter which is a formal document that defines the Internal Audit activity's purpose, authority and responsibility and establishes the Internal Audit activity's position within the organisation. Final approval of the Internal Audit Charter resides with the Audit Committee.
- 3.3 The Internal Audit Charter was last approved by the Audit Committee in February 2018 and requires to be subject to a formal review every 5 years.
- 3.4 In relation to the quality assurance and improvement programme, a self-assessment is undertaken on an annual basis by the Chief Internal Auditor to ensure compliance with the Public Sector Internal Audit Standards.
- 3.5 In relation to the formal external assessment, Inverclyde Council participates in a validated self-assessment peer review process through the Scottish Local Authorities Chief Internal Auditors Group. The peer review process was scheduled for Inverclyde Council in 2019/20 however this has not yet taken place. This has been escalated through the Chief Internal Auditors Group and revised dates are being scheduled for those external assessments which have been delayed.

4.0 PROPOSALS

- 4.1 The Audit Committee is asked to note the formal review in relation to the Internal Audit Charter and that no substantive changes are required. The Internal Audit Charter is set out at Appendix 1.
- 4.2 The Audit Committee is asked to approve the Internal Audit Charter.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation is agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources		X	
Strategic (LOIP/Corporate Plan)	X		
Equalities & Fairer Scotland Duty		X	
Children & Young People's Rights & Wellbeing		X	
Environmental & Sustainability		X	
Data Protection		X	

5.2 Legal/Risk

The Charter clarifies the purpose of the Internal Audit function and details its principal roles and responsibilities. The document largely codifies existing practice and does not alter the existing role of Internal Audit or signify any change in how Internal Audit will discharge its role. Accordingly, there are no significant new developments or issues arising from the review of the Internal Audit Charter which require to be highlighted.

5.3 **Strategic**

This report relates to strong corporate governance.

6.0 **CONSULTATIONS**

6.1 The CMT has been consulted on the review of the Internal Audit Charter.

7.0 **LIST OF BACKGROUND PAPERS**

7.1 Public Sector Internal Audit Standards. Copy available from the Chief Internal Auditor.

Purpose

The purpose of Inverclyde Council's Internal Audit activity is to provide independent, objective assurance and advisory services designed to add value and improve the Council's operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight. The Internal Audit activity helps Inverclyde Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

Professional Standards

The Internal Audit team operates in accordance with the Public Sector Internal Audit Standards (PSIAS) and will additionally adhere to the Code of Ethics as contained within the PSIAS. The Chief Internal Auditor will report periodically to senior management and Audit Committee regarding the Internal Audit team's conformance to the Code of Ethics and the Standards.

Authority

The Chief Internal Auditor reports functionally to the Council's Monitoring Officer. The Chief Internal Auditor has a right of access and freedom to report in her own name to all officers and members and particularly those charged with governance. This reporting structure protects the independence of the Chief Internal Auditor and promotes an appropriate profile for the Internal Audit team throughout the organisation.

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

- Approve the Internal Audit activity's charter.
- Approve the risk-based Internal Audit plan.
- Receive regular reports from the Chief Internal Auditor on the Internal Audit team's performance relative to its plan and other matters.

The Chief Internal Auditor or an authorised representative shall have authority to:

- Enter at all reasonable times any of the Council's premises or land.
- Have access to all records, documents and correspondence relating to the Council, wherever they are held.
- Require and receive such explanations as are necessary concerning any matter under examination.
- Require any employee of the Council to produce any of the Council's property, including property held by the Council as security or on the behalf of others, under that employee's control.

In carrying out their duties, Internal Auditors will have full and unrestricted access to all Council functions, records, property and personnel necessary for their work.

Independence and Objectivity

The Chief Internal Auditor will ensure that the Internal Audit team remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing and report content.

The Internal Audit team will maintain an unbiased mental attitude that allows them to perform engagements objectively. Internal Audit will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgements.

The Internal Audit team will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records or engage in any other activity that may impair their judgement.

The Chief Internal Auditor will confirm to the Audit Committee at least annually the organisational independence of the Internal Audit team.

Scope of Internal Audit Activities

The scope of the Internal Audit activity encompasses:

- Strategic development of the Internal Audit function to best meet the Council's needs.
- The continuous professional examination and evaluation of the overall adequacy and effectiveness of the Council's system of internal control ensuring risk inherent in the business is adequately identified, evaluated and managed and providing advice on control implementation.
- Agreeing with management improvements to the control environment where considered desirable or necessary and monitoring and reporting on the implementation of these remedial actions by management.
- Reviewing the reliability, integrity and timeliness of financial and operational information supplied to management and to the members, and the means used to identify, measure, classify and report such information.
- Reviewing the systems and controls established to ensure compliance with those policies, plans, procedures, laws and regulations which have specific impact on the Council.
- Reviewing the means used to safeguard assets and, as appropriate the existence of such assets.
- Assisting the s95 Officer in the discharge of statutory responsibilities as "proper officer" for ensuring the proper administration of the Council's financial affairs.
- Undertaking National Fraud Initiative and other investigations of suspected frauds and irregularities and contributing to the promotion of an anti-fraud culture within the Council.
- Supporting management in respect of disseminating control best practice and promoting risk awareness throughout the Council, including during key business change initiatives.
- Working closely with the external auditors to ensure the maximum benefit is achieved for the Council from their respective roles and that any duplication of effort is eliminated.

Internal Audit Plan

At least annually, the Chief Internal Auditor will submit to senior management and the Audit Committee a risk-based Internal Audit plan for review and approval. The Internal Audit plan will consist of a work schedule as well as budget and resource requirements for the next financial year. The Chief Internal Auditor will communicate the impact of any resource limitations and significant interim changes to senior management and the Audit Committee.

The Internal Audit plan will be developed based on a prioritisation of the audit universe using a risk-based methodology, including input from senior management and the Audit Committee. The Chief Internal Auditor will review and adjust the plan as necessary in response to any changes in the Council's operations, risks, programmes, systems and controls. Any significant deviation from the approved Internal Audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

Reporting and Monitoring

A written report will be prepared and issued by the Chief Internal Auditor or designated officer following the conclusion of each Internal Audit engagement and will be distributed as appropriate.

The Internal Audit Report will include management's agreed actions taken or to be taken in regard to specific findings identified together with a timetable for implementation. The Internal Audit team will be responsible for appropriate follow-up of agreed actions. Progress on action plan implementation will be communicated to senior management and the Audit Committee through periodic Internal Audit activity reports.

Quality Assurance

The Internal Audit activity will maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit activity.

The Chief Internal Auditor will communicate to senior management and the Audit Committee on the Internal Audit activity's quality assurance and improvement programme including results of ongoing internal assessments and external assessments conducted at least every 5 years.

Report To:	Audit Committee	Date:	21 February 2023
Report By:	Head of Legal & Democratic Services	Report No:	LS/006/23
Contact Officer:	Emma Peacock	Contact No:	01475 712710
Subject:	Inverclyde Council Criminal Finances Act 2017 Policy		

1.0 PURPOSE AND SUMMARY

1.1 For Decision For Information/Noting

1.2 The Criminal Finances Act 2017 (“the CFA”) came into force on 30 September 2017 and amended the Proceeds of Crime Act 2002. The CFA creates a corporate offence whereby a corporate body, or a person associated with a corporate body, facilitates the commission of a tax evasion offence.

1.3 In terms of the CFA, it will be a defence for the corporate body to prove that, where the tax evasion facilitation offence was committed, the corporate body had in place reasonable prevention procedures, or where the corporate body can prove that it was not reasonable in the circumstances for the said body to have any prevention procedures in place.

1.4 The development and agreement of a suitable policy on behalf of the Council, will help ensure that the Council takes the appropriate prevention procedures in relation to the facilitation of tax evasion in terms of the CFA. A copy of Inverclyde Council’s proposed CFA policy is attached as Appendix 1. This purpose of this report is to request the Committee to consider the proposed CFA policy and then remit the policy to the Policy & Resources Committee for its subsequent approval and implementation.

2.0 RECOMMENDATIONS

2.1 It is recommended that the Committee:

Note the requirement for the Council to have in place adequate prevention procedures in relation to tax evasion offences in terms of the Criminal Finances Act 2017, with the Committee being asked to consider the proposed Criminal Finances Act 2017 policy attached as Appendix 1, and to then remit the policy to the Policy & Resources Committee for its subsequent approval and implementation.

Iain Strachan
Head of Legal & Democratic Services

3.0 BACKGROUND AND CONTEXT

- 3.1 The CFA provides that a corporate body, such as the Council, is guilty of an offence if a person associated with the Council commits a tax evasion facilitation offence when acting in the capacity of a person associated with the Council. A person acts in the capacity of a person associated with the Council if that person is:
- An employee of the Council, or acting in the capacity of an employee of the Council;
 - An agent of the Council acting in the capacity of an agent of the Council; or
 - Any other person performing services for or on behalf of the Council acting in the capacity of a person performing such services.
- 3.2 The offence created by the CFA relates to both UK tax evasion and foreign tax evasion.
- 3.3 UK tax evasion facilitation means:
- being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of tax by another person,
 - aiding, abetting, counselling or procuring the commission of a UK tax evasion offence, or
 - being involved in and part in the commission of an offence consisting of being knowingly concerned in, or in taking steps with a view to, the fraudulent evasion of a tax.
- 3.4 Foreign tax evasion facilitation means conduct which:
- amounts to an offence under the law of a foreign country,
 - relates to the commission by another person of a foreign tax evasion offence under that law, and
 - would, if the foreign tax evasion offence were a UK tax evasion offence, amount to a UK tax evasion facilitation offence.
- 3.5 The Council could face an unlimited fine along with significant reputational damage were it to be found guilty of the offence of tax evasion facilitation.
- 3.6 It would be a defence for the Council, were any associated persons to be found guilty of tax evasion facilitation, if the Council can prove that it had reasonable prevention procedures in place to prevent the criminal facilitation of tax evasion by an associated person. The UK Government has issued guidance to corporate bodies in relation to the prevention procedures. The Guidance states that prevention procedures put in place by relevant bodies to prevent tax evasion from being committed on their behalf should be informed by the following six principles:
- Risk assessment
 - Proportionality of risk-based prevention procedures
 - Top level commitment
 - Due diligence
 - Communication (including training)
 - Monitoring and review.
- [Corporate offences for failing to prevent criminal facilitation of tax evasion - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/guidance/corporate-offences-for-failing-to-prevent-criminal-facilitation-of-tax-evasion)
- 3.7 The development of a CFA policy by the Council will facilitate the compliance of the Council, and its associated persons, with the requirements of the CFA. It will also support the Council's implementation of appropriate prevention procedures.

4.0 PROPOSALS

- 4.1 The Committee is asked to consider the proposed CFA policy and to then remit the policy to the Policy & Resources Committee for its approval and subsequent implementation. The CFA policy sets out the definition of the facilitation of tax evasion; the various prevention procedures the Council may undertake; the obligations of the Council and its associated persons in terms of the CFA and potential risk scenarios. The policy will also apply to Council staff working for the Inverclyde Health & Social Care Partnership.
- 4.2 It is to be noted that whilst the adoption of the policy will not, of itself, require any notable resources, there will be a need for more detailed cross-service work to carry out the necessary risk assessments, subsequent policy/procedure updating and associated staff training. It is, however, considered that this work is required, given the CFA. Where required, further consultation with the Trades Unions may also be needed.

5.0 IMPLICATIONS

- 5.1 The table below shows whether risks and implications apply if the recommendation(s) is(are) agreed:

SUBJECT	YES	NO	N/A
Financial		X	
Legal/Risk	X		
Human Resources	X		
Strategic (LOIP/Corporate Plan)			X
Equalities & Fairer Scotland Duty		X	
Children & Young People's Rights & Wellbeing			X
Environmental & Sustainability			X
Data Protection			X

5.2 Finance

As noted above, whilst the adoption of the policy will not, of itself, require any notable resources, there will be a need for more detailed cross-service work to carry out the necessary risk assessments, subsequent policy/procedure updating and associated staff training. As matters stand, it is envisaged that all this would, however, be contained within existing resources. The policy would also assist in mitigating the risk of the Council facilitating tax evasion, or being said to do so.

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
N/A					

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments
N/A					

5.3 Legal/Risk

The adoption of a CFA policy will assist the Council to ensure compliance with its duties in terms of the CFA and mitigate the risk of the Council, or its associated persons, being found guilty of tax evasion facilitation.

5.4 Human Resources

There are Human Resources implications if the Council decides to adopt the CFA policy, in particular the requirement for staff to undertake training in relation to preventing the facilitation of tax evasion and the requirement for all Council employees to comply with the policy. There would also be a need for relevant staff to be involved in the risk assessment that would be needed, together with any updating of policies and procedures. Where required, further consultation with the Trades Unions may also be needed.

5.5 Strategic

N/A

5.6 Data Protection

(a) Equalities

This report has been considered under the Corporate Equalities Impact Assessment (EqIA) process with the following outcome:

X	YES – Assessed as relevant and an EqIA has been carried out and can be accessed via the following link https://www.inverclyde.gov.uk/council-and-government/equality-impact-assessments/equality-impact-assessments-2023
	NO

(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES – A written statement showing how this report's recommendations reduce inequalities of outcome caused by socio-economic disadvantage has been completed.
X	NO – Assessed as not relevant under the Fairer Scotland Duty.

6.0 CONSULTATION

6.1 The Interim Director of Finance & Corporate Governance, Corporate Procurement Manager, Head of OD, HR and Communications and Chief Internal Auditor have all been consulted on this report.

7.0 BACKGROUND PAPERS

N/A

OFFICIAL

Criminal Finances Act 2017 Policy

*Produced by:
Legal & Democratic Services*

January 2023



INVERCLYDE COUNCIL IS AN EQUAL OPPORTUNITIES EMPLOYER

**THIS POLICY BOOKLET IS AVAILABLE ON REQUEST, IN LARGE PRINT, BRAILLE, ON
AUDIOTAPE, OR COMPUTER DISC.**

DOCUMENT CONTROL

Document Responsibility		
Name	Title	Service
Head of Legal & Democratic Services	Criminal Finances Act 2017 Policy	Legal & Democratic Services

Change History		
Version	Date	Comments
0.1	4/11/2022	
0.2	19/01/23	

Distribution		
Name/ Title	Date	Comments
	-	-
Corporate Management Team	18 January 2023	Approved with comments
Audit Committee	21 February 2023	-

Distribution may be made to others on request

Policy Review		
Review Date	Person Responsible	Service
This policy will be the subject of review no less than three years after it has come into force.	Head of Legal & Democratic Services	Legal & Democratic Services

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Criminal Finances Act 2017 Policy

1. Policy Statement

1.1 The Council is committed to ensuring probity in its commercial dealings and requires the same from its employees, agents, advisers and any supplier, provider or other party with which it engages or transacts.

1.2 The purpose of this Policy is to put measures in place to ensure that the Council and any associate person complies with the requirements of the Criminal Finances Act 2017. As awareness and practice matures, further iterations of this Policy will be submitted to Committee for approval.

1.3 There are eight main types of taxes in the UK which are:

- Income tax;
- National Insurance Contributions;
- Value Added Tax (VAT);
- Corporation Tax;
- Excise Duty;
- Stamp Duty;
- Council Tax;
- Business Rates

1.4 The Council has a zero tolerance approach to all forms of tax evasion, whether under UK law or under the law of any foreign country. Employees of the Council (including the Inverclyde Health & Social Care Partnership (IHSCP)), its agents and contractor associates must not undertake any transactions which cause the Council to commit a tax evasion offence or facilitate a tax evasion offence by a third party.

1.5 At all times, Council business should be conducted in a manner such that the opportunity for, and incidence of, tax evasion is prevented.

2. Background

2.1 The Criminal Finances Act 2017 (“the CFA”) came into force on 30th September 2017. The CFA amends the Proceeds of Crime Act 2002 and includes provision to create corporate offences for cases where a person associated with a body corporate or partnership facilitates the commission by another person of a tax evasion offence and for connected purposes.

3. Purpose & Scope

3.1 Local Government has not been identified as a high risk sector by His Majesty's Revenue & Customs (HMRC). However, the broad nature of Council activities combined with its diverse locations and workforce, may bring the Council, its Officers, Elected Members and associates into contact with other parties who may contemplate conduct which constitutes an offence under the CFA. Offences under the CFA are not about the Council itself avoiding, evading or underpaying tax, but about it facilitating, or failing to prevent an associated person from facilitating the evasion of tax by a third party.

3.2 Under the CFA, an associated person is a person (including a corporate body) who is:

- a) an employee of the Council who is acting in the capacity of an employee;
- b) an agent of the Council who is acting in the capacity of an agent; or
- c) any other person who performs services for or on behalf of the Council who is acting in the capacity of a person performing such services.

3.3 For the Council this would include employees, contractors and other organisations performing services for the Council.

3.4 The CFA provides that whether a person is an associated person will be determined by reference to all relevant circumstances.

3.5 Offences under the CFA will be committed where the Council fails to prevent an associated person criminally facilitating the evasion of a tax, and this will be the case whether the tax evaded is owed in the UK or in a foreign country. The CFA aims to overcome the difficulties in attributing criminal liability to 'relevant bodies' for the criminal acts of employees, agents or those that provide services for or on behalf of a relevant body.

3.6 There are a number of duties required by the Council as the body corporate, but equally of its Officers, Elected Members and those associated with the Council. The development and agreement of a suitable policy represents the Council's initial endeavours and commitment to discharge these requirements.

4. What is the facilitation of tax evasion?

4.1 Tax evasion means the offence of cheating the public revenue or fraudulently evading UK tax. This is a criminal offence. The offence requires an element of fraud which means that there must be deliberate action or omission with dishonest intent.

4.2 Foreign tax evasion is the evasion of tax in a foreign country, provided that conduct is an offence in that country and would be a criminal offence if committed in the UK. An element of fraud is required as stated above.

- 4.3 Tax evasion facilitation means being knowingly concerned in, or taking steps with a view to, the fraudulent evasion of tax by another person, or aiding abetting, counselling or procuring the commission of that offence. Tax evasion facilitation is a criminal offence where carried out deliberately and dishonestly.

5. What persons associated with the Council must not do

5.1. Persons associated with the Council, as referred to above, must not:

- engage in any form of tax evasion;
- aid, abet, counsel or procure the commission of a tax evasion offence or foreign tax evasion offence by another person;
- fail to promptly report (i) any request or demand from any third party to facilitate the fraudulent evasion of tax or (ii) any suspected fraudulent evasion of tax by another person in accordance with this policy;
- engage in any other activity that might lead to a breach of this policy; or
- threaten or retaliate against another individual who has refused to commit or to facilitate a tax evasion offence or who has raised concerns under this policy.

6. Prevention Procedures

6.1 In order to safeguard the Council and those associated with it, there are a number of prevention procedures which require to be put in place to prevent tax evasion from being committed or facilitated. These procedures are guided by the following six principles which are not prescriptive, but are designed to be flexible and outcome focused given the variety of circumstances that they are intended to cover. This Policy, which is intended to discharge the requirements of the CFA is based around these principles:

- Risk assessment;
- Proportionality of risk-based prevention procedures;
- Top level commitment;
- Due diligence;
- Communication and training; and
- Monitoring and review.

6.2 Risk Assessment

The Council will assess the nature and extent of its exposure in relation to the CFA including the risk relating to those who act in the capacity of a person associated with the Council and the potential for them criminally facilitating tax evasion offences. An initial risk assessment questionnaire will be issued to all Council Services, the Inverclyde Health and Social Care Partnership, Inverclyde Leisure

and Riverside Inverclyde. The questionnaire will prompt reflection and consideration of the types of services provided, along with processes and procedures. It is intended that this will identify areas of potential risk or vulnerability in terms of the CFA.

The responses to the questionnaire will be used to assess risk and create an initial CFA risk register. This, in turn, will prioritise further workstreams to manage and mitigate these risks and refine the CFA risk register. This will be kept under review in accordance with the Council's established governance arrangements in relation to risk assessments and will feed into Service Area, Directorate and the Corporate Risk Register(s).

6.3 Proportionality of Risk-based Prevention Procedures

The Council has a suite of existing procedures to prevent fraud, irregularity and criminality. The existing Policy base is reasonable and proportionate however consideration is being given to the requirements of the CFA on their scope and application and includes:

- Procurement Policy;
- Whistleblowing, Anti- Fraud and Corruption, Anti-Bribery and Money Laundering Policies;
- Policies dealing with the reimbursement of expenses;
- Financial Regulations;
- Annual Related Party Transaction;
- IR35 Monitoring in relation to the off-payroll working rules;
- Employee Code of Conduct; and
- Officer Gifts and Hospitality and Conflict of Interest reporting requirements.

This work will be included as part of the ongoing review of the Council's policy base and specified to prevent persons acting in the capacity of a person associated with the Council from criminally facilitating tax evasion. The risk assessment will consider factors such as opportunity, motive and means, with it:

- Being proportionate to the risk the Council faces;
- Considering the nature, scale and complexity of the Council's activities;
- Recognising the reasonableness of existing prevention procedures; and
- Recognising that this work will not require the Council to undertake excessively burdensome procedures in order to eradicate all risk.

6.4 Top Level Commitment

There is a requirement for Senior Officers and Elected Members to be committed to the implementation of the CFA. This commitment will initially be demonstrated through the provision of training, with the aim of raising awareness of behaviours or arrangements which may constitute tax irregularity, increasing confidence and skills to challenge such behaviours or proposals and in doing so, further fostering a culture within the Council where fraud, irregularity and evasion is never acceptable and risks are minimised.

6.5 Due Diligence

The Council will continue to apply suitable due diligence procedures, taking an appropriate and risk based approach. Additional focus will be given to persons who perform or will perform services on behalf of the Council, in order to mitigate identified risks. In addition, where the service questionnaire referenced above identifies areas of potential vulnerability then processes, procedures, guidance and skills will be reviewed and bolstered to support compliance.

6.6 Communication & Training

The Council will ensure that this, and associated Policies and procedures are communicated, embedded and understood. The development and agreement of this Policy, will be embedded through internal and (where relevant) external communication, including training. This will include more detailed training in higher risk areas or where officers are best placed to identify potentially criminal acts or behaviours e.g. Legal and Democratic Services, Finance, Property, Procurement and so on. This is proportionate to the risk to which the organisation assesses that it is exposed to and where risk is most likely to manifest.

6.7 Monitoring & Review

The Council will monitor and review its preventative procedures, along with this Policy, and make improvements where necessary. It is anticipated that the nature of the risks faced by the organisation will change and evolve over time. This may be as a natural result of external developments, changes to other seemingly unrelated policies and procedures, implementation of new legislation or service demands. This will require the Council to review, and update, its procedures in response to the changes in the risks that it faces.

7. Penalties Under the Act

7.1 Where the Council, Elected Members, Officers or associates are successfully prosecuted under the Act the sanctions may lead to:

- An unlimited fine;
- A public record of conviction; and
- Significant reputational damage and adverse publicity.

7.2 The purpose of this Policy, its further development and other steps identified, is to protect the Council both from a reputational and financial perspective.

8. Obligations of Employees & Other Associated persons

8.1 Should employees or other associated persons become concerned that a fellow employee or associate is, or might be, facilitating a third party's tax evasion, they should immediately contact either:

For concerns relating to the Council either

- the Chief Financial Officer (Section 95 Officer); or
- the Head of Legal & Democratic Services (Monitoring Officer); or

For concerns relating to the IHSCP either

- the Head of Finance, Planning & Resources for the IHSCP; or
- the Head of Legal & Democratic Services (Monitoring Officer).

8.2 Employees should not proceed with any business or transactions that they know or suspect to be related to tax evasion but should immediately seek advice from the above Officers. In addition, the above Officers should be contacted if an employee knows or suspects that a third party is in some way utilising or planning to utilise the Council to facilitate tax evasion. An employee who raises concerns with the above Officers may be asked to complete the form set out in the Appendix to this Policy.

8.3 Guidance will be provided to Services to ensure that the Council's advisers, contractors and other Associated Persons are aware of their obligations under the CFA. Where applicable and proportionate, this will be reinforced with appropriate terms and conditions in new contracts, award letters and other contractual agreements going forward.

8.4 As noted above, the Council has a number of processes and policies, which will ensure that steps are taken to prevent the facilitation of tax evasion by its employees and associates. These cover the following subjects:

- Procurement Policy, including tender documentation and contracts awarded as a consequence;
- Other contractual and other agreements (including funding agreements, grant awards etc);
- Whistleblowing, Anti- Fraud and Corruption, Anti-Bribery, and Anti-Money Laundering Policies;
- Reimbursement of Expenses or outlays;
- Financial Regulations;
- Annual Related Party Transaction;
- IR35 Monitoring in relation to the off-payroll working rules;
- Employee Code of Conduct; and

- Purchase Orders and associated payment arrangements.

8.5 The Council is also an active participant in the National Fraud Initiative and has an internal audit function to provide ongoing assurance over the Council's financial and non-financial systems.

8.6 In addition to the above, and recognising that tax evasion is a criminal offence, any employee who breaches this policy may face disciplinary action, which could result in dismissal for misconduct or gross misconduct.

9. Responsible Officer

9.1 The Council has nominated the Chief Financial Officer as the key officer responsible for the CFA within the organisation.

9.2 The Council has also nominated the Head of Legal & Democratic Services as the officer responsible for information, training and general queries on the CFA, who is known as the 'point person'

**APPENDIX
TEMPLATE TAX EVASION REPORT FORM**

CONFIDENTIAL

TAX EVASION REPORT FORM

Please complete all relevant boxes.

Give as much detail as possible, a full report is crucial to ensuring a proper investigation into the matter disclosed is undertaken. Include details such as:-

- When/where any transactions took place
- The exact nature of the transaction, if possible provide documentary evidence
- Whether the suspected activity has happened, is ongoing or is imminent
- Why you believe the activity to be suspicious

Please DO NOT DISCLOSE the matter to anyone other than the Chief Financial Officer, the Head of Finance, Planning & Resources for the Inverclyde Health & Social Care Partnership, or the Head of Legal and Democratic Services. There is a section in this form to be filled out if anyone other than the Chief Financial Officer, the Head of Finance, Planning & Resources for the Inverclyde Health & Social Care Partners or the Head of Legal and Democratic Services has been informed, but you must give good reason as to why such a disclosure was made.

Once the form has been completed please email it to the following:

For concerns relating to the Council either

- The Chief Financial Officer (Alan.Puckrin@inverclyde.gov.uk), or
- the Head of Legal and Democratic Services (Iain.Strachan@inverclyde.gov.uk)

For concerns relating to the Inverclyde Health & Social Care Partnership either

- the Head of Finance, Planning & Resources for the Inverclyde Health & Social Care Partnership (Craig.Given@inverclyde.gov.uk), or
- the Head of Legal and Democratic Services (Iain.Strachan@inverclyde.gov.uk)

DISCLOSURE UNDER CRIMINAL FINANCES ACT POLICY

ABOUT YOU			
Name			
Department			
Contact Number			
Contact Email			
ABOUT YOUR CONCERN			
Nature of Suspicious Activity			
Name, address and any contact details of person(s) you think may be involved. If a company or other body please include details of nature of business			
Nature/Value and timing of activity or transaction involved (e.g. cash)			
Please give any other information you think is relevant			
Have you informed anybody of your suspicions already?		Yes	No
If "yes" please give name and contact details of person.		See below	
If "yes" please say why you felt a disclosure was necessary.			
Do you have a good reason for this matter not to be disclosed to HMRC (e.g. you are a lawyer and wish to claim legal professional privilege)	Yes	See below	No
If "yes" please give details.			

Signed:

Name:

Date: