

## **Audit and Governance Committee**

**6.30pm on Tuesday, 23<sup>rd</sup> January 2018  
in the Belle Vue Suite, Belle Vue Offices, Skipton**

**The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Brown, Hull, Lis, Mercer, Place and Whitaker. Independent Person Mr G Robinson.**

### **AGENDA**

1. **Apologies for absence**
2. **Confirmation of Minutes** of meeting held on 14<sup>th</sup> November 2017.
3. **Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of a “disclosable pecuniary interest” under Appendix A to the Council’s Code of Conduct, or “other interests” under Appendix B or under Paragraph 15 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate.

A Member of Council who has a disclosable pecuniary interest must leave the room and not take part in the discussion or vote. When declaring interests under Appendix B or Paragraph 15 of the Code, Members must move to the public seating area, not vote, and speak only if members of the public are also allowed to speak at the meeting.)

<b><i>Note of Agenda Item No. and type of Interest to be Declared at this Meeting:</i></b>
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5. **External Audit : Audit Progress Report** – Report of the External Auditor. Attached.

Purpose of Item – To enable the External Auditor to provide the Committee with a report on progress in delivering their responsibilities as the Council’s external auditors.

6. **Anti Money Laundering Policy** – Report of the Chief Finance Officer. Attached.

Purpose of Report – To update Audit and Governance Committee with the Council’s refreshed Anti-Money Laundering Policy.

7. **Whistleblowing Policy : Update** – Report of the Standards Committee. Attached.

Purpose of Report – To present a draft revised Whistleblowing Policy.

8. **Contract Procedure Rules : Exemptions Granted** – Report of the Chief Finance Officer. Attached.

Purpose of Item – To report on the exemptions granted from the Council's Contract Procedure Rules from July 2017 to December 2017.

9. **Internal Audit (a) Internal Audit Plan 2017-18 Progress Report** – Report of the Audit Services Manager. Attached.

Purpose of Item – To inform Committee Members about the work undertaken by Internal Audit in the period to December 2017.

**(b) Internal Audit Reports** – Reports of the Audit Services Manager. Attached.

- i. **Procurement Cards**
- ii. **Anti-Money Laundering**
- iii. **Customer Complaints**
- iv. **Information Governance**

Purpose of Item – To present internal audit reports, including any which have been assigned either partial, or no assurance level status.

10. **Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.

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15<sup>th</sup> January 2018.

## **Emergency Evacuation Procedure**

In case of an emergency or if the alarm sounds, leave the meeting room and leave the building using the nearest available door. The assembly point is in the main square at the front entrance. An officer will take a roll call at that point.

Members of the Council : Please do not leave without telling the Chairman or the Democratic Services Section's representative.

## **Recording at Council Meetings**

Recording is allowed at Council, committee and sub-committee meetings which are open to the public, subject to

(i) the recording being conducted with the full knowledge of the Chairman of the meeting; and

(ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Agenda Contact Officer (details above) prior to the start of the meeting. Any recording must be conducted openly and not disrupt proceedings.

## **Committee Terms of Reference**

### **(a) In relation to internal and external audit activities, to:**

- draw together the key components of corporate governance in relation to audit; promoting internal control, focusing audit resources and monitoring the management and performance of the providers of Internal Audit Services;
- consider the Annual Report and Opinion from Internal Audit, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;
- consider summaries of specific internal audit reports focusing on those areas that receive 'limited assurance';
- consider a report from Internal Audit on the implementation status of agreed recommendations;
- consider the External Auditor's Annual Letter, relevant reports, plans, and report to those charged with governance;
- consider specific reports as agreed with the External Auditor;
- comment on the scope and depth of External Audit work and to ensure it gives value for money;
- liaise with the Audit Commission over the appointment of the Council's External Auditor; and
- approve the annual work programmes for Internal and External Audit and, in exceptional cases, to have the ability to commission work directly from audit providers.

### **(b) In relation to the Council's regulatory framework, to:**

- ensure the effective development and operation of corporate governance within the Council and to maintain the Council's Constitution : the Standards Committee to be consulted on the review of any codes and protocols that relate to the ethical framework;
- review issues referred to it by the Chief Executive, Director, Corporate Head or any Council body;
- approve the corporate risk management framework in accordance with the Risk Management Strategy and Policy Statement; and monitor the effective development and operation of the risk management process: make any necessary changes to the process, including any recommendations for changes to the Strategy and Policy Statement;
- monitor Council policies on 'Whistle-blowing' and the Anti-fraud and Anti-corruption strategy;
- monitor progress on implementation of Internal Audit recommendations;
- oversee the production of the authority's Statement on Internal Control and to recommend its adoption to the Policy Committee / Council;
- consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice; and
- consider the Council's compliance with its own and other published standards and controls.
- Monitor the use of the Regulation of Investigatory Powers Act 2000.

### **(c) In relation to the Council's Financial Statements / Accounts, to:**

- review and approve the annual Statement of Accounts, including whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy Committee / Council
- consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

**(d) Under Part 4 (Parishes), Chapter 3 (Reorganisation) of the Local Government and Public Health Act 2007 (and any amending legislation):**

- to be responsible for conducting community governance reviews within the District.

## **AUDIT AND GOVERNANCE COMMITTEE**

14<sup>th</sup> November 2017

**Present** – The Chairman (Councillor Harbron) and Councillors Barrett, Brown, Hull, Lis, Place, and Whitaker, Greg Robinson (Independent Person).

**Officers** – Chief Executive, Chief Finance Officer, Solicitor to the Council, Audit Services Manager, Assets and Commercial Services Manager, Senior Accountant and Committee Officer.

Apologies for absence were received from Councillor Brockbank and Mercer.

Start: 6.30pm

Finish: 7.21pm

The minutes of the Committee's meeting held on 26<sup>th</sup> September 2017 were confirmed and signed by the Chairman.

### **EXCLUSION OF THE PUBLIC**

**Resolved** – That, in accordance with the Council's Access to Information Procedure Rules, the public is excluded from the meeting during consideration of Minutes AC.304 (marked \$) below on the grounds that it is not in the public interest to disclose the Category 3 exempt information (financial or business affairs of any particular person including the Council).

### **Minutes for Report**

AC.300

#### **EXTERNAL AUDIT : ANNUAL AUDIT LETTER**

The External Auditors submitted their Annual Audit Letter for the 2016/17 financial year. The final fee for the audit had amounted to £55,322. The Letter summarised the work and findings of the 2016/17 audit and key messages arising from the audit of the Council's financial statements which were

- An unqualified opinion on the Council's 2016/17 financial statements had been issued.
- The Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources; an unqualified value for money conclusion had been issued.
- The major challenges facing the Council in the coming years included:
  - Continuing pressure on finances and the need to plan for further reductions in spending power;
  - Keeping spending within available resources and bridging funding gaps;
  - Enabling the provision of new homes in the district
  - Stimulating business growth and economic vitality.
  - Eliminating the reliance on Revenue Support Grant by 2020

**Resolved** – That the Annual Audit Letter for 2016/17 is accepted.

AC.301

#### **LOCAL FRAMEWORK AGREEMENT : DEVELOPMENT OF HOUSING**

The Assets and Commercial Services Manager submitted a report updating members on progress in the development of the Local Framework Agreement for the development of Housing on small to

medium sites. The purpose of the agreement was to encourage local contractors to sign up and be called upon going forward to deliver the shared ownership housing programme. The benefits of the approach include significantly reduced lead in times, the provision of fair and reasonable rates and prices, good quality workmanship, and the retention of investment is retained within the district. Eight companies had been accepted onto the framework agreement for a four year period.

**Resolved** – 1) That the report is noted.

2) Members congratulated the Assets and Commercial Services Manager, Ian Halton, on the success of the process and thanked him for the report.

AC.302 **INTERNAL AUDIT: IMPLEMENTATION OF RECOMMENDATION**

a. Recommendations : Implementation Monitoring

The Strategic Manager for Financial Services submitted a report updating the Committee on the position reached with implementation of Priority One internal audit recommendations where the original completion date was prior to November 2017. One recommendation remained as a “red” status, three had an amber ‘status and fourteen recommendations had been completed and had a ‘green’ status.

**Resolved** – That the position in respect of implementation of internal audit recommendations is noted, and that action taken in completing Priority One audit recommendations in the monitoring period is noted.

(b) Internal Audit Plan 2017-18 : Progress Report

The Audit Services Manager submitted a report updating the Committee on progress made against the 2017/18 Internal Audit Plan as at 31<sup>st</sup> October 2017 , a total of 46 of the approved 250 audit days within the plan, had been spent. A number of audits were approaching completion and would be submitted to the January meeting of the Committee.

**Resolved** – That the content of the Audit Services Manager’s progress report is noted.

AC.303 **REGULATION OF INVESTIGATORY POWERS ACT**

The Solicitor to the Council submitted a report advising the Committee on the Council’s use of covert surveillance under the Regulation of Investigatory Powers Act 2000 since June 2016. Since June 2016, no covert surveillance had been authorised or undertaken.

**Resolved** – That the report is noted.

\$AC.304 **CORPORATE RISK REGISTER : UPDATE**

The Strategic Manager for Financial Services submitted a report updating the Committee on progress against actions intended to mitigate risks within the Council’s corporate risk register. The number of risks on the corporate register remained at five, of which one had a status of ‘green’ and four ‘amber’.

**Resolved** – 1) That the progress reported against actions to mitigate risks within the risk register is noted.

2) A meeting be arranged for Audit and Governance Committee members and the officers Senior Leadership team to look in more detail at the risk management process.

**Minutes for Decision**

None.

Chairman.

# Audit Progress Report

Craven District Council



January 2018





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Our reports are prepared in the context of the Public Sector Audit Appointment Limited's 'Statement of responsibilities of auditors and audited bodies'. Reports and letters prepared by appointed auditors and addressed to Members or officers are prepared for the sole use of the Council and we take no responsibility to any Member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# Audit progress

## Purpose of this report

The purpose of this paper is to provide the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address [www.mazars.co.uk](http://www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

## 2016/17 audit

Work on the 2016/17 audit, including issuing the Annual Audit Letter, has been completed.

## Certification of claims and returns

Work on the 2016/17 Housing Benefits Subsidy Claim is now complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2017.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission. As the Council's appointed auditor, we acted as an agent of PSAA. Each year auditors must report the results of our

certification work to those charged with governance. For 2016/17 the only claim or return within this regime was the Housing benefit subsidy return.

## Housing Benefits Subsidy Return 2016/17

In 2016/17 the prescribed tests for our Housing Benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing Benefit Subsidy Return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either: without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

The Council's 2016/17 Return was submitted with a very minor amendment and without a qualification letter as set out in the following table.

Claim or return	Value of claim	Amended	Qualified
Housing Benefit Subsidy Return 2016/17	£9.0m	Very minor amendment reflected on the final claim with an impact less than £100 on total claimed.	No.

As was also the case in 2015/16, we did not make any recommendations or highlight any significant issues for improvement.

We welcome the assistance provided by officers with this work, which enables us to complete our certification work as efficiently and effectively as possible.

## Fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the following table below is in line with the indicative fee. The following fee was charged for the 2016/17 work.

Claim or return	2016/17 indicative fee	2016/17 final fee	2015/16 final fee
Housing Benefit Subsidy Return 2016/17	£9,503 + VAT	£9,503 + VAT	£7,060 + VAT

## Clarification of certification fees for the 2017/18 Audit

In April 2017 we wrote to the Council setting out the proposed scale fees for 2017/18 as published by PSAA. At that date, PSAA had not yet published indicative fees for the housing benefit certification work for 2017/18. PSAA have subsequently clarified the scale fee for 2017/18 as £7,060 + VAT, a return to the fee level set for 2015/16.

## 2017/18 Audit

Our planning work in relation to the 2017/18 audit is now underway.

We plan to bring our Audit Strategy Memorandum for the 2017/18 audit to the March 2018 meeting of the Audit and Governance Committee.

## Countdown to GDPR Seminar

We have decided to restructure our North Yorkshire Governance Forum which has run successfully for the last couple of years. Rather than have two events a year and consider agenda items at the time of each meeting, we are going to run events when there are important topics to discuss.

Our first events under these new arrangements will be in January and February 2018 and will focus on the countdown to the new General Data Protection Regulations (GDPR), and will also include a session on balancing the use of IT as an enabler whilst also managing the risks it poses:

- Wednesday 31 January 2018 at the Mercure York Fairfield Manor Hotel, just outside of York; and
- Wednesday 7 February 2018 at Durham County Cricket Club, Chester-le-Street.

The events are free of charge, although we may have to limit numbers to two or three people per authority depending on take up.

Invitations have been sent out in December. If any other officers or Members wish to attend, please e-mail [Durham.Admin@mazars.co.uk](mailto:Durham.Admin@mazars.co.uk) with your request.

## Financial Reporting Workshops

We are also running Local Government Financial Reporting workshops for officers involved in the production of the financial statements. These workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items will include a revisit of 2016/17 issues, early close implications, changes in the 2017/18 Code and a forward look to future regulatory and policy changes. The Leeds event is on Wednesday 7 February 2018 and we have invited relevant officers from the Council.

# National publications and other updates

National publications and other updates	
1.	<b>A short guide to Local Authorities, National Audit Office, October 2017</b>
2.	<b>Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017 – Further Update December 2017</b>
3.	<b>Care Quality Commission regulating health and social care, National Audit Office, October 2017</b>
4.	<b>NAO publication: WannaCry Cyber Attack and the NHS, October 2017</b>
5.	<b>CIPFA Fraud and Corruption Tracker, November 2017</b>
6.	<b>PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017</b>
7.	<b>PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017</b>
8.	<b>Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017</b>

## 1. A short guide to Local Authorities, National Audit Office, October 2017

The NAO is publishing a suite of short guides for the new Parliament, one for each government department and a selection of cross-government issues. The guide gives an overview of how local government is funded, the pressures local authorities face, staffing, major recent developments and what to look out for in the main local authority services.

For example, the guide highlights 39% of the 2015/16 local authorities budgeted non-schools expenditure (£16.8 billion) was allocated to adult social care. The guide also highlights key challenges to accountability in local government.

<https://www.nao.org.uk/report/short-guide-to-local-authorities/>

## **2. Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017**

The consultation on the proposed auditor appointments from 2018/19 closed on 22 September. PSAA received 442 responses from opted-in bodies confirming acceptance of the proposed appointment. A response was not received from 34 bodies and PSAA has written to those bodies to say that they have assumed they accept the firm proposed. PSAA received 7 representations to proposed appointments for reasons of joint working relevant to the auditor's responsibilities, independence issues with the proposed auditor, or concerns about service from the proposed firm. In these cases, PSAA are now consulting on alternative proposed appointments where appropriate.

<https://www.psaa.co.uk/2017/10/news-release-update-on-auditor-appointments-from-201819/>

### **Further Update December 2017**

PSAA has now confirmed the auditor appointments from 2018/19 to the opted-in bodies by the statutory deadline of 31 December 2017.

<https://www.psaa.co.uk/2017/12/news-release-confirmation-of-auditor-appointments-from-2018-19/>

## **3. Care Quality Commission regulating health and social care, National Audit Office, October 2017**

The Care Quality Commission has improved as an organisation, but now needs to overcome some persistent issues with the timeliness of some of its regulation activities if it is to sustain further improvement, the National Audit Office (NAO) has found.

The report found that the Commission has completed its inspection and rating programme comprising more than 28,000 provider locations, which provides a benchmark of the quality of health and social care services. It has significantly reduced staff vacancies and is increasing its focus on cost savings. In addition, the Commission has improved how it measures its performance, and takes action to correct poor performance.

Inspection staff, however, highlighted concerns to the NAO about how well the broader information systems currently supported them. The NAO also found that Commission does not meet its timeliness targets for some of its regulation activities, such as registration and publication of inspection reports.

According to the NAO, although most providers and inspectors think that the Commission's judgements are fair, stakeholders have concerns about consistency. The Commission is seeking to address consistency issues through its quality assurance processes and training.

The Commission is taking more enforcement action when care falls below fundamental standards, and there is evidence that it influences providers to improve quality, with most of the providers rated either inadequate or requires improvement having improved their rating on re-inspection. The number of completed enforcement actions increased over 2015/16 and 2016/17, while the number of providers entering special measures remained steady. The Commission links the increase with a focus on improving its inspectors' skills and knowledge about enforcement. Poor recording, however, means the Commission cannot be assured that enforcement action is always completed.

The Commission made progress in implementing its new strategy during 2016/17 although it missed early milestones on rolling out use of resources assessments and designing its approach to the next phase of inspection.

<https://www.nao.org.uk/report/care-quality-commission-regulating-health-and-social-care/>

#### 4. NAO publication: WannaCry Cyber Attack and the NHS, October 2017

In October, the NAO published its report on the NHS's response to the cyber attack that affected health bodies and other organisations in May 2017. According to NHS England, the WannaCry ransomware affected at least 81 out of the 236 trusts across England, because they were either infected by the ransomware or turned off their devices or systems as a precaution. A further 603 primary care and other NHS organisations were also infected, including 595 GP practices.

The investigation focused on the events immediately before 12 May 2017 and up to 30 September 2017 and the ransomware attack's impact on the NHS and its patients; why some parts of the NHS were affected; and how the Department and NHS national bodies responded to the attack.

The key findings are:

- The Department was warned about the risks of cyber attacks on the NHS a year before WannaCry and although it had work underway it did not formally respond with a written report until July 2017.
- The attack led to disruption in at least 34% of trusts in England although the Department and NHS England do not know the full extent of the disruption.
- Thousands of appointments and operations were cancelled and in five areas patients had to travel further to accident and emergency departments.
- The cyber attack could have caused more disruption if it had not been stopped by a cyber researcher activating a 'kill switch' so that WannaCry stopped locking devices.
- The Department had developed a plan, which included roles and responsibilities of national and local organisations for responding to an attack, but had not tested the plan at a local level.
- NHS England initially focused on maintaining emergency care. Since the attack occurred on a Friday it caused minimal disruption to primary care services, which tend to be closed over the weekend.  
NHS Digital stated that all organisations infected by WannaCry shared the same vulnerability and could have taken relatively simple action to protect themselves. Infected organisations had unpatched, or unsupported Windows operating systems so were susceptible to the ransomware.
- The NHS has accepted that there are lessons to learn from WannaCry and is taking action. NHS England and NHS Improvement have written to every major health body asking boards to ensure that they have implemented all alerts issued by NHS Digital between March and May 2017 and taken essential action taken to secure local firewalls.

The Report is available at the NAO website at the following link: <https://www.nao.org.uk/report/investigation-wannacry-cyber-attack-and-the-nhs/>

## **5. CIPFA Fraud and Corruption Tracker, November 2017**

CIPFA has published its third annual fraud and corruption tracker, which provides an overview of fraud, bribery and corruption issues identified across local government. The tracker summarises trends in the number, value and type of identified frauds, and highlights areas and services that are perceived to be at greatest risk.

<http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>

## **6. PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017**

The consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that have opted into PSAA's national auditor appointment scheme.

PSAA propose that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

The proposed audit fee for Craven District Council for the 2018/19 audit is £35,281 (compared to £45,819 for the 2017/18 audit).

<https://www.psaa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

## **7. PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017**

In December 2017 Public Sector Audit Appointments published its *Report on the results of auditors' work 2016/17: Local government bodies*. This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

<https://www.psaa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## **8. Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017**

As reported by Public Finance, on Tuesday 19 December 2017, within the local government settlement to the House of Commons, Communities secretary Sajid Javid announced a shake-up of the formula for distributing funding to local authorities in England. He also set out plans to allow councils to retain 75% of their business rates and a 1% increase in council tax raising powers.

The Communities secretary confirmed plans to end the revenue support grant and allow councils to retain 100% of local business rates by 2020 would be put on hold, over concerns that some councils could be left out of pocket. Instead, he said there needed to be an “updated and more responsive distribution methodology”, and that councils would be allowed to retain 75% of business rates by 2020/21. He said: “I am today publishing a formal consultation on a review of relative needs and resources. I aim to implement a new system based on its findings in 2020/21.”

He also announced that councils would be allowed to increase their Council Tax requirement by an additional 1% without a local referendum, bringing it in line with inflation.

[http://www.publicfinance.co.uk/news/2017/12/javid-announces-overhaul-local-authority-funding?utm\\_source=Adestra&utm\\_medium=email&utm\\_term=](http://www.publicfinance.co.uk/news/2017/12/javid-announces-overhaul-local-authority-funding?utm_source=Adestra&utm_medium=email&utm_term=)



# Contact details

Please let us know if you would like further information on any items in this report.

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## **Audit & Governance Committee – 23 January 2018**

### **Anti-Money Laundering Policy.**



Report of the Chief Finance Officer(s151 Officer)

Ward(s) affected: All

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

- 1.1 To update Audit and Governance Committee with the Council's refreshed Anti-Money Laundering Policy.

#### **2. Recommendations**

Members are recommended to:

- 2.1 Approve the updated Anti-Money Laundering Policy.

#### **3. Background**

- 3.1 Audit and Governance committee has responsibility for overseeing the Council's arrangements to counter the threat of fraud and corruption.
- 3.2 Internal Audit undertook a piece of work to review the Council's arrangements for the prevention of fraud via a benchmarking exercise against the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption. This piece of work highlighted the need for the Council to update its Anti-Money Laundering Policy. In addition the regulations surrounding Money Laundering changed in summer 2017 and the Council through best practice is required to have regard to these changes. The refreshed Anti-Money Laundering Policy is attached at Appendix A.
- 3.3 Internal Audit have recently undertaken a specific piece of work in respect of Money Laundering.

#### **4. Anti-Money Laundering Policy**

- 4.1 Fraud remains a major issue facing the United Kingdom, and Local Government is not immune from this. Fraudulent activity comes in many guises one of which is Money Laundering.

- 4.2 Historically, legislation seeking to prevent the laundering of the proceeds of criminal activity was aimed at professionals in the financial and investment sector, however it was subsequently recognised that those involved in criminal conduct could use a much wider range of business activities to 'clean' their proceeds of crime.
- 4.3 The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 (MLR 2017), which transposed the Fourth EU Money Laundering Directive into UK Law, commenced on 26 June 2017. These obligations impact on certain areas of local authority business and, as under the previous regulations 2007, require local authorities to maintain internal procedures to prevent the use of their services for money laundering. A key difference of the 2017 Regulations is to require relevant persons to adopt a more risk based approach towards anti-money laundering, particularly in the conduct of due diligence. Determining the appropriate level of due diligence requires analysis of risk factors based on the EU Directive and which are set out in the MLR 2017.
- 4.4 Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
- 4.5 The Council's Anti Money Laundering Policy has been refreshed to reflect the changes in legislation and best practice guidance, and is attached at appendix A.

## **5. Implications**

### **5.1 Financial and Value for Money Implications**

An overriding responsibility of the Council is the provision of effective and efficient services in a manner that seeks to ensure the best possible protection of the public purse in its delivery arrangements. The Council is required to have appropriate policies and mechanisms to safeguard the Council's resources and reduce losses to fraud and corruption to an absolute minimum.

### **5.2 Legal implications**

The responsibilities of public sector organisations in relation to the prevention and detection of fraud and error are set out in statute, standards and other guidance. Local Government organisations have a statutory duty to make arrangements for the proper administration of their financial affairs and appoint an officer to have responsibility for the administration of these arrangements.

### **5.3 Contribution to Council Priorities**

Anti-Fraud and Corruption arrangements contributes to all our Corporate

Priorities by ensuring adequate controls are in place to help ensure corporate priorities are achieved.

5.4 **Risk Management**

The Council as is at risk of loss due to fraud and corruption both from within it and outside. The impact of fraud on the Council can have consequences that are serious and potentially far reaching. Financial loss is the obvious key risk, but the undermining of public confidence that could result from the discovery of a fraudulent or corrupt act can result in much greater damage than the act itself. In order to mitigate this risk the Council needs to be explicit about the way in which all forms of fraud will be regarded and dealt with.

5.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • isolation.

6. **Consultation with Others**

Internal Audit.

7. **Access to Information : Background Documents**

The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 (MLR 2017).

8. **Author of the Report**

Nicola Chick, Chief Finance Officer (s151 officer)

Tel No 01756 706418; Email: [NChick@cravendc.gov.uk](mailto:NChick@cravendc.gov.uk)

9. **Appendices**

Appendix A – Anti-Money Laundering Policy



# **Craven District Council**

## **Anti-Money Laundering Policy**

Approved: Audit and Governance Committee 23 January 2018

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## **1 INTRODUCTION**

- 1.1 Money Laundering is the process by which criminally obtained money or other criminal property is exchanged for “clean” money or other assets with no obvious links to their criminal origins. The term is used for a number of offences involving the integration of “dirty” money (the proceeds of crime) into the mainstream economy. With the aim being to legitimise the possession of such monies through circulation and effectively leading to “clean” funds in exchange.
- 1.2 Historically, legislation seeking to prevent the laundering of the proceeds of criminal activity was aimed at professionals in the financial and investment sector, however it was subsequently recognised that those involved in criminal conduct could use a much wider range of business activities to ‘clean’ their proceeds of crime.
- 1.3 The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 (MLR 2017), which transposed the Fourth EU Money Laundering Directive into UK Law, commenced on 26 June 2017. These obligations impact on certain areas of local authority business and, as under the previous regulations 2007, require local authorities to maintain internal procedures to prevent the use of their services for money laundering. A key difference of the 2017 Regulations is to require relevant persons to adopt a more risk based approach towards anti-money laundering, particularly in the conduct of due diligence. Determining the appropriate level of due diligence requires analysis of risk factors based on the EU Directive and which are set out in the MLR 2017.
- 1.4 Craven District Council is committed to establishing and maintaining effective arrangements to prevent and detect attempts to launder money using Council services.

## **2 SCOPE OF THE POLICY**

- 2.1 This policy applies to all officers (including agency staff) and elected members of the Council and aims to help maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations. Within this policy the term employees refers to all employees and Member refers to all elected members.
- 2.2 Failure by an employee to comply with the procedures set out in this policy may lead to disciplinary action being taken against them. Any disciplinary action will be dealt with in accordance with the Council’s Disciplinary Policy and Procedures.
- 2.3 Managers and senior staff must ensure that all employees are aware of this policy. Not all staff will need a detailed knowledge covered by the legislation. However, some staff will require additional guidance to raise their awareness of the possibility of money laundering.

### **3 AIMS OF THE POLICY**

3.1 The policy outlines the Council's arrangements:

- ◆ To nominate a Money Laundering Reporting Officer (MLRO);
- ◆ To make arrangements to receive and manage concerns of staff about money laundering and their suspicion of it, to make internal inquiries and to make reports where necessary, to the National Crime Agency NCA);
- ◆ To make those staff most likely to be exposed to or suspicious of money laundering situations aware of the requirements and obligations placed on the organisation, and on them as individuals, by the Proceeds of Crime Act, the Terrorism Act and the Money Laundering Regulations;
- ◆ To give targeted training to those considered to be most likely to encounter money laundering;
- ◆ To establish internal procedures to help forestall and prevent money laundering.

### **4 WHAT IS MONEY LAUNDERING?**

4.1 Under the legislation there are two main types of offence which may be committed:

- ◆ Money laundering offences.
- ◆ Failure to report money laundering offences.

4.2 Money laundering activity includes:

- ◆ Acquiring, using or possessing criminal property,
- ◆ Handling the proceeds of crimes such as theft, fraud and tax evasion,
- ◆ Being knowingly involved in any way with criminal or terrorist property,
- ◆ Entering into arrangements to facilitate laundering criminal or terrorist property,
- ◆ Investing the proceeds of crime in other financial products,
- ◆ Concealing, disguising, converting, transferring criminal property or removing it from the UK,
- ◆ Transferring criminal property.

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

5.1 Where it is suspected that money laundering activity is taking/has taken place, an employee or Member becomes concerned that their involvement in a matter may amount to a prohibited act under the legislation, this must be disclosed as soon as practicable to the MLRO in line with procedures. The disclosure should be within "hours" of the information coming to the employee's or Member's attention, not weeks or months later.

5.2 The officer nominated to receive disclosures about suspected money laundering activity within the Council is the Chief Finance Officer. Contact details are:

Chief Finance Officer  
Craven District Council  
1 Belle Vue Square  
Broughton Road



Skipton  
BD23 1FJ  
Telephone: 01757 706418  
E-mail: [NChick@cravendc.gov.uk](mailto:NChick@cravendc.gov.uk)

- 5.3 In the absence of the MLRO, or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with the Solicitor to the Council and Monitoring Officer.

## **6 LEGISLATION**

- 6.1 The main UK legislation covering anti-money laundering terrorist financing is:
- ◆ Proceeds of Crime Act 2002
  - ◆ Terrorism Act 2000
  - ◆ Anti-Terrorism Crime and Security Act 2001
  - ◆ Money Laundering Regulations 2007
  - ◆ Money Laundering (Amendment) Regulations 2012
  - ◆ Money Laundering (Amendment) Regulations 2015
  - ◆ The Money Laundering, Terrorist Financing and Transfer of Funds (information on the Payer) Regulations 2017 (MLR 2017)

## **7 OBLIGATIONS ON THE COUNCIL AND INDIVIDUALS**

- 7.1 Whilst Local Authorities are not directly covered by the requirements of the Money Laundering Regulations 2017, guidance from finance and legal professions, including the Chartered Institute of Public Finance and Accounting (CIPFA), indicates that public service organisations should comply with the underlying spirit of the legislation and regulations and put in place appropriate and proportionate anti-money laundering safeguards and reporting arrangements.
- 7.2 The Regulations apply to “relevant persons” acting in the course of business carried on by them in the UK. Not all of the Council’s business is relevant for the purposes of the Regulations; it could include accountancy and audit services carried out by Financial Services and the financial, company and property transactions undertaken by Legal Services. However, the safest way to ensure compliance with the law is to apply it to all areas of work undertaken by the Council, therefore all employees are required to comply with the Council’s Anti Money Laundering Policy in terms of reporting concerns regarding money laundering.
- 7.3 Money Laundering regulations apply to cash transactions in excess of €15,000. But it is reasonable to be suspicious of any unexpected “cash” transactions over £1,000.
- 7.4 The Money Laundering Regulations 2017 require those organisations in the regulated sector and conducting relevant business to:
- ◆ Put in place checks, controls and procedures in order to anticipate and prevent money laundering or terrorist financing. Further information on establishing internal checks and controls can be found in section 7.6 below.

- ◆ Train staff in those procedures and in the law relating to money laundering and terrorist financing. The purpose of this policy is to promote general awareness. Specific training for those employees more likely to come across money laundering will be provided if needed.
- ◆ Appoint a nominated officer or money laundering reporting officer to receive and consider internal disclosures and to make suspicious activity reports to the National Crime Agency (NCA). Further information on the role of the nominated officers can be found in Section 5 and identifying suspicious activity at section 10 below.
- ◆ Put in place procedures to identify customers and verify the customer's identity before entering into a business relationship or transaction and to obtain information on the purpose or nature of the business relationship. These procedures are known in the regulations as "Customer Due Diligence" and also require the Council to conduct ongoing monitoring of the business relationship as appropriate. The regulations specify circumstances in which the Council is not required to undertake customer due diligence measures or must undertake enhanced measures. Further information about how and when to apply customer due diligence measures can be found in Section 7.
- ◆ Keep records obtained in establishing customers' identity and of business relationships for five years. Further information on record keeping can be found in section 8.

7.5 It is a requirement of the MLR 2017 that appropriate systems of internal control are in place to prevent activities relating to money laundering and terrorist financing. There must be management controls in place to identify the possibility that criminals may be attempting to launder money or fund terrorism, so as to enable appropriate action to prevent or report it to be taken. Management needs to consider both customer and geographical risk factors in deciding whether simplified due diligence is appropriate. The new Regulations introduced a list of high risk jurisdictions which if involved in a transaction makes enhanced due diligence and additional risk assessment compulsory. For an up to date list of such jurisdictions an officer should seek advice from the MLRO. The list of areas is currently: Afghanistan, Bosnia and Herzegovina, Guyana, Iraq, Lao, PDR, Syria, Uganda, Vanuatu, Yemen, Iran and the Democratic People's Republic of Korea.

7.6 It is management's responsibility to implement systems of internal control capable of identifying unusual or suspicious transactions or customer activity and quickly report the details to the MLRO. Systems of internal control should include the following:

- ◆ Identification of senior management responsibilities.
- ◆ Provision of information to senior management on money laundering and terrorist financing risks.
- ◆ Training of relevant employees on the legal and regulatory responsibilities for money laundering and terrorist financing controls and measures.
- ◆ Documentation of the Council's risk management policies and procedures.
- ◆ Measures to ensure that money laundering and terrorist financing risks are taken into account in the day to day operations of the organisation.

## **8 CUSTOMER DUE DILIGENCE**

- 8.1 The Council will put in place procedures to identify customers before entering into a business relationship (see below) or transaction a copy of the due diligence form is provided at Appendix B. The procedures will require the Council to:
- ◆ Identify customers and verify their identity on the basis of documents from a reliable and approved source.
  - ◆ Identify where applicable the beneficial owner (see below) and take adequate measures on a risk sensitive basis to verify their identity.
  - ◆ Obtain information on the purpose and intended nature of the business relationship.
  - ◆ Conduct ongoing monitoring of the business relationship to ensure transactions are consistent with knowledge of the customer risk profile.
  - ◆ Maintain records of all checks for 5 years.
- 8.2 The regulations define a business relationship as “a business, professional or commercial relationship between a relevant person and a customer, which is expected by the relevant person at the time when the contact is established to have an element of duration”.
- 8.3 “Beneficial owners” are the individuals who ultimately own or control the customer or on whose behalf a transaction or activity is being conducted.
- 8.4 If satisfactory evidence of a customer’s identity at the outset cannot be obtained, then the business relationship and or transaction can NOT proceed any further.
- 8.5 In certain circumstances, the Council is not required to apply any customer due diligence. The Council will not have to verify the identity of customers or seek additional information about the nature or purpose of business relationships where:
- ◆ The customer is a public authority in the UK.
  - ◆ The customer is a credit or financial institution that is subject to regulations.
  - ◆ The customer is a listed company subject to disclosure provisions.
  - ◆ The customer is a European Community institution.
- 8.6 The Council is required to undertake additional or enhanced customer due diligence measures on a risk sensitive basis. This includes where:
- ◆ The customer has not been physically present for identification.
  - ◆ The customer is a politically exposed person or an immediate family member or close associate of a politically exposed person (a “politically exposed person” is an individual who has, or has had in the previous year, a high political profile, or holds, or has held in the previous year, public office overseas).
  - ◆ In situations which by their nature can present a higher risk of money laundering or terrorist financing.

## **9 PENALTIES FOR FAILURE TO COMPLY**

- 9.1 Failing to comply with the regulations could lead to a prosecution which could result in unlimited fines and/or a prison sentence of up to two years.
- 9.2 Failing to comply with the regulations could also result in civil financial penalties (a different sanction leading to prosecution leading to a fine).

## **10 REPORTING AND RECORD KEEPING**

### **Reporting a Concern to the MLRO**

- 10.1 Employees or Members who know or suspect that they may have encountered criminal activity and that they are at risk of contravening the money laundering legislation, should contact the MLRO to advise her of their concerns.
- 10.2 The disclosure should be at the earliest opportunity of the information coming to your attention, not weeks or months later.
- 10.3 A flow chart illustrating the procedure for reporting money laundering is at Appendix C. More information about making a report to the MLRO is detailed at Appendix D, with a Money Laundering Disclosure Form attached.

### **Reporting to the National Crime Agency**

- 10.4 The initial discussion / disclosure will be noted by the MLRO, and she will promptly evaluate this and determine whether it is appropriate to report it to the National Crime Agency (NCA).
- 10.5 If a report is made then the relevant NCA forms must be completed by the MLRO. Up to date 'Suspicious Activity Report' forms can be downloaded from the NCA website at: <http://www.nationalcrimeagency.gov.uk/>
- 10.6 In the event that a report is not submitted online, a form can be downloaded from the following website:  
<http://www.nationalcrimeagency.gov.uk/publications/36-ukfiu-appendix-2-disclosure-report-detail/file>
- 10.7 If no report is made, the reason must be recorded by the MLRO.
- 10.8 All disclosure reports referred to the MLRO and reports made to the NCA must be retained by the MLRO in a confidential file for a minimum of 5 years. The Money Laundering Disclosure Form at Appendix D should be used to facilitate the recording of any action taken.
- 10.9 The MLRO or deputy will commit a criminal offence if they know or suspect, or have reasonable grounds to do so, through a disclosure being made to them, that another person is engaged in money laundering and they do not disclose

this as soon as practicable to the NCA.

### **Record Keeping**

- 10.10 Each service unit of the Council conducting relevant business must maintain records of:
- ◆ Client identification evidence obtained; and
  - ◆ Details of all relevant business transactions carried out for clients.
  - ◆ For at least five years. This is so that they may be used as evidence in any subsequent investigation by the authorities into money laundering and also demonstrates the Council's compliance with the regulations.
- 10.11 The precise nature of the records is not prescribed by law. However, they must be capable of providing an audit trail during any subsequent investigation, for example distinguishing the client and the relevant transaction and recording in what for the funds were received or paid. In practice the service units of the Council will be routinely making records of work carried out for clients in the course of normal business and these should suffice in this regard.
- 10.12 The MLRO will keep a record of all referrals received and any action taken to ensure an audit trail is maintained.

## **11 RISK REGISTER**

- 11.1 Regulation 18 of the MLR 2017 requires a written risk assessment to identify and assess the risk of money laundering and terrorist financing that the Council faces.
- 11.2 Whilst all employees must be aware of the existence of the Anti-Money Laundering Policy, Procedures and Reporting arrangements, it is possible to identify those areas of the Council most at risk to potential involvement in money laundering.
- 11.3 In order to identify the “at risk” areas the MLRO will maintain a Money Laundering Risk Register. Under MLR 2017 risk mitigation policies must be in writing and be proportionate to the risks identified. The steps followed to establish the risk register were to:
- ◆ Identify the money laundering and terrorist financing risks that were relevant to the Council.
  - ◆ Assess the risks presented by particular customers, products and services, delivery channels and geographical area.
  - ◆ Design and implement controls to manage and mitigate the assessed risks.
- 11.4 In carrying out the risk assessment information on money laundering and terrorist financing risks made available by the Law Society and/or SRA, and risk factors relating to:
- ◆ customers
  - ◆ the countries or geographic areas where the Council operates
  - ◆ products and services

- ♦ transactions and
- ♦ delivery channels

11.5 Risks will be reviewed continuously as part of the annual review of the Council Risk Register.

## **12 TRAINING AND PUBLICITY**

- 12.1 The Council will take appropriate measures to ensure that all employees are made aware of the law relating to money laundering. Targeted training will be arranged at appropriate intervals for key Officers most likely to be affected by the legislation, Finance, Legal and Local Taxation.
- 12.2 Appropriate training will also be made available to Members.
- 12.3 It is the duty of Officers and Members to report all suspicious transactions whether they have received their training or not.

## **13 POLICY REVIEW**

- 13.1 The policy will be kept under review at appropriate intervals in line with the Council's Whistleblowing Policy and Anti-Fraud and Corruption Policy and any changes to legislation.

## **14 CONCLUSIONS**

- 14.1 The Money Laundering legislation is complex. Given a local authority's legal position with regard to legislative requirements this policy has been written as a safeguard and to enable the Council to meet its legal obligations. The policy represents an appropriate response to the level of risk the Council faces of money laundering offences.

**ACTIVITIES WHICH COULD BE INDICATIVE OF MONEY LAUNDERING**

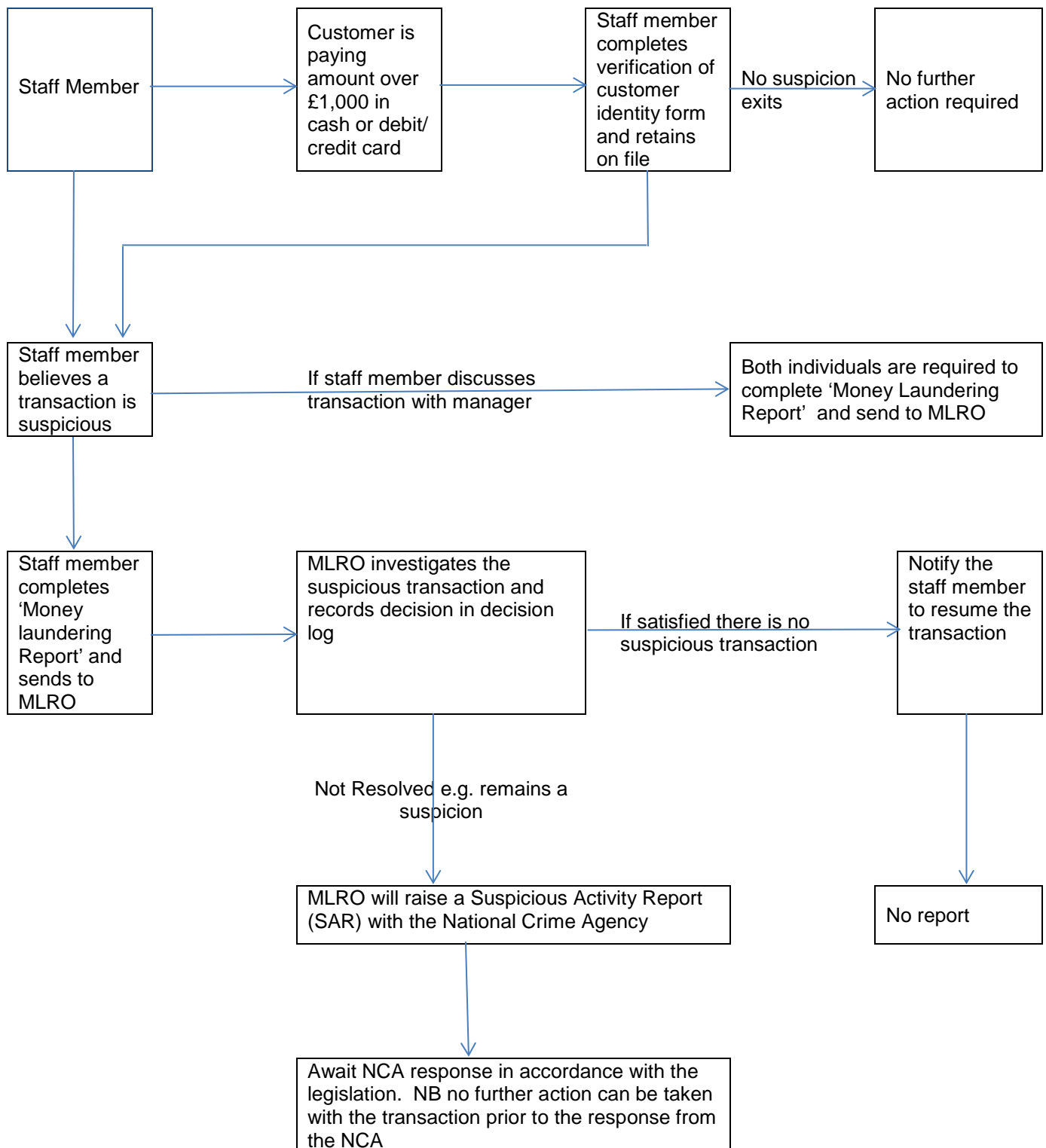
1. The payment of a substantial sum in cash or by debit card (over £10,000).
2. A secretive customer: e.g. refuses to provide requested information without a reasonable explanation.
3. Concerns about the honesty, integrity, identity or location of a client.
4. Illogical third party transactions: unnecessary routing or receipt of funds from third parties or through third party accounts.
5. Involvement of an unconnected third party without a logical reason or explanation.
6. Substantial overpayments by a client, at least €15,000. NB a payment for less than this may still be money laundering & should be reported, however, it may be a fraud using a stolen card rather than money laundering.
7. Large unsolicited payments in advance or deposits, which may ultimately need to be returned. NB This may be a fraud using a stolen card rather than money laundering.
8. Absence of an obvious source of legitimate funds.
9. Movement of funds overseas, particularly to a higher risk country or tax haven.
10. Where, without reasonable explanation the size, nature and frequency of transactions or instructions (or size, location or type of client) is out of line with normal expectations.
11. A transaction without obvious legitimate purpose or which appears to uneconomic, inefficient or irrational.
12. Requests for release of client account details other than in the normal course of business.
13. Companies and trusts: extensive use of corporate structures and trusts in circumstances where the client's needs are inconsistent with the use of such structures.
14. Poor business records or internal accounting controls.

## **Customer Due Diligence Pro-Forma**

<b>SECTION A: PRELIMINARY</b>		
<b>NAME OF CUSTOMER:</b>		
<b>Date:</b>		
Is this customer another public authority (E.g. a local authority)?		<b>If “Yes”, the due diligence measures below in Sections B and C do not need to be applied.</b>
Does the Council suspect the customer of money laundering or terrorist financing?		<b>If “Yes”, the suspicion MUST always be reported to the MLRO immediately.</b>
<b>SECTION B: DUE DILIGENCE MEASURES</b>		
<p>These measures are to be applied where the Council:</p> <ol style="list-style-type: none"> <li>1) establishes a business relationship with a customer;*</li> <li>2) carries out an occasional transaction;**</li> <li>3) doubts the veracity or adequacy of documents, data or information previously obtained from the customer for the purposes of identification or verification.</li> </ol> <p>To apply the due diligence measures, please answer as fully as possible the questions below.</p> <p>* “business relationship” means a business, professional or commercial relationship which the Council expects, at the time the contact is established, to have an element of duration.</p> <p>** “occasional transaction” means a transaction, carried out other than as part of a business relationship, amounting to 15,000 Euro or more, whether a single operation or several operations which appear to be linked. [Sterling equivalent at date of due diligence]</p>		
1	Can the Council identify this customer?	
2	How has the identity of this customer been established? [Attach documents, data or information establishing identity]	
3	Are these documents, data or information from an independent and reliable source?	
4	Can the Council verify the identity of the customer? [Through the documents referred to in Questions 2 and 3]	
5	Is there a beneficial owner involved with the customer who is a different person or entity to the customer identified above?	
6	What is the identity of the beneficial	



	owner?	
7	Can the Council verify the identity of the beneficial owner?	
8	Does the Council doubt the veracity or adequacy of documents, data or information obtained for the purposes of identification or verification?	
9	When were the documents, data or information obtained for the purposes of identification or verification of this customer last up-dated?	
10	When will the documents, data or information obtained for the purposes of identification or verification of this customer next be checked?	
11	What is the ownership and control structure of the beneficial owner?	
12	Does the Council wish to establish a business relationship with this customer?	
13	What is the purpose and intended nature of the business relationship?	
<b>SECTION C: OUTCOME OF DUE DILIGENCE MEASURES</b>		
Is the Council unable to answer any of the above questions because the customer has been unable or unwilling to provide information?  If so, please give full details.		<b>If the answer is “Yes”, the Council must not establish a business relationship or carry out an occasional transaction with this customer; it must not carry out any transaction with or for the customer through a bank account; it must terminate any business relationship with the customer AND the suspicion must be reported immediately to the MLRO.</b>
<b>NOTE</b> <b>This pro-forma must be kept for 5 years from the end of the business relationship or occasional transaction with this customer.</b>		

**SUSPICIOUS TRANSACTION REPORTING PROCEDURE**

**CONFIDENTIAL****Report to the Money Laundering Officer - Report of Suspected Money Laundering Activity****To: Money Laundering Reporting Officer – Chief Finance Officer**

or

**Deputy Money Laundering Reporting Officer – Solicitor to the Council and Monitoring Officer**

From:

-----  
(Insert Name of Employee)

Service:

-----  
(Insert Post Title and Service)

Tel No:

-----

Date:

-----

Urgent: Yes / No

Date by which response required:

-----

**Details of suspected offence**

Name(s) &amp; Address(es) of Person(s) Involved:

(If a company or public body please include the nature of the business)

Nature, Value and Timing of Activity Involved
---

(Please include full details e.g. what, when, where, how)
---

Nature of Suspensions regarding such activity:
--

Has any investigation been undertaken (as far as you are aware)? (delete as appropriate)
--

Yes / No
----------

If Yes please include details below
-------------------------------------



**THE FOLLOWING PART OF THIS FORM TO BE COMPLETED BY THE MLRO**

Date report received: .....

Date Receipt of Form Acknowledged: .....

**Consideration of Disclosure:**

Action Plan:

**Outcome of Consideration of Disclosure:**

Are there reasonable grounds for suspecting money laundering activity?

If there are reasonable grounds for suspicion will a report be made to the NCA? (delete as appropriate)	Yes / No
---	----------

If yes, please confirm date of report to NCA: ..... and complete box below

Details of liaison with NCA regarding the report	
Notice Period: From:	To:
Moratorium Period: From:	To:

Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be a prohibited act? (delete as appropriate)	Yes / No
---	----------

If Yes confirm full details in box below

Date consent received from NCA

-----

Date Consent given by MLRO to employee

-----

If there are reasonable grounds to suspect money laundering, but you do not intend to report the matter to the NCA, please set out the reason(s) for non-disclosure:

Date given by you to employee for any prohibited act transactions to proceed:
---

Other relevant information

Signed: _____	Dated: _____
---------------	--------------

**THIS REPORT TO BE RETAINED FOR AT LEAST FIVE YEARS**



**If you would like this information in a way which is better for you, please telephone 01756 700600.**

Craven District Council  
1 Belle Vue Square  
Broughton Road  
Skipton  
North Yorkshire  
BD23 1FJ

**Tel: 01756 700600**

**Email: [contactus@cravendc.gov.uk](mailto:contactus@cravendc.gov.uk)**

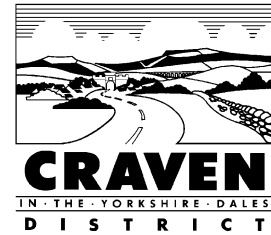
**Website: [www.cravendc.gov.uk](http://www.cravendc.gov.uk)**



INVESTOR IN PEOPLE



## Audit and Governance Committee – 23<sup>rd</sup> January 2018



### WHISTLEBLOWING POLICY

Report of the Solicitor to the Council (Monitoring Officer)

Ward(s) affected: ALL

1. **Purpose of Report** – To present a draft revised Whistleblowing Policy.
2. **Recommendations** – Members are recommended to:
  - 2.1 Consider and recommend to Council that the revised Whistleblowing Policy is adopted.
3. **Report**
  - 3.1 Good governance arrangements require the Council to keep its Codes and Protocols up to date and that these are reviewed on a regular basis. The Standards Committee is required under its terms of reference to review, at least every two years, the Codes and Protocols.
  - 3.2 The Council's Whistleblowing Policy was last reviewed in 2013 and as part of its work programme for 2017/2018, Standards Committee has undertaken a detailed review of the Policy.
  - 3.3 The review commenced in March 2017 and the views of the Council's Corporate Leadership Team, Senior Leadership Team, Human Resources also the Unions' Workplace Representatives have been sought and considered in detail.
  - 3.4 At its meeting on the 8<sup>th</sup> November 2017, Standards Committee resolved to recommend the adoption of the draft revised Whistleblowing Policy (attached as Appendix A).
  - 3.5 Audit and Governance Committee is tasked with '*monitoring Council policies on Whistleblowing*' and as such the Committee is requested to consider the attached revised Policy and recommend its adoption.
4. **Implications**
  - 4.1 **Financial and Value for Money Implications** – There are no financial implications arising from this report.
  - 4.2 **Legal Implications** – There are no legal implications arising from this report.

4.3 **Contribution to Council Priorities** – Improving how the Council governs its business.

4.4 **Risk Management** – Not applicable.

4.5 **Equality Analysis** – Not applicable.

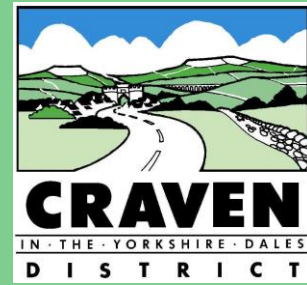
5. **Consultations with Others** – Not applicable at this stage.

6. **Access to Information: Background Documents** – Not applicable.

7. **Author of the Report** – Annette Moppett, Solicitor to the Council (Monitoring Officer); telephone 01756 706325; e-mail: amoppett@cravendc.gov.uk.

Members are invited to contact the Monitoring Officer in advance of the meeting with any detailed queries or questions.

8. **Appendices** –  
Appendix A – Draft revised Whistleblowing Policy



# **Craven District Council**

## **Whistleblowing Policy**

**Last Updated:**  
**Approved:**

## INTRODUCTION

- 1.1 At Craven District Council we want to make sure that we are providing excellent services to the residents of Craven. Our staff, councillors, partners and contractors have an important role to play in achieving this goal and we expect everyone to be committed to our high standards of service which are based on the principles of honesty, openness and accountability. We know that we face the risk that something may go wrong or that someone may ignore our policies, our procedures or the law, resulting in some very serious consequences.
- 1.2 Employees are often the first to realise that there may be something seriously wrong within the Council. However, they may not express their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern rather than report what may just be a suspicion of malpractice.
- 1.3 The Council is committed to the highest possible standards of openness, honesty, integrity, preventing and detecting fraud and corruption and it is everyone's responsibility to pursue these aims. In line with that commitment, we encourage anyone with serious concerns about any aspect of the Council's work to come forward and voice those concerns.
- 1.4 This policy document makes it clear that you can come forward and voice your concerns without fear of ~~reprisals~~ suffering from any form of retribution. This **Whistleblowing Policy** is intended to encourage and enable you to raise serious concerns **within** the Council rather than ~~closing your eyes or worrying or feeling that you have no alternative but to talk to the press ignoring your concerns, feeling helpless, or making the matter public~~. We want you to feel that it is safe and acceptable to tell us about your concerns so that we can investigate and take action as soon as possible.
- 1.5 The policy applies to you whether you are a permanent or temporary employee, agency or casual member of staff or if you work as a contractor or volunteer.
- 1.6 These procedures are in addition to the Council's complaints procedures and other statutory reporting procedures applying to some service units.
- 1.7 This policy has been discussed with the relevant trade unions and professional organisations ~~and has their support~~ who would like to support such a policy.

## 2. AIMS AND SCOPE OF THIS POLICY

2.1 This policy aims to:

- encourage you to feel confident in raising serious concerns and to question and act upon concerns about practice;
- provide you with the means to raise those concerns and receive feedback on any action taken;
- ensure that you receive a response to your concerns and that you are aware of how to take the matter further if you are dissatisfied with the Council's response; and
- reassure you that you will be protected from possible reprisals, harassment or victimisation if you believe that you have acted in the public interest.

2.2 There are existing procedures in place to enable you to lodge a grievance relating to your own employment. This Policy is intended to cover major concerns that fall outside the scope of other HR policies. These include:

- Conduct which is an offence, or a breach of the law;
- Disclosures related to miscarriages of justice;
- Health and safety risks, including risks to the public as well as other employees;
- Damage to the environment;
- Unauthorised use of public funds;
- Fraud and corruption; and
- Other unethical conduct.

2.3 **Any serious concerns that you have about any aspect of service provision or the conduct of officers or Members of the Council, or others acting on behalf of the Council can be reported under the Whistleblowing Policy.** This may be about something that:

- makes you feel uncomfortable in terms of your experience of the standards you believe the Council subscribes to;
- is against the Council's Standing Orders, Financial Procedure Rules;
- falls below established standards of practice; or
- amounts to improper conduct.

2.4 This policy does **not** replace the Council's Comments, Compliments and Complaints Procedure.

## 3. SAFEGUARDS

### Harassment or Victimisation

3.1 The Council is committed to good practice and high standards and wants to support its employees.

3.2 The Council recognises that the decision to report a concern can be a difficult one to make. If a concern is reported in reasonable belief and in the public interest, you

should have nothing to fear because you will be doing your duty to the Council and to those for whom you are providing a service.

- 3.3 The Council will not tolerate harassment or victimisation (including informal pressures) and will take appropriate action to protect any one who raises a concern in accordance with this Policy. Also, the law protects employees from dismissal, harassment or victimisation if such treatment occurs as a result of having made a whistleblowing disclosure considered to be in the public interest.
- 3.4 Any investigation into allegations of potential malpractice will not influence, or be influenced by, any disciplinary or redundancy procedures that already affect you.

## **4. CONFIDENTIALITY**

- 4.1 This Policy encourages you to put your name to your allegation whenever possible.
- 4.2 All concerns will be treated in confidence and every effort will be made not to reveal your identity without your permission. However, if you agree, you may be called as a witness at the appropriate time, in order to prove the case.
- 4.3 If a case comes before the Court, your evidence may prove crucial. Whilst the Council will take reasonable steps to conceal your identity, there is the possibility it may have to be disclosed for the purposes of criminal investigation or to provide evidence in Court.
- 4.4 At some stage it is likely that the person against whom you are making a complaint will be spoken to. Every effort will be made to ensure your confidentiality, however the circumstances of the case may unavoidably infer your identity. In such cases, wherever practicable, you will be consulted beforehand.

## **5. ANONYMOUS ALLEGATIONS**

- 5.1 Concerns can be expressed anonymously or through a union representative, but they are often may be more difficult to investigate. The Council will have to use its discretion to determine if enough relevant information has been provided to decide if an investigation is warranted.
- 5.2 In exercising this discretion the factors to be taken into account would include:
- the seriousness of the issues raised
  - the credibility of the concern; and
  - the likelihood of confirming the allegation from attributable sources.

## **6. OUR ASSURANCES TO YOU**

- 6.1 If you raise a genuine concern you will not be at risk of losing your job or suffering any form of retribution as a result. Provided you are acting in the public interest, in reasonable belief, it does not matter if you are mistaken. Of course, we do not extend this assurance to someone who maliciously raises a matter they know is untrue in which case disciplinary action may be taken against them.

6.2 We will not tolerate the harassment or victimisation of anyone raising a genuine concern. However, we recognise that you may nonetheless want to raise a concern in confidence. If you ask us to protect your identity we will not disclose it without your consent. If we are unable to resolve the concern without revealing your identity (for example, because your evidence is needed in court), we will discuss with you how you wish to proceed.

6.3 Remember, if you do not tell us who you are, it will be more difficult for us to look into the matter, or to obtain further information, or to protect your position or to give you feedback.

6.4 Any officer or member who discloses confidential information about an on-going investigation, or in any way compromises that investigation, will be dealt with in accordance with the Council's adopted policies and procedures.

## 7. HOW TO RAISE A CONCERN

7.1 As a first step, you should normally raise concerns with your immediate manager or supervisor. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your manager is involved, you should raise the matter with one of the following:

Chief Executive;  
Solicitor to the Council (Monitoring Officer);  
Chief Finance Officer (s151 Officer); or  
Audit Services Manager (Harrogate Borough Council).

–You should receive a written acknowledgement within five working days (see paragraph 8.5 below) but if you do not please contact either the Solicitor to the Council or the Chief Finance Officer (or ask your representative to).

7.2 Concerns may be raised verbally or in writing. If wish to make a written report you are asked to include the following information:

- the background and history of the concern (giving relevant dates);
- details of any evidence you may have or may be able to point to;
- the reason why you are particularly concerned about the situation.

7.3 The earlier you express your concern; the easier it is to take action.

7.4 Although you are not expected to prove beyond doubt the truth of the allegation, you will need to demonstrate to the person contacted that there are reasonable grounds for your concern.

7.5 You can seek confidential advice and guidance on how to pursue matters of concern by contacting one of the officers listed in paragraph 7.1 above, or your union representative or Human Resources.

7.6 You may also seek advice from the independent charity, **Public Concern at Work**

whose legal advisers can provide free confidential advice at any stage about how to raise a concern about serious malpractice at work. Their contact details are:

**Address**

CAN Mezzanine,  
7-14 Great Dover Street,  
LONDON SE1 4YR

**Telephone**

Advice line: 020 7404 6609  
General enquiries: 020 3117 2520

**Fax**

020 7403 8823

**E-Mail and website**

Advice line: [whistle@pcaw.co.uk](mailto:whistle@pcaw.co.uk)  
Website: [www.pcaw.co.uk](http://www.pcaw.co.uk)

~~7.7 You may invite your trade union representative or a colleague to be present during any meetings or interviews in connection with the concerns you have raised. You may also seek advice from your trade union representative as well and invite your trade union representative or a colleague to be present during any meetings or interviews in connection with the concerns you have raised.~~

7.7 The staff counselling service is also available to all employees who are experiencing difficulties or challenges at work (or at home). The service is completely confidential, is independent and can be accessed by self-referral. Oasis Peoplecare can be contacted on 0800 9757 141 or email [op@oasissschool.org.uk](mailto:op@oasissschool.org.uk).

## 8. HOW THE COUNCIL WILL RESPOND

8.1 The Council will respond to your concerns. Do not forget that the Council may need to test out your concerns. Doing so is not the same as doubting or rejecting them.

8.2 The action taken by the Council will depend on the nature of the concern. The matters raised may:

- be investigated internally by either the Chief Executive, Solicitor to the Council, Chief Finance Officer or the Audit Services Manager, whoever is most as appropriate in the individual circumstances, ~~but n~~o one else would be delegated this task. Matters relating to fraud/money will be investigated by the Chief Finance Officer or Audit Services Manager;
- be referred to the Police;
- be referred to the External Auditor; and/or
- form the subject of an independent inquiry.

8.3 In order to protect individuals and those accused of an offence or possible malpractice, initial discreet enquiries will be made to decide whether an investigation is appropriate



and, if so, what form it should take. The overriding principle which the Council will have in mind is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example, fraud or discrimination issues) will normally be referred for consideration under those procedures.

- 8.4 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this may be taken before any investigation is conducted.
- 8.5 Within five working days of a concern being raised, the Council will write to you or email, acknowledging that your concern has been received. It is your responsibility to inform your representative (if you have appointed one) of communications between you and the Council.
- 8.6 Within ten working days of a concern being raised, the Council will write to you again:
- indicating how the matter will be dealt with;
  - invite you to suggest how best to contact you e.g. inside or outside office hours, by work or personal email etc.;
  - giving an estimate of how long it will take to provide a final response;
  - telling you whether any initial enquiries have been made;
  - telling you whether further investigations will take place; and if not, why not; and
  - giving you information on the support available to you.
- 8.7 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of information provided. You may be asked to provide further information.
- 8.8 When any meeting is arranged, you have the right if you so wish, to be accompanied by a representative of your choice as outlined in paragraph 7.6..
- 8.9 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings, the Council will arrange for you to receive support from Witness Service.
- 8.10 The Council accepts that you need to be assured that the matter has been properly addressed. Therefore, subject to legal constraints, you will be given appropriate information about the outcomes of any investigation.

## **9. THE RESPONSIBLE OFFICER**

- 9.1 The Monitoring Officer has overall responsibility for the maintenance and operation of this Policy and will liaise, where necessary with Internal Audit and/or the Chairman of Audit and Governance Committee. The Monitoring Officer maintains a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Audit and Governance Committee.

## 10. HOW THE MATTER CAN BE TAKEN FURTHER

10.1 This Policy is intended to provide you with an avenue within the Council to raise concerns. The Council hopes that you will be satisfied with any action taken. If you are not, and you feel it is right to take the matter outside the Council, the following are possible contact points:

- The *External* Auditor;
- The Police;
- Relevant professional bodies or regulatory organisations;
- The Health and Safety Executive; or
- The Chairman of Standards Committee.

10.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. You should check this with the person you contact.

## 11. THE LAW

11.1 This policy and procedure has been written down to take account of The Public Interest Disclosure Act 1998, which protects staff making disclosures about certain matters of concern, where those disclosures are made in accordance with the Act's provisions.

11.2 The Act is incorporated into the Employment Rights Act 1996, which also already protects employees who take action over, or raise concerns about health and safety at work. For the avoidance of doubt, financial issues are covered by the Local Government Act 1988, the Local Government and Housing Act 1989 and the Accounts and Audit Regulations 2003.

## 12. REVIEW

12.1 This policy will be reviewed every two years or earlier if circumstances require it.



If you would like this information in a way which is better for you, please telephone 01756 700600.

**Craven District Council  
Council Offices  
1 Belle Vue Square  
Broughton Road  
Skipton  
North Yorkshire BD23**

**Tel: 01756 700600**

**Email: [contactus@cravendc.gov.uk](mailto:contactus@cravendc.gov.uk)**

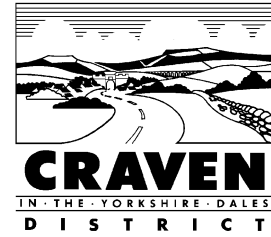
**Website: [www.cravendc.gov.uk](http://www.cravendc.gov.uk)**



INVESTOR IN PEOPLE

## **Audit and Governance Committee – 23 January 2018**

### **Exemptions Granted under Contract Procedure Rules**



Report of the Chief Finance Officer

Ward(s) affected: All

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

- 1.1. To report on the exemptions granted from the Council's Contract Procedure Rules from July 2017 to November 2017.

#### **2. Recommendations**

- 2.1. Members are requested to note the exemptions granted.

#### **3. Exemptions Granted**

- 3.1 Under the Contract Procedure Rules it is recognised that under certain circumstances there are occasions when it's appropriate not to seek tenders or quotations provided that an alternative method of selection can demonstrate value for money. On other occasions quotations are sought but insufficient responses are received.
- 3.2 Under the contract Procedure Rules there is one current named circumstance under which a responsible officer may seek exemption from the normal procedures.
- 3.3 The responsible officer seeking an exemption must obtain the prior approval of the Solicitor to the Council & Monitoring Officer and the Chief Financial Officer. The exemptions granted must then be reported to Audit & Governance Committee.
- 3.4 In the period July 2017 to November 2017 two exemptions have been granted. A summary of the exemptions can be found at Appendix A and Members are recommended to note these.

#### **4. Financial Implications**

- 4.1 There are no financial implications associated with this report.

#### **5. Legal Implications**

- 5.1 None

#### **6. Contribution to Corporate Priorities**

- 6.1 Procurement contributes to Council Priority Financial Sustainability by ensuring all services and products required deliver value for money.

**7. Risk Management**

7.1 There are no risks arising as a direct result of this report.

**8. Consultations with Others - None****9. Access to Information: Background Documents – Exemption reports****10. Author of the Report**

Claire Hudson, Exchequer and Performance Manager

Tel No: 01756 706493

E-mail: chudson@cravendc.co.uk

**Appendix A - Summary of Exemptions granted from tendering under CPR 6.2 of Craven District Council's Contract Procedure Rules July 2017 to November 2017**

Number	Date	Date of Approval	Description	Value	Reason for Exemption
1	9 <sup>th</sup> June 2017	4 <sup>th</sup> July 2017	Demolition and construction of Skipton Bus Station toilets	£47,328.00	<p>Due to unforeseen changes in design and construction, additional work was required that was not detailed in the original contract.</p> <p>In order to meet deadlines and for technical reasons, the work could not be carried out by a separate contractor.</p> <p>Exemption granted under with 6.2 c of the CPRs: (c) that additional goods, works or services are required which, through unforeseen circumstances, were not included in the original contract and which are either strictly necessary for the completion of the Contract or, for technical or economic reasons, cannot be carried out separately without great inconvenience/additional costs;</p>
2	26 <sup>th</sup> October 2017	30 <sup>th</sup> October 2017	Revenues and Benefits Software	£3,250.00	<p>Additional DBA work is required in the coming months which will fall out of current contract and is limited limited to the current supplier.</p> <p>Exemption granted under with 6.2 c of the CPRs: (c) that additional goods, works or services are required which, through unforeseen circumstances, were not included in the original contract and which are either strictly necessary for the completion of the Contract or, for technical or economic reasons, cannot be carried out separately without great inconvenience/additional costs;</p>

## Audit and Governance Committee 23 January 2018

### Audit Services Progress Report as at 31st December 2017



Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

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

- 1.1 To update Committee Members on the progress made against the 2017/18 Internal Audit plan up to 31<sup>st</sup> December 2017.

#### 2. **Recommendations**

Members are recommended to:-

- 2.1 Note the contents of the report and the attached Appendix.

#### 3. **Background Information**

- 3.1 The work undertaken by Audit Services is governed by the Accounts and Audit (England) Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with paragraph 2.11 of the Standards, the Audit Committee must receive progress reports detailing progress made against the agreed Annual Audit Plan.

#### 4. **The Report**

- 4.1 This report details the work undertaken by Audit Services and contains a summary of completed reviews along with the overall audit opinion given.

4.2 **Breakdown of Current Position as at 31<sup>st</sup> December 2017 including b/fwd audits from 2016/17 Audit Plan**

**2016/17 audits**

<b>2016/17 Audits</b>	<b>Audit Opinion</b>	<b>Current Status</b>
Money Laundering	Good	A&G Committee January
Planning Fees	Significant	With ASM for review
Car park income	In progress	Planning
Asset Rentals & lettings income	Yet to start	Q4 audit

**2017/18 audits**

<b>2017/18 Audits</b>	<b>Audit Opinion</b>	<b>Current Status</b>
Trade Waste	Yet to start	Q4 audit
Business Continuity & Disaster Recovery	Good	Draft report being written
Software Asset Management	Good	Draft report being written
Procurement Cards	Significant	A&G Committee January
Travel & Subsistence	In progress	Q4 audit
Pay Elements	In progress	Q4 audit
G4S Contract Arrangements	In progress	Planning
NNDR	Yet to start	Q4 audit
Council Tax	Yet to start	Q4 audit
Information Governance	Good	A&G Committee January
Customer Complaints	Significant	A&G Committee January
Duplicate Payments	n/a	3 duplicate payments identified – total value £1541 – to be recovered.
Risk Management Arrangements	Yet to start	Q4 audit
Member Grants	TBA	Draft report issued



- 4.3 The following table shows the progress against the 2017/18 operational plan for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> October 2017.

<b>Audit Area</b>	<b>Total Days per approved Audit Plan 2017/18</b>	<b>Days spent as at 31<sup>st</sup> December 2017</b>
Follow up Audit work	2	1
ICT	30	24
Management	20	14
Service Areas	86	67
Fundamentals	30	0
Fraud	15	8
Contingency	42	0
Contingency (CDC Discretion)	10	0
Risk	15	0
<b>TOTAL</b>	<b>250</b>	<b>114</b>

- 4.4 The current position on the 2017/18 Audit Plan as at 31<sup>st</sup> December 2017 is as follows:

<b>Status of Audits</b>	<b>Number of Audits</b>	<b>Percentage of Plan</b>
Final report issued	4	22%
Draft report issued	1	6%
Managers Review	1	6%
In progress	6	33%
Yet to start	5	27%
No audit report due	1	6%
<b>Total</b>	<b>18</b>	<b>100%</b>

## **5. Priority Areas to 31<sup>st</sup> March 2018**

### **5.1 Recruitment**

The Audit Service currently has a vacant post that it is actively being advertised. As an interim solution, a temporary replacement will be employed and based at Craven to ensure that the Audit Plan is delivered. It is envisaged that they will start on 22<sup>nd</sup> January for a period of 10 weeks.

### **Audit Plan**

Arrangements are being put in place to ensure that the Craven Audit Plan is delivered as agreed.

## **6. Conclusion**

- 6.1 All Audits will be completed in line with the agreed plan, including those brought forward from the 2016/17 Audit Plan. Monthly meetings will continue to be held with the Strategic Manager – Financial Services (s151 Officer) to provide assurance that audit work is progressing as planned

## 7. **Implications**

### 7.1 **Financial and Value for Money Implications**

None

### 7.2 **Legal implications**

None

### 7.3 **Contribution to Council Priorities**

The delivery of an Internal Audit Service contributes to Council transformation.

### 7.4 **Risk Management**

The internal audit function is an integral part of internal control.

### 7.5 **Equality Impact Assessment**

The Council's Equality Impact Assessment Procedure **has been** followed. An Equality Impact Assessment **has not** been completed on the proposals as completion of **Stage 1- Initial Screening** of the Procedure identified that the proposed policy, strategy, procedure or function **does not have** the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

## 8. **Consultations with Others**

Strategic Manager Financial Services (S151 Officer

## 9. **Access to Information : Background Documents**

None

**10. Author of the Report**

Kim Betts, Audit Services Manager, Craven District Council and Harrogate Borough Council Shared Audit Service.

**Note:** Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

**11. Appendices**

Internal Audit Plan 2017/18 April – December 2017 Monitoring

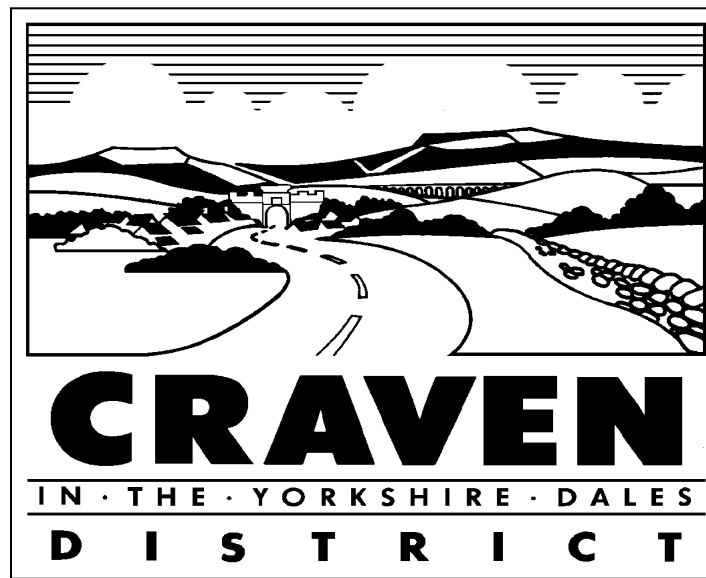
**APPENDIX 1**

**Internal Audit Plan April – December 2017 MONITORING**

<b>Audits (includes audits brought forward 2016/17 and 2017/18 audits)</b>	<b>Approved Plan (Days)</b>	<b>Actual April-December (Days)</b>	<b>Comments (at time of writing)</b>
<b>2016/17 audits b/fwd</b>			
Money Laundering	10	7	A&G Committee - January
Planning Fees	15	21	With ASM for review
Car park Income	15	0	In progress
Asset Rentals & Lettings Income	15	0	Q4 audit
<b>2017/18 audits</b>			
Follow up recommendations	2	1	Ongoing
Customer Complaints	15	18	A&G Committee - January
Member Grants	10	12	With Audit Services Manager for review
Trade Waste	15	0	To start Quarter 4
Business Continuity & Disaster recovery	15	14	Draft report being written
Software Asset Management	15	10	Draft report being written
Pay Elements	7	1	In progress
Travel & Subsistence	3	0	In progress
G4S Contract Arrangements	15	0	In progress
NNDR	15	0	To start Quarter 4
Council Tax	15	0	To start Quarter 4
Information Governance	15	11	A&G Committee - January
Duplicate payments	1	0	3 duplicates identified. £1,541 to be recovered
Planning fee system review	10	6	See Planning fees 2016/17 b/fwd for audit report
Risk Management Arrangements	15	0	To start Quarter 4
Contingency	37	0	To be used as required/requested
Contingency (discretionary)	10	0	Only to be used if agreed with the Chief Finance Officer (s151 officer)
Use of Procurement Cards	15	8	A&G Committee - January
CDC Management	20	14	Ongoing
<b>TOTAL</b>	<b>250</b>	<b>95</b>	

**\* Key – Levels of Assurance**

<b>Level</b>	<b>Definition</b>
Significant	The system of internal control is designed to support the Councils corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the area reviewed.
None	There are weaknesses in control, or inconsistent non-compliance which places corporate and service objectives at risk in the area reviewed.



**Agenda Item 9bi**

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## **Internal Audit Report**

### **Procurement Cards**

**Report ref: C14/2017**

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Report Issued

Draft: 13<sup>th</sup> December 2017  
Final: 28<sup>th</sup> December 2017



## Contents

Background	page 2
Scope	page 4
Audit Opinion	page 5
Detailed Findings & Action Plan	page 7

### Auditor:

Tom McIntosh

### Distribution:

Name	Job Title
Paul Shevlin (Final only)	Chief Executive
Nicola Chick	Chief Finance Officer (S151 officer)
Claire Hudson	Exchequer & Performance Manager
Rebecca Steel (Final only)	Performance Management Officer

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# 1 Background

- 1.1 This audit is being undertaken as part of the 2017/18 annual audit plan and is the first time that the processes and procedures behind the usage of Procurement Cards has been reviewed.
- 1.2 Over the last decade, the introduction and usage of Procurement Cards has become more prominent to the point that they are now considered to be a key payment method for procurement teams. This is due to the many advantages of using these cards although there are risks as well.
- 1.3 The benefits include:
- Potential savings as better deals may be available on-line.
  - Improved relationships with suppliers as payment occurs much faster
  - Reduction in the number of paper invoices received, which in turn saves money on storage facilities
  - Ability to restrict purchasing of certain products by controlling the number of expenditure categories linked to the card.
- 1.4 However there are risks with using this payment method:
- Card could be misused if purchaser deliberately allocates incorrect expenditure category to the purchase, thus allowing payment to go through.
  - Time is needed reconciling the Payment Card statement to the Transaction Log and Agresso.
  - Fraudulent usage may be hidden if inadequate segregation of duty controls has been put in place.



- 1.5 Since the introduction of Procurement Cards at Craven District Council, expenditure on them has steadily increased as follows:

Year	Value (£)
2012/13	30,482
2013/14	39,779
2014/15	45,440
2015/16	48,144
2016/17	65,331
2017/18	27,902 (April – Aug)

Currently there are 27 procurement cards issued to officers approved to hold them.

- 1.6 The purpose of this audit is to ensure that adequate controls have been put in place to mitigate the risks of this payment method. As part of this review Internal Audit undertook a walkthrough of the system which has identified the following Key Control Objectives (KCO's):
- To ensure that policies and procedures are in place to manage the use of Procurement Cards and these are being followed.
  - Procurement card holders are current employees and transactions are regularly reviewed for reasonableness.
- 1.7 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 Audit Scope

2.1 The following testing was undertaken:

KCO	Test	Sample size
To ensure that policies and procedures are in place to manage the use of procurement cards and these are being followed.	<ul style="list-style-type: none"> <li>• Obtain the current policy and confirm it is up to date.</li> <li>• Review the current policy to confirm that the management and administration of procurement cards is clear.</li> <li>• Ensure appropriate training has been provided to Procurement Card holders.</li> <li>• Confirm the procedure in place to add and remove card holders, including the change of card transaction/monthly limits.</li> <li>• Review the card holder limits and confirm these are reasonable for their role.</li> <li>• Ensure that merchant restrictions have been correctly applied.</li> <li>• Establish the arrangements in place to review and approve transactions/statements prior to payment.</li> </ul>	<ul style="list-style-type: none"> <li>• Obtain the current procurement card policy and guidance.</li> <li>• Review all card holders transaction and monthly limits.</li> <li>• A sample of 20 transactions and confirm the correct merchant category has been applied to the purchase.</li> <li>• Review all procurement card statements from April 2017 to September 2017 for transaction evidence and approval prior to the pay date.</li> </ul>
Procurement card holders are current employees and transactions are regularly reviewed for reasonableness.	<ul style="list-style-type: none"> <li>• Determine if procurement card users and limits are reviewed on a regular basis</li> <li>• Select a sample of monthly statements to ensure transactions are checked and approved by the card holder prior to payment.</li> <li>• Confirm that transactions are challenged by an independent officer.</li> <li>• Review a sample of transactions to ensure these are legitimate and for council business</li> </ul>	<ul style="list-style-type: none"> <li>• All card users at the time of the audit.</li> <li>• A random sample of 20 monthly statements for all card holders from April 2017 to September 2017.</li> <li>• A random sample of 20 transactions from April 2017 to September 2017.</li> </ul>

### 3 Audit Opinion

3.1 A summary of Audit Services opinion levels and their definitions is provided below:

Level	Definition
<b>Significant Level of Assurance</b>	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
<b>Good Level of Assurance</b>	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
<b>Partial Level of Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
<b>No Level of Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

3.2 This audit has been given a **Significant Level of Assurance**.

3.3 The process for applying and the issuing of procurement cards is well managed and controlled. A robust challenge by Finance staff is in existence whereby they inspect all transactions, including any supporting evidence (receipts) as well as reviewing how VAT is applied. This independent challenge confirms that each purchase relates to council business. No fraudulent transactions were identified during testing on this audit.

3.4 The current procurement card policy has not been updated since 2013, however only minor changes are required and the Policy itself is still very relevant.

3.5 The audit did identify a small number of occasions when non-card holders have used a Procurement card with the approval of the card holder. Current guidance expressly forbids this practice but we understand that this is due a refresh and that a decision will be taken as to whether this restriction will continue to apply.

- 3.6 Whilst there is an independent challenge on all transactions by an officer in Finance, there are issues where card holders provide the wrong VAT receipt. If a VAT receipt is not provided, the council is unable to reclaim the VAT. For transactions between April 2017 and August 2017, the council has been unable to reclaim £820 in VAT because an incorrect receipt has been provided. Card holders should be reminded of the importance to provide the correct receipts in order to comply and reclaim VAT.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows; Priority 1 – These recommendations relate to significant gaps in the Internal Control Framework, Priority 2 – These recommendations relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls, Priority 3 - These issues relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
<b>Policies and procedures are in place to manage the use of procurement cards.</b>				
1	<p>The Policy on Procurement Cards is well structured and details the key procedures that must be followed when using the cards. It also explains that any misuse is considered gross misconduct and will be dealt with accordingly.</p> <p>The policy however is dated 2013 and has not been reviewed since then. As a consequence it currently contains contact details of key administrative staff that have left the Council.</p>	Staff are unclear who to contact if there is a problem using the card	<p>Priority 3</p> <p>The Procurement Card policy should be reviewed and updated.</p> <p>In light of some of the small errors noted elsewhere, we also recommend that the updated Policy is reiterated to card holders.</p> <p><b>Management Response</b> Agreed. The policy is due a refresh as the card provider has changed their own procedures and we need to reflect these in our own policy.</p>	<p>Exchequer &amp; Performance Manager</p> <p>30/9/2018</p>

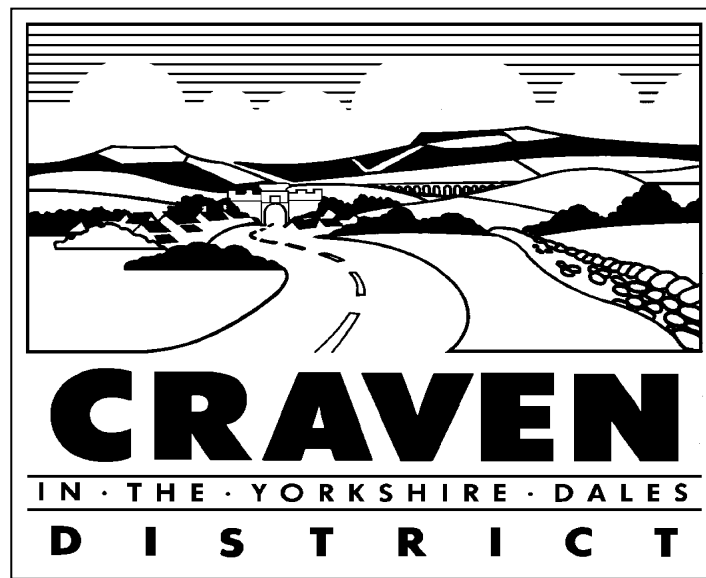
Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
2	.Audit testing identified a small number of occasions when cards have been handed to non-card holders. Staff admitted there is no formal process in place to allow for this practice, which is correct as current guidance from the card provider stipulate that only the person named on the card must use it.	<p>Increased risk of fraud payments made.</p> <p>Lack of accountability on expenditure as the audit trail is affected</p>	<p>Priority 2</p> <p>Staff holding procurement cards must be reminded that they are not permitted to hand these out to anyone and that all expenditure must be processed by them.</p> <p><b>Management Response</b> Agreed. The Policy does state that only current card holders must use the procurement cards. As noted above, this Policy is due a refresh and guidance will be reviewed at this point.</p>	<p>Exchequer &amp; Performance Manager</p> <p>30/9/2018</p>
<b>Procurement card holders are current employees and transactions are regularly reviewed for reasonableness.</b>				
3	A review of the transaction evidence found that on occasions the procurement card billing addresses were for non-council premises. It has been assumed by the auditor that these relate to the procurement card holders' home address.	VAT may not be recoverable	<p>Priority 3</p> <p>The Council must contact Barclaycard to ensure they have set up each card holders' address as 1 Belle Vue Square and not their home address.</p> <p><b>Management Response</b> Agreed. We have actioned this request previously due to issues but will contact them again</p>	<p>Exchequer &amp; Performance Manager</p> <p>31/3/2018</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
4	<p>VAT receipts enable the council to reclaim tax on purchases.</p> <p>Testing found that either VAT receipts are not always provided for each transaction, or card holders only provide the card receipt which does not include the purchase details and VAT breakdown.</p> <p>In discussion with the Accountant, who is responsible for VAT, from April 2017 to August 2017, due to non VAT receipts being provided, the Council has been unable to reclaim £820.63 VAT.</p> <p>Card holders should be advised to obtain VAT receipts where possible.</p>	<p>Procurement cards are misused and fraudulent transactions could be made</p>	<p>Priority 2</p> <p>VAT receipts should support each purchase. This should be reiterated to all card holders.</p> <p><b>Management Response</b> Agreed. We have told card holders about this on many occasions but will reissue a reminder.</p>	<p>Exchequer &amp; Performance Manager</p> <p>31/3/2018</p>

The agreed actions will be subject to a follow up review to establish whether they have been implemented.

Any queries or requests for further information regarding this report should be directed to Kim Betts, Auditor Services Manager by email at kim.betts@harrogate.gov.uk or by telephone on (01423) 500600 x 58587.

Audit Services would like to thank the officers involved for their assistance during this audit.



**Agenda Item 9bii**

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## **Internal Audit Report**

### **Money Laundering**

**Report ref: C7 / 9**

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Report Issued

Draft: 12<sup>th</sup> December 2017  
Final: 9<sup>th</sup> January 2018





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### Auditor:

Tom McIntosh

### Distribution:

Name	Job Title
Paul Shevlin (Final Only)	Chief Executive
Nicola Chick	Chief Finance Officer (section 151 Officer)
Rebecca Steel (Final only)	Performance Management Officer

# 1 Background

- 1.1 This audit has been undertaken as part of the annual audit plan for 2017/18.
- 1.2 Money laundering is the generic term used to describe the process by which criminals disguise the original ownership of the proceeds of crime by making such proceeds appear to have been derived from a legitimate source. Any business in any sector can be subject to money laundering risks and therefore it is important that officers have an awareness of the risks, a developed approach to managing those risks plus reasonable measures to safeguard themselves against money laundering attempts.
- Traditionally money laundering has been described as a process which takes place in three distinct stages. Whilst this three stage definition of money laundering is very simplistic, the processes can be extensive and can occur in a number of ways. The three stages are:
1. Placement –criminally derived funds are introduced into the financial system in order to convert into a non-cash asset.
  2. Layering – the funds are ‘washed’ and its ownership and source disguised as they are concealed within a structure of complex layers of financial transactions.
  3. Integration –the ‘laundered’ property is re-introduced into the economy as clean funds derived from a legitimate source.
- 1.3 As part of this review Audit Services undertook a walkthrough of the system which has identified the following Key Control Objectives (KCO's):
- To ensure that Anti-money laundering arrangements comply with regulatory requirements.
  - Anti-money laundering training and awareness has been completed by services more susceptible to money laundering attempts.
- 1.4 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 Audit Scope

2.1 The following testing was undertaken:

KCO	Test	Sample size
To ensure that Anti-money laundering arrangements comply with regulatory requirements.	<ul style="list-style-type: none"><li>• To confirm that the current anti money laundering policy complies with current standards and regulation.</li></ul>	<ul style="list-style-type: none"><li>• Discussions with key officers and services</li><li>• Review of legislation and CIPFA best practice</li></ul>
Anti-money laundering training and awareness has been completed by services more susceptible to money laundering attempts.	<ul style="list-style-type: none"><li>• To establish that relevant training and awareness has been given to key staff</li><li>• Mechanisms are in place to report potential money laundering disclosures, including a procedure for escalating to the National Crime Agency (NCA)</li><li>• Services have been risk assessed to prevent money laundering.</li><li>• Review a period of payments to confirm that money laundering procedures have been applied.</li></ul>	<ul style="list-style-type: none"><li>• Discussions with services</li><li>• 2016/17 Debtors and cash receipting data.</li></ul>

### 3 Audit Opinion

3.1 A summary of Audit Services opinion levels and their definitions is provided below:

Level	Definition
<b>Significant Level of Assurance</b>	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
<b>Good Level of Assurance</b>	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
<b>Partial Level of Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
<b>No Level of Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

- 3.2 This audit has been given a **Good Level of Assurance**. Whilst the Anti-Money Laundering Policy is currently being updated (at the time of this audit it was in draft form), this updated policy does contain the very latest requirements as specified within the "Money Laundering, Terrorist Financing & Transfer of Funds (Information on the Payer) Regulations 2017 (MLR 2017) that came into force from 26<sup>th</sup> June 2017. This draft policy includes a flowchart of the procedure for reporting suspected Money Laundering together with information on how to produce a report to the designated Money Laundering Reporting Officer.
- 3.3 Our audit work identified that in the last 2 years 1 attempt at Money Laundering against this Council was thwarted by a very vigilant member of staff within Revenues and Benefits, who by his actions prevented any loss to the Council. The subsequent investigation was undertaken in line with the Council's Money Laundering Policy and was reported to the Serious Organised Crime Agency (now the National Crime Agency), who reported the matter to North Yorkshire Police.
- 3.4 The above case is good evidence and confirms that staff are aware of how Money Laundering operates as well as an awareness of the investigation process that needs to be followed. Furthermore audit interviewed numerous staff within different service areas about their understanding of Money Laundering and all provided sufficient evidence to show awareness of the Policy and how to raise any suspicions of this activity to the Money Laundering Reporting Officer. For

example, evidence was found of due diligence work being conducted for leases, asset purchases and for contract awards, which would highlight money laundering risks.

- 3.5 In addition to the above, in April 2016 a significant number of staff attended a Money Laundering course run by Capita Asset Services at Belle Vue Square. This course discussed all regulations regarding money laundering plus the roles and responsibilities that Craven District Council has in ensuring that its systems and physical assets are not used for criminal or terrorist activities. Audit testing confirmed that this course was very well received.
- 3.6 Audit did utilise our IDEA data interrogation system by creating a series of tests on payments (excluding Council Tax and Business Rates) made to the Council to determine whether any indicated potential Money Laundering activity. These tests included a review of unusual or large transactions; multiple debtor reference receipts and receipts that were greater than the invoice value for which a refund would therefore be due. No issues were found.
- 3.7 However our audit work has identified some weaknesses as follows:
  - (a) As noted above, the new Money Laundering Policy is in draft and needs to be ratified as soon as possible as the previous Policy is very out of date. Once this has occurred it must be communicated to all staff and Members.
  - (b) No workflows are in place that would allow the Money Laundering Reporting Officer to know when large sums of cash are being receipted into the Council's ledgers and we have therefore recommended an improvement to the control environment.
  - (c) The Anti-Money Laundering Policy is not included within the Induction checklist for new starters.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows; Priority 1 – These recommendations relate to significant gaps in the Internal Control Framework, Priority 2 – These recommendations relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls, Priority 3 - These issues relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
<b>To ensure that Anti-money laundering arrangements comply with regulatory requirements.</b>				
1	The latest Money Laundering Policy is still in draft.	Employees do not understand their responsibilities to report potential money laundering activity	<p>Priority 1</p> <p>The draft Money Laundering Policy should be finalised and approved as soon as possible. This should then be promoted to all employees and Members.</p> <p><b>Management Response:</b> Agreed, the updated AML policy will be presented to Audit &amp; Governance Committee for approval before 31 March 2018.</p>	<p>Chief Finance Officer (s151 Officer)</p> <p>31/06/2018</p>
2	The Money Laundering Regulations 2017 require all cash payments greater than €15,000 to be subjected to additional customer due diligence checks. The Council's Money Laundering Reporting Officer (MLRO) however is not aware when such amounts are received and therefore cannot be certain that the necessary additional measures are being put	Money Laundering activity exists without the knowledge of the Money Laundering Reporting Officer	<p>Priority 1</p> <p>The MLRO should ensure that as far as practicable managers and officers within relevant Services are aware of their responsibilities in respect of due diligence checks for</p>	<p>Chief Finance Officer (s151 Officer)</p> <p>30/09/2018</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
	into place.		<p>customers where the receipt of income is greater than €15,000. In addition officers will also be made aware of their responsibilities to report any suspicious activity greater than £1,000 for payments received by cash, debit card or credit card.</p> <p><b>Management Response:</b>  <b>Agreed:</b> An appropriate procedure has been included within the updated AML policy which staff will be required to follow.  Follow up internal audit reviews and associated fraud audits will then ensure that the procedures are being followed.</p>	
<b>Anti-money laundering training and awareness has been completed by services more susceptible to money laundering attempts.</b>				
3	<p>Service Managers are required to go through key council policies with new starters and to aid this, a checklist of policies is provided to the Manager by HR.</p> <p>HR confirmed that the Money Laundering Policy is not part of the induction checklist.</p>	<p>Staff are not informed straight away of how to identify and report suspicious activity.</p> <p>The importance of this policy is not emphasised to new starters</p>	<p>Priority 2</p> <p>The Money Laundering Policy should be included on the induction checklist.</p> <p><b>Management Response:</b> Agreed, the AML will be</p>	<p>HR Manager</p> <p>30/04/2018</p>

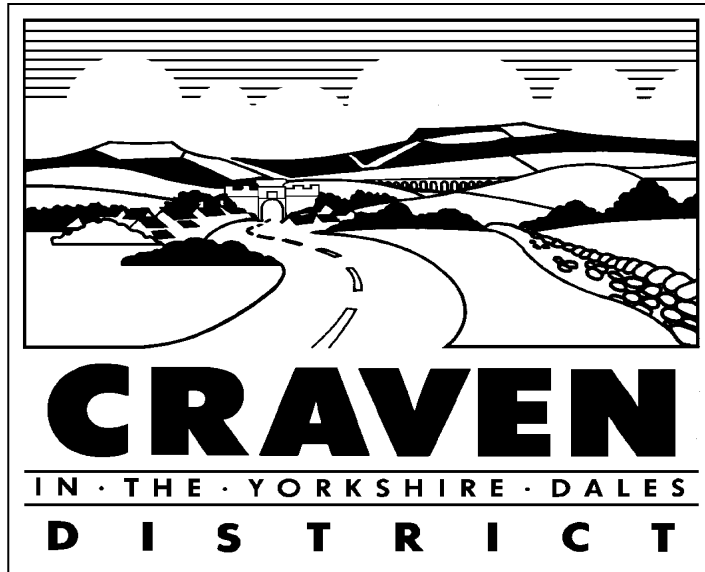
Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
			included in the induction check list as soon as it is approved by Audit & Governance & Council.	

The agreed actions will be subject to a follow up review to establish whether they have been implemented.

Any queries or requests for further information regarding this report should be directed to Kim Betts, Audit Services Manager by email at [kim.betts@harrogate.gov.uk](mailto:kim.betts@harrogate.gov.uk) or by telephone on (01423) 500 600 x58587.

Audit Services would like to thank the officers involved for their assistance during this audit.





**Agenda Item 9biii**

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**Internal Audit Report**

***Customer Complaints***

**Report ref: C8/2017**

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Report Issued

Draft: 17/12/2017

Final: 10/01/2018



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Audit Findings	page 6

### Distribution:

Name	Job Title
Paul Shevlin (Final only)	Chief Executive
Darren Maycock	CIO & SIRO
David Roper-Newman	Information Governance Manager
Nicola Chick	Chief Finance Officer (s151 Officer)
Rebecca Steel (Final only)	Performance Management Officer

# 1 Background

- 1.1 This audit is being undertaken as part of the 2017/18 audit plan. This is the inaugural audit of Customer complaints.
- 1.2 Customer Complaints have recently been placed under the responsibility of the information Governance Officer in August of this year. It previously was overseen by Business Support and Customer Services.
- 1.3 A number of improvements have been made in the administration of dealing with enquiries since the transfer.
- New letter templates have been created which will simplify the process of acknowledging and responding to customer contact and provide a consistent format that includes the required information.
  - Processes have been mapped on flow charts to provide procedure guidance and to help to ensure consistency in the process.
  - A new enquires and complaints register has been created, this includes useful features such as formatting that highlights overdue entries that need urgent attention.
  - New processes have already been implemented where previously issues had been experienced with the smooth completion of enquires or complaints.
- 1.4 These measures have been considered by Audit Services as sufficient to improve the performance of dealing with customer complaints and in record keeping in order to establish the performance. However there will be an opportunity to measure the effectiveness at the 6 month review of this audit, when there is adequate data to assess.
- 1.5 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.
- 1.6 As part of this review Internal Audit undertook a walkthrough of the system which has identified the following Key Control Objectives (KCOs):
- To confirm that customer complaints are being received, recorded, appraised and responded to as per the current policy.
  - To confirm that complaints summaries are reviewed and actions implemented on improvement of services where identified.

## 2 Audit Scope

2.1 The following testing was undertaken:

KCO	Test	Sample size
To confirm that customer complaints are being received, recorded, appraised and responded to as per the current policy.	– Obtain a copy of the current corporate complaints policy. Ensure it has been agreed by CLT or equivalent. Examine the policy and confirm that it is fit for purpose and that it has been made available to the appropriate audience.	N/A
	– Examine a sample of formal complaints to ensure that the customers had received an acknowledgement in the time frame specified in the complaints policy.	40 complaints/ enquiries
	– Examine a sample of complaints to ensure the complaint was resolved within the timeframes specified in the complaints policy.	40 complaints/ enquiries
	– Identify the methods and routes of customer contact and determine whether all routes would result in the complaint being logged on the central complaints database.	N/A
	– Inspect access arrangements to folders and files containing complaint information. Confirm that access is restricted to officers that need access.	N/A
	– Enquire as to how complaint information is passed onto the relevant service and confirm that the methods used are secure.	N/A

<p>To confirm that complaints summaries are reviewed and actions implemented on improvement of services where identified.</p>	<ul style="list-style-type: none"> <li>- Ensure there is a system in place which analyses complaint data, highlighting areas which could be improved, enabling plans of action to be put in place.</li> <li>- Review a sample of management reports and enquire with management as to the actions or decisions made based in the information.</li> <li>- Identify whether any targets have been associated with the performance of dealing with customer complaints. Assess the effectiveness of the PIs and the targets set.</li> </ul>	<p>N/A</p>
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## Audit Opinion

3.1 A summary of Internal Audit's opinion levels and their definitions is provided below:

Level	Definition
<b>Significant Level of Assurance</b>	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
<b>Good Level of Assurance</b>	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
<b>Partial Level of Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
<b>No Level of Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

- 3.2 This audit has been given a **Significant level of assurance**. Testing has identified two priority 2 control weakness. Detailed findings and associated recommendations are outlined in the main body of this report.
- 3.3 The improvement measures recently implemented have been considered by Audit Services as sufficient to improve the performance of dealing with customer complaints. The effectiveness of these changes will be reassessed at the 6 month review stage when there is adequate data to assess.
- 3.4 Audit Services also understand there are future plans to upgrade the CRM system to enable logging of enquiries and complaints along with wider staff access which may benefit the complaints system by controlling access to complaints and negate the need to hold a standalone spreadsheet.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management; therefore KCO's with adequate controls based on the samples examined are not included.

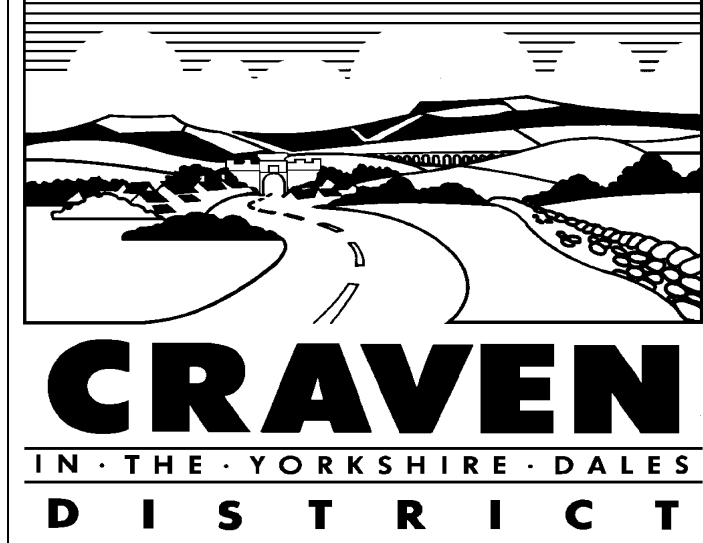
Recommendations are prioritised as follows; Priority 1 – These recommendations relate to significant gaps in the Internal Control Framework, Priority 2 – These recommendations relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls, Priority 3 - These issues relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
<b>KC01: To confirm that customer complaints are being received, recorded, appraised and responded to as per the current policy.</b>				
1	Craven Leisure operates its own comments and complaints system but only those received online are included within the corporate register that is discussed by Senior Management.	<p>Complaints are not being dealt with in accordance with the policy.</p> <p>Senior management are not aware of the full picture as all complaints are not being captured and discussed corporately.</p>	<p><b>Priority 2</b></p> <p>Ensure that enquiries and complaints taken at the swimming pool are also registered on the corporate complaints and enquiries register.</p> <p><b>Management Response Agreed</b></p> <p>Arrangements will be made to ensure that complaints made at the leisure centre will be dealt with in accordance with the Council's published policy and incorporated in the reporting arrangements.</p>	<p>Information Governance Manager</p> <p>1/2/2018</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
<b>KCO2: To confirm that complaints summaries are reviewed and actions implemented on improvement of services where identified.</b>				
2	A monthly report is prepared for CLT which shows the number of complaints received and response performance. The complaints are shown per stage reached but are not broken down by service area.	Management have reduced knowledge of the type of complaints that staff are handling.	<p><b>Priority 2</b></p> <p>Include service as a category in the complaints register to enable reporting on a service basis. The CLT report may not regularly need the information presenting this way but having the ability to do so when required may assist with determining trends.</p> <p><b>Management Response Agreed</b></p> <p>The service area will be incorporated into the control register so that this information is available to CLT if requested.</p>	<p>Information Governance Manager</p> <p>1/2/2018</p>

Any queries or requests for further information regarding this report should be directed to Internal Audit on 01423 500600 ext. 58584  
Audit would like to thank the officers involved for their assistance during this audit.





**Agenda Item 9biv**

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## **Internal Audit Report**

### **Information Governance**

**Report ref: C6/2017**

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Report Issued

Draft: 28<sup>th</sup> December 2017

Final: 10<sup>th</sup> January 2018



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### Auditor:

Tom McIntosh

### Distribution:

Name	Job Title
Paul Shevlin (Final only)	Chief Executive
Darren Maycock	ICT and Transformation Manager/SIRO
David Roper-Newman	Information Governance Manager
Nicola Chick	Chief Finance Officer (S151 Officer)
Rebecca Steel (Final only)	Performance Management Officer

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# 1 Background

- 1.1 This audit is being undertaken as part of the 2017/18 annual audit plan.
- 1.2 Harrogate Borough Council and Craven District Council have operated a shared audit service since 2010. In this time, there has never been a detailed review of Information Governance at Craven District Council.
- 1.3 Information is one of the most valuable assets held by any organisation. The Data Protection Act 1998 (DPA), Freedom of Information Act 2000 (FOIA) and Environmental Information Regulations 2004 (EIR) place obligations on public authorities which handle personal data and requests for information. Organisations need to ensure that data is held securely and remains accessible only to those with a need to view it, whilst also meeting transparency requirements. Local Authorities are also expected to handle information in accordance with nationally published guidelines.
- 1.4 Compliance with the Acts and Regulations is monitored by the Information Commissioner's Office (ICO). The ICO has the power to levy fines of up to £500,000 for non-compliance with data protection principles.
- 1.5 As part of this review Internal Audit undertook a walkthrough of the system which has identified the following Key Control Objectives (KCO's):
- To ensure adequate policies and procedures are in place to manage Information Governance
  - To confirm arrangements are in place to report, monitor and investigate information governance issues.
- 1.6 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 Audit Scope

2.1 The following testing was undertaken:

KCO	Test	Sample size
To ensure adequate policies and procedures are present to manage Information Governance	<ul style="list-style-type: none"><li>• Obtain current policies, procedures, action plans.</li><li>• Discussions and observations with employees</li></ul>	<ul style="list-style-type: none"><li>• Current documentation</li><li>• Employees in multiple service areas</li></ul>
To confirm arrangements are in place to report, monitor and investigate information governance issues.	<ul style="list-style-type: none"><li>• Discussions with employees</li><li>• Obtain evidence from the network and the Intranet.</li></ul>	<ul style="list-style-type: none"><li>• Current documentation</li><li>• Employees in multiple service areas</li></ul>

### 3 Audit Opinion

3.1 A summary of Audit Services opinion levels and their definitions is provided below:

Level	Definition
Significant Level of Assurance	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good Level of Assurance	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial Level of Assurance	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
No Level of Assurance	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

- 3.2 This audit has been given a **Good Level of Assurance**. The Council has a detailed Information Management & Governance Strategy plus a Strategic Delivery Plan which details progress made. This is discussed at the Council's Information Governance Group together with discussions on strategic risks. Whilst these meetings are not formally minuted at present, all relevant actions are. Good, clear procedures are also in place to inform employees on the procedures to follow should a data breach occur and these comply with the new GDPR. Training and awareness of information governance is strong with the introduction of "Bob's Business e-learning package" being particularly well received as a good training device, which provides monthly messages to all staff and councillors, although a small number are not currently registered on the system at this time.
- 3.3 In 2015 the Council took the decision to improve the management of its information by appointing an information governance specialist. The Council's Information Governance Manager has vast experience in the management of information security gained in a large government department, working with the Information Commissioner's Office; as well as the Cabinet Office. His previous work included developing information security policies, managing incidents and handling information requests. Since his appointment he has significantly improved the Council's response to the challenge of information governance by developing improvements in the way the Council handles information requests; improved awareness, accountability and controls. This work will continue to ensure the council is ready for the Data Protection reforms due later this year.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows;

**Priority 1** – These recommendations relate to significant gaps in the Internal Control Framework,

**Priority 2** – These recommendations relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls,

**Priority 3** - These issues relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
1	Significant improvements have been made over the last 2 ½ years to improve information governance controls. Actions are in place to continue with this work, which should strengthen the control environment even further, e.g. the Council's ambition is to publish an Information Charter in the long term and additional considerations need to be made with regards to compliance with the GDPR from May 2018. None of the above causes audit any concerns at this time as the council has a project plan for GDPR implementation.	Failure to comply with GDPR by May 2018	<p>Priority 1 To continue the implementation of the strategic approach and to implement actions for those areas already identified that require improvement.</p> <p><b>Management Response</b></p> <p>Agreed.</p>	<p><b>Information Governance Manager</b></p> <p><b>May 2018</b></p>

The agreed actions will be subject to a follow up review to establish whether they have been implemented.

Any queries or requests for further information regarding this report should be directed to Kim Betts, Audit Services Manager by email at [kim.betts@harrogate.gov.uk](mailto:kim.betts@harrogate.gov.uk) or by telephone on (01423) 500600 x 58587.

Audit Services would like to thank the officers involved for their assistance during this audit.