

Governance, Risk and Audit Committee



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26th November 2018

A meeting of the **Governance, Risk and Audit Committee** of North Norfolk District Council will be held in **the Committee Room** at the Council Offices, Holt Road, Cromer on **Tuesday 4th December 2018 at 2.00 pm**

Members of the public who wish to ask a question or speak on an agenda item are requested to arrive at least 15 minutes before the start of the meeting. It will not always be possible to accommodate requests after that time. This is to allow time for the Committee Chair to rearrange the order of items on the agenda for the convenience of members of the public. Further information on the procedure for public speaking can be obtained from Democratic Services, Tel: 01263 516047, Email: democraticservices@north-norfolk.gov.uk

Anyone attending this meeting may take photographs, film or audio-record the proceedings and report on the meeting. Anyone wishing to do so must inform the Chairman. If you are a member of the public and you wish to speak on an item on the agenda, please be aware that you may be filmed or photographed.

Emma Denny
Democratic Services Manager

To: Mr P Rice, Mr V FitzPatrick, Ms V Gay, Mr M Knowles, Mr J Rest and Mr D Young

All other Members of the Council for information.

Members of the Management Team, appropriate Officers, Press and Public



If you have any special requirements in order to attend this meeting, please let us know in advance

If you would like any document in large print, audio, Braille, alternative format or in a different language please contact us

Heads of Service: Nick Baker and Steve Blatch
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A G E N D A

1. TO RECEIVE APOLOGIES FOR ABSENCE

2. PUBLIC QUESTIONS

To receive public questions, if any.

3. ITEMS OF URGENT BUSINESS

To determine any items of business which the Chairman decides should be considered as a matter of urgency pursuant to Section 100B(4)(b) of the Local Government Act 1972.

4. DECLARATIONS OF INTEREST

Members are asked at this stage to declare any interests that they may have in any of the following items on the agenda. The Code of Conduct for Members requires that declarations include the nature of the interest and whether it is a disclosable pecuniary interest.

5. MINUTES

(page 5)

To approve as a correct record, the minutes of the meeting of the Governance, Risk & Audit Committee held on 11th September 2018.

6. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY

(page 10)

Summary: This report examines the progress made between 4 September 2018 and 23 November 2018 in relation to delivery of the Annual Internal Audit Plan for 2018/19.

Conclusions: Progress in relation to delivery of the internal audit plan is line with expectations; and positive assurance has been awarded in the audit reviews finalised in this period.

Recommendations: It is recommended that the Committee notes the outcomes of the assurance audit completed between 4 September 2018 and 23 November 2018.

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone
number, and e-mail:

Faye Haywood, Internal Audit Manager for North
Norfolk DC
01508 533954, fhaywood@s-norfolk.gov.uk

7. FOLLOW-UP ON INTERNAL AUDIT RECOMMENDATIONS

(page 25)

Summary: This report provides an overview of progress made in implementing agreed audit recommendations due for completion between 1 April 2018 and 23 November 2018.

Conclusions: Good progress continues to be made in addressing audit recommendations with a high percentage of these being actioned by management.

Recommendations: It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

Cabinet member(s): All
Ward(s) affected: All

Contact Officer, telephone number, and e-mail: Faye Haywood, Internal Audit Manager for North Norfolk DC
01508 533954, fhaywood@s-norfolk.gov.uk

8. ANTI-MONEY LAUNDERING POLICY (page 33)

Summary: This report recommends the adoption of the attached draft Anti-Money Laundering Policy.

Options considered: None

Conclusions: The Anti-Money Laundering Policy has been reviewed and is ready for adoption by the Council.

Recommendations: That the Committee agree the attached Anti-Money Laundering Policy (appendix 1)

Reasons for Recommendations: Fulfills statutory duty as described in the policy and safeguards public money.

Ward(s) affected: All

Cabinet Member(s): All

Contact Officer, telephone number and email:
Lucy Hume, 01263 516246, lucy.hume@north-norfolk.gov.uk

9. CIVIL CONTINGENCIES UPDATE (page 48)

Summary: This report provides an update on business continuity incidents/plans, and emergency planning incidents.

Conclusions: N/A

Recommendations: N/A

Cabinet member(s):
All

Ward(s) affected:
All

Contact Officer, telephone Alison Sayer, Resilience Manager – Civil
number, and e-mail: Contingencies
01263 516269, Alison.sayer@north-norfolk.gov.uk

10. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE & ACTION LIST (page 51)

To monitor progress on items requiring action from the meeting on 19th June 2018, including progress on implementation of audit recommendations.

11. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME (page 52)

To review the Governance, Risk and Audit Committee Work Programme.

12. EXCLUSION OF THE PRESS AND PUBLIC

To pass the following resolution, if necessary:

“That under Section 100A(4) of the Local Government Act 1972 the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in of Part I of Schedule 12A (as amended) to the Act.”

GOVERNANCE, RISK & AUDIT COMMITTEE

Minutes of a meeting of the Governance Risk & Audit Committee held on Tuesday 11th September 2018 in the Committee Room, Council Offices, Holt Road, Cromer at 2.00 pm.

Members Present:

Committee:	Mr J Rest (Chairman)	Mr M Knowles
	Mr D Baker	Mr N Pearce
	Ms V Gay	

Other Members:

Officers in Attendance: The Chief Technical Accountant, the Democratic Services and Governance Officer, the External Auditor (AR), and the Internal Audit Manager (FH).

26. APOLOGIES

None.

27. PUBLIC QUESTIONS

None received.

28. ITEMS OF URGENT BUSINESS

None.

29. DECLARATIONS OF INTEREST

None.

30. MINUTES

The Minutes from the meeting of the Governance, Risk & Audit Committee held on 24th July 2018 were approved as a correct record and signed by the Chairman.

31. EY ANNUAL AUDIT LETTER

The External Auditor (AR) introduced the Annual Audit Letter and informed the Committee that it was intended as a public summary of the Audit findings, and had been designed for publication on the NNDC website.

Questions and Discussion

The External Auditor (AR) referred the Committee to the executive summary on page 13 for review, and stated that the accounts and audit opinion had been signed on 26th July. She then informed the Committee that the data analytics section on page 26 explained how EY used the Council's data to complete the audit process. The Chairman questioned whether the data analytics process had changed following the introduction of new GDPR legislation. The External Auditor (AR) replied that there hadn't been any change as the data was already handled securely. The Chief Technical Accountant added that the data used in the audit process did not contain any personal information, and therefore had not been significantly affected by the new GDPR legislation. Cllr V Gay asked for a further explanation of the process, to which the External Auditor (AR) explained that the process referred to Officers from the Finance Team collecting and organising data for the audit process. Cllr V Gay then questioned how many Officers were involved in the process, to which the Chief Technical Accountant replied that eight members of the Finance Team had been involved. She added that this number had remained stable throughout the financial year.

Cllr N Pearce referred to the top five activity accounts on page 29, and questioned whether the holding and control accounts could be quantified. The Chief Technical Accountant replied that the accounts were used as a check to ensure that all data had been included. She added that there was a substantial amount of movement in these accounts and that they were a necessary element of the accounting procedure. Cllr M Knowles notified Members that he was familiar with the process, and stated that control accounts were a normal part of accounting procedure.

RESOLVED

To note the EY Annual Audit Letter.

32. PROGRESS REPORT ON INTERNAL AUDIT ACTIVITY 1 APRIL TO 3 SEPTEMBER 2018

The Internal Audit Manager (FH) introduced the Report and stated that it covered to date what had been completed with regard to the internal audit activity.

Questions and Discussion

The Internal Audit Manager (FH) stated that the agreed work for Q1 had been completed. She then informed the Committee that the Network Infrastructure and Security audit primarily dealt with IT risks and had concluded with a reasonable assurance grading. She then asked Members to turn their attention to the appendix on page 42, and indicated that the next audits to be completed would be the Digital Transformation Programme and Elections and Electoral Registration, with both due for completion in December. The Internal Audit Manager (FH) explained that there was one important control issue relating to password controls. The Chairman then asked if NNDC used any biometric security, to which The Internal Audit Manager (FH) replied that only two-factor authentication was being used at present.

Cllr V Gay referred to the Elections and Electoral Registration Audit due to begin in September, and questioned why the audit process would take twelve days, as she felt this timeframe was excessive. The Internal Audit Manager replied that this was due to the fact that this specific area was not audited as often as others, and therefore it was necessary to undertake a more thorough review. She added that unlike finance which would be covered every year, some items were not covered as regularly. In response to a further question from Cllr V Gay, it was stated that the electoral audit would look to

ensure that policies and procedures were being strictly adhered to, and check for consistency in the elections process. The Chairman stated that there would be a high degree of legality involved in the elections process, and subsequent repercussions if the Council did not abide by the law, hence it was crucial to extensively audit this service area.

RESOLVED

To note the Internal Audit Activity Progress Report.

33. CORPORATE RISK REGISTER

The Chief Technical Accountant introduced the Corporate Risk Register on page 47 and stated that there had not been much movement since the last report.

Questions and Discussion

The Chief Technical Accountant stated that since she had introduced smiley faces as direction of travel indicators on the register, the Council was yet to achieve that level of risk reduction.

The Chief Technical Accountant then referred Members to page 49 covering the Medium Term Financial Plan, and informed the Committee that training had been arranged to take place on the 19th September to help improve Member's understanding of the subject. She added that further finance training would take place later in the year on budget setting and scrutinising the budget. It was confirmed that both the Chief Technical Accountant and the Head of Finance and Asset Management would attend the training and that they hoped to be able to run a third training session on a different date for any Members that could not attend the September sessions. The Chief Technical Accountant added that she hoped the training would help to put the Medium Term Financial Plan in context.

The Chief Technical Accountant stated that the main risks to the Council came from funding, as it was uncertain what central Government would continue to fund. Cllr D Baker then asked when the Council would receive confirmation of its funding. The Chief Technical Accountant stated that the budget would be presented to Parliament in mid-December, and would not be confirmed until February. She then suggested that in this financial year the Council had been granted more funding than expected, but warned that it could receive less in the future. Furthermore, the Council had no control over the process, besides its ability to respond to Government consultations and contact MPs where appropriate. The Chairman stated that it was the intention of the Finance Team to reach a middle ground to effectively predict what funding might be received. The Chief Technical Accountant confirmed this process and informed Members that the Finance Team worked with advisors in order to predict the Council's future funding. She added that the final assumptions were currently being agreed and that it was hoped that they would be ready for the finance training sessions taking place on the 19th. Cllr D Baker expressed his concerns with this process and asked what the procedure would be if the budget turned out to be underfunded. The Chief Technical Accountant replied that it was a difficult situation and that if the budget were to be underfunded, the Council would either have to remove budget items, or fund them from reserves. She added that it was a legal requirement for Council's to set a balanced budget. Cllr M Knowles suggested that NNDC was not alone in this position of financial uncertainty and stated that the issue affected all Councils. The Chief Technical Accountant confirmed that other Councils suffered the same uncertainty, and stated that NNDC always shared its information on

financial planning with other Councils in order to formulate better predictions. The Chairman asked if there were strict guidelines on the amount of reserves that the Council needed to have in place. The Chief Technical Accountant confirmed that this was the case, and was the responsibility of the Section 151 Officer to advise on the minimum reserves amount. She added that some reserves were earmarked for various reasons, with the contingency reserves being particularly important. As an example, it was suggested that business rates refunds can run into hundreds of thousands, hence the need for significant reserves.

The Chief Technical Accountant stated that the NHS was currently looking to renegotiate its business rates arrangement, and if they were successful then this could mean that Councils would potentially owe a combined £17m. Cllr M Knowles suggested that this could be backdated up to six years, but the Chief Technical Accountant informed Members that it could even be backdated up to seven years. She suggested that in such a case the Government would be required to intervene. Cllr V Gay stated that cases concerning business rates refunds often remained unresolved for long periods of time. The Chief Technical Accountant confirmed this was the case, but suggested that a new system had been put in place to resolve these cases faster in the future. She added that there was a consultation taking place on the new system, and NNDC would work with other Councils to submit a joint response.

The Chief Technical Accountant informed the Committee that the Bacton Sandscaping Project was progressing well, with funding and input being received from various sources.

The Chief Technical Accountant then referred the Committee to page 52 regarding the Digital Transformation Programme monitoring, and stated that phase 2 of the project was forthcoming and funding had been secured. She then reminded the Committee that the auditing of phase 1 was already taking place.

It was reported that recruitment was doing well, with the Head of Planning and Civil Contingencies vacancies both having been recently filled.

On the Asset Register, the Chief Technical Accountant informed the Committee that the Asset Strategy Manager was beginning to update the register with property condition, with an aim for this to be graded by a letter-based system.

Cllr V Gay questioned the details of the NNDC procedure for information and data loss. The Chief Technical Accountant referred to the Council's corporate policy on this matter, and stated that it had been distributed to all departments of the Council. She then informed the Committee that a summary of all the information kept by each department was currently under review, and suggested that in such a situation the response time was likely the most important factor. Cllr D Baker stated that it was alarming to see information and data loss happening so often and stated that it was crucial that the Council was prepared for this scenario.

The Chairman referred to the risk register on page 47, and asked from where the target scores had been derived and whether the targets were achievable. The Chief Technical Accountant replied that the targets had been set by the Council's Risk Management Board, and it was always their intention to set realistic, achievable targets that would be reviewed on a regular basis. The Chairman then asked which risk was expected to be the first to improve its direction of travel, to which the Chief Technical Accountant suggested that it would likely be the Digital Transformation Programme.

RESOLVED

To note the Corporate Risk Register.

34. GOVERNANCE, RISK AND AUDIT COMMITTEE UPDATE & ACTION LIST

The Action List was included in the agenda for review by the Committee.

Questions and Discussion

The Democratic Services and Governance Officer informed the Committee that all items on the action list had been completed.

RESOLVED

To note the GRAC Action List.

35. GOVERNANCE, RISK AND AUDIT COMMITTEE WORK PROGRAMME

The Work Programme was included in the agenda for review by the Committee.

Questions and Discussion

The Democratic Services and Governance Officer informed the Committee that the annual Work Programme had now been updated to reflect the new faster-close procedure that had been followed this year. He added that the Risk Management Board had not met over the summer as there was little to no requirement, however they would meet and provide a civil contingencies update at the December meeting.

RESOLVED

To note the GRAC Work Programme.

36. EXCLUSIONS OF THE PRESS AND PUBLIC

None.

The meeting ended at 3.00 pm

Chairman

Agenda Item No 6**Progress Report on Internal Audit Activity: 4 September 2018 to 23 November 2018**

- Summary:** This report examines the progress made between 4 September 2018 and 23 November 2018 in relation to delivery of the Annual Internal Audit Plan for 2018/19.
- Conclusions:** Progress in relation to delivery of the internal audit plan is line with expectations; and positive assurance has been awarded in the audit reviews finalised in this period.
- Recommendations:** It is recommended that the Committee notes the outcomes of the assurance audit completed between 4 September 2018 and 23 November 2018.

Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Faye Haywood, Internal Audit Manager for North Norfolk DC 01508 533954, fhaywood@s-norfolk.gov.uk

1. Background

- 1.1. This report reflects progress made regarding assignments featuring in the approved Annual Internal Audit Plan for 2018/19 which was endorsed by the Audit Committee on 27 March 2018.

2. Overall Position

- 2.1. The overall position in relation to the completion of the Internal Audit Plan is within the attached report.

3. Conclusion

- 3.1 The completion of the Internal Audit Plan is line with expectations; and positive assurances have been awarded in the audit review finalised in this period.

4. Recommendation

- 4.1 It is recommended that the Committee note the outcomes of the assurance audit completed between 4 September 2018 and 23 November 2018.

Appendices attached to this report:

Eastern Internal Audit Services



North Norfolk District Council

Progress Report on Internal Audit Activity

Period Covered: 4 September 2018 to 23 November 2018

Responsible Officer: Faye Haywood – Internal Audit Manager for North Norfolk District Council

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1. INTRODUCTION

- 1.1 This report is issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to report to the Audit Committee on the performance of internal audit relative to its plan, including any significant risk exposures and control issues. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
 - Any significant changes to the approved Audit Plan;
 - Progress made in delivering the agreed audits for the year;
 - Any significant outcomes arising from those audits; and
 - Performance Indicator outcomes to date.

2. SIGNIFICANT CHANGES TO THE APPROVED INTERNAL AUDIT PLAN

- 2.1 At the meeting on 27 March 2018 the Annual Internal Audit Plan for the year was approved, identifying the specific audits to be delivered. Since then, there have been no significant changes to that plan.

3. PROGRESS MADE IN DELIVERING THE AGREED AUDIT WORK

- 3.1 The current position in completing audits to date within the financial year is shown in **Appendix 1** and progress to date is in line with expectations.
- 3.2 In summary 74 days of programmed work has been completed, equating to 42% of the Audit Plan for 2018/19.

4. THE OUTCOMES ARISING FROM OUR WORK

- 4.1 On completion of each individual audit an assurance level is awarded using the following definitions:

Substantial Assurance: Based upon the issues identified there is a robust series of suitably designed internal controls in place upon which the organisation relies to manage the risks to the continuous and effective achievement of the objectives of the process, and which at the time of our review were being consistently applied.

Reasonable Assurance: Based upon the issues identified there is a series of internal controls in place, however these could be strengthened to facilitate the organisation's management of risks to the continuous and effective achievement of the objectives of the process. Improvements are required to enhance the controls to mitigate these risks.

Limited Assurance: Based upon the issues identified the controls in place are insufficient to ensure that the organisation can rely upon them to manage the risks to the continuous and effective achievement of the objectives of the process. Significant improvements are required to improve the adequacy and effectiveness of the controls to mitigate these risks.

No Assurance: Based upon the issues identified there is a fundamental breakdown or absence of core internal controls such that the organisation cannot rely upon them to manage risk to the continuous and effective achievement of the objectives of the process. Immediate action is required to improve the controls required to mitigate these risks.

4.2 Recommendations made on completion of audit work are prioritised using the following definitions:

Urgent (priority one): Fundamental control issue on which action to implement should be taken within 1 month.

Important (priority two): Control issue on which action to implement should be taken within 3 months.

Needs attention (priority three): Control issue on which action to implement should be taken within 6 months.

4.3 In addition, on completion of audit work “Operational Effectiveness Matters” are proposed, these set out matters identified during the assignment where there may be opportunities for service enhancements to be made to increase both the operational efficiency and enhance the delivery of value for money services. These are for management to consider and are not part of the follow up process.

4.4 During the period covered by the report Internal Audit Services have issued three final reports:

Audit	Assurance	P1	P2	P3
Homelessness and Housing Options	Reasonable	0	1	3
Elections and Electoral Registration Arrangements	Substantial	0	0	0
Pier Pavilion	Reasonable	0	0	3

The Executive Summary of these reports are attached at **Appendix 2**, full copies of these reports can be requested by Members.

4.5 As can be seen in the table above as a result of these audits seven recommendations have been raised.

Of these all seven have been agreed by management. In addition, one Operational Effectiveness Matters point has been proposed to management for consideration.

4.6 A position statement has also been finalised relating to Business Support Arrangements, raising four observations relating to system administrator roles at NNDC for management attention. The executive summary of this position statement can be found at **Appendix 2** of this report.

4.7 It is pleasing to note that all audits concluded in a positive opinion being awarded, indicating a strong and stable control environment to date, with no issues that would need to be considered at year end and included in the Annual Governance Statement.

5. PERFORMANCE MEASURES

5.1 The Internal Audit Services contract includes a suite of key performance measures against which the contractor will be reviewed on a quarterly basis. There is a total of 11 indicators, over 4 areas.

5.2 There are individual requirements for performance in relation to each measure; however performance will be assessed on an overall basis as follows:

- 9-11 KPIs have met target = Green Status.
- 5-8 KPIs have met target = Amber Status.
- 4 or below have met target = Red Status.

Where performance is amber or red a Performance Improvement Plan will be developed by the contractor and agreed with the Internal Audit Manager to ensure that appropriate action is taken.

- 5.3 The second quarters work has been completed and a report on the performance measures provided to the Internal Audit Manager, performance is currently at green status with targets having been satisfactorily met for this quarter.
- 5.4 In addition to these quarterly reports from the Contractors Audit Director, ongoing weekly updates are provided to ensure that delivery of the audit plan for the current financial year is on track. A review of the most recent update indicates that sufficient progress is being made in completing the agreed plan.

APPENDIX 1 – PROGRESS IN COMPLETING THE AGREED AUDIT WORK

Audit Area	Audit Ref	No. of days	Revised Days	Days Delivered	Status	Assurance Level	Recommendations				Date to Committee
							Urgent	Important	Needs Attention	Op	
Quarter 1											
TOTAL		0	0	0							
Quarter 2											
Elections and Electoral Registration	NN1903	12	12	12	Final report issued 7 November 2018	Substantial	0	0	0	0	December 18
Pier Pavilion	NN1904	10	10	10	Final report issued 21 November 2018	Reasonable	0	0	3	1	December 18
Homelessness & Housing Options	NN1905	10	10	10	Final report issued 31 October 2018	Reasonable	0	1	3	0	December 18
TOTAL		32	32	32							
Quarter 3											
Digital Transformation - benefits realisation	NN1902	6	6	4	Draft report expected 5 December 18						
Accounts Payable	NN1906	12	12	1	Work due to start 7 December 2018 Report expected 14 January 2019						
Council Tax and NNDR	NN1907	15	15	5	Audit underway Draft report expected 14 January 2019						
Local Council Tax Support & Housing Benefits	NN1908	15	15	1	Work due to start 3 December 2018 Report expected 14 January 2019						
TOTAL		48	48	11							
Quarter 4											
Corporate Governance	NN1910	6	6	0							
Key Controls and Assurance	NN1911	10	10	0							
Payroll and Human Resources	NN1912	17	17	0							
Affordable Housing & Housing Enabling	NN1913	10	10	0							
Environmental Health	NN1914	18	18	0							
TOTAL		61	61	0							
IT Audits											
Network Infrastructure & Security	NN1909	15	15	15	Final report issued 28 June 2018	Reasonable	0	1	10	1	September 18
Business Support Arrangements	NN1901	15	10	10	Final position statement issued 20 November 2018						December 18
TOTAL		30	25	25							
Follow Up											
Follow Up	NA	10	10	6							
TOTAL		10	10	6							
TOTAL		181	176	74			0	2	16	2	
Percentage of plan completed				42%							

APPENDIX 2 – AUDIT REPORT EXECUTIVE SUMMARIES

Assurance Review of Homelessness

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Strategies, policies and procedures	0	0	1	0
Assessment of homelessness applications	0	1	1	0
Deposit loan scheme	0	0	1	0
Total	0	1	3	0

No recommendations have been raised in respect of temporary accommodation.

SCOPE

The audit reviewed this key service delivery area, particularly in light of the new Homelessness Reduction Act and also examined the resilience of the temporary accommodation available in the District and the long term plans in place to manage this.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of one 'important' and three 'needs attention' recommendations being raised upon the conclusion of our work.
- Homelessness and Housing Options was last audited in 2015/16, with a final report issued in November 2015 (NN/16/05). That audit also concluded in a 'Reasonable' assurance rating, having raised one 'important' and three 'needs attention' recommendations. Therefore there is no change in the direction of travel.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Homelessness applications are assessed in accordance with the new duties introduced by the Homelessness Reduction Act, to ensure compliance with legislation.
- Letters are sent to customers at the beginning and end of each stage, to ensure that they are aware of what duty they are owed by the Council.
- Repayment plans for deposit loans are agreed at the time of the loan and non-payment is addressed through the Council's standard debt recovery procedures, to reduce the risk of loans not being repaid.
- Conditions and costs of temporary accommodation are agreed with customers up front, to ensure compliance with requirements.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where one 'important' recommendation has been made.

Assessment of homelessness applications

- Evidence of eligibility is retained for all homelessness applications, to minimise the risk of applications that are not eligible being successful.

The audit has also highlighted the following areas where three 'needs attention' recommendations have been made.

Policies, strategies and procedures

- The Homelessness Strategy is updated to incorporate changes as a result of the Homelessness Reduction Act, to reduce the risk of non-compliance with the act, inconsistency with new working practices and not aligning the Council's strategic view of homelessness.

Assessment of homelessness applications

- Personal Housing Plans are created and agreed for all homelessness cases, to prevent actions being missed that exacerbate applicant's homeless situation.

Deposit loan scheme

- Policy or guidance on the use of deposit loans is written, to help prevent inconsistency in the use of loans to homeless applicants.

Operational Effectiveness Matters

There are no operational effectiveness matters for management to consider.

Previous audit recommendations

Homelessness and Housing Options was last audited in 2015/16, with a final report issued in November 2015 (NN/16/05). The audit concluded in a 'Reasonable' assurance rating, having raised one 'important' and three 'needs attention' recommendations. All of these recommendations have been confirmed as implemented.

Assurance Review of the NN1903 Elections and Electoral Registration Arrangements

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

No recommendations have been raised in respect of elections and the electoral register.

SCOPE

The audit reviewed electoral registration and elections. The most recent full elections were in 2017 and are not included in the scope; the elections covered by the audit were four Parish and District by-elections that have taken place in 2018.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Substantial' in managing the risks associated with the audit. The assurance opinion has been derived as a result of no recommendations having been raised upon the conclusion of our work.
- The audit has also raised no 'operational effectiveness matters'.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- New entries on the electoral register are verified to confirm the applicant's identity, to ensure that only bona fide electors are created.
- All staff involved in the annual canvass receive training in the role and submit timesheets, to ensure that payments are made accurately.
- Expenditure incurred on elections is in accordance with legislation and is recharged to the body on whose behalf the Council is holding the election. This helps to ensure that the financial cost of elections is reduced as much as possible.
- Postal voters are registered promptly and accurately on the electoral register, to ensure that they receive postal votes that they are entitled to.
- Communications operate between departments to inform the electoral register of changes to households.

ISSUES TO BE ADDRESSED

The audit has not highlighted any areas for recommendation.

Operational Effectiveness Matters

There are no operational effectiveness matters raised as a result of this audit.

Previous audit recommendations

Electoral Services has not been subject to previous audit review by TIAA.

Assurance Review of the Pier Pavilion Contract

Executive Summary

OVERALL ASSURANCE ASSESSMENT



ACTION POINTS

Control Area	Urgent	Important	Needs Attention	Operational
Governance	0	0	2	0
Contract management	0	0	1	0
Total	0	0	3	1

SCOPE

A new contract was awarded from 1st February 2018, to Openwide Coastal Ltd, the same provider as the previous contract. This review covered the contract management and the governance arrangements to gain early assurance over the controls in place.

RATIONALE

- The systems and processes of internal control are, overall, deemed 'Reasonable' in managing the risks associated with the audit. The assurance opinion has been derived as a result of three 'needs attention' recommendations being raised upon the conclusion of our work.

POSITIVE FINDINGS

It is acknowledged there are areas where sound controls are in place and operating consistently:

- Monthly meetings are held between the Council and the contractor, to ensure that performance is measured on a regular basis and issues are addressed promptly.
- The contractor liaises with the Council on marketing and promotional activities, to ensure that a consistent message is presented to the public.
- The contractor is conducting surveys of visitors and non-visitors to the pier, in order to improve the services and events offered.

ISSUES TO BE ADDRESSED

The audit has highlighted the following areas where three 'needs attention' recommendations have been made.

Governance

- The contract risk register to be reviewed periodically, to reduce the possibility of contract risks not being identified or mitigated against.
- Contract related risks are recorded in the Council's risk register, to minimise the possibility of contract failure.

Contract management

- Detailed data about performance against agreed measures is provided to the Council on a monthly basis, to reduce the risk of the Council being unable to effectively monitor contract performance.

Operational Effectiveness Matters

One Operational Effectiveness Matter has been raised, which relates to the formal recording of member decisions relating to the contract.

Previous audit recommendations

This area has not been subject to previous audit scrutiny by TIAA.

Position Statement – Business Support Arrangements

Executive Summary

INTRODUCTION

1. This review was carried out in September 2018 as part of the planned internal audit work for 2018/19. Through discussions with the Head of IT and Business Transformation, during the planning stage, it was agreed that this review will provide an overview of the Business Support Arrangements in place for various applications used across a sample of service areas. The sample of departments chosen and their respective service applications was as follows: Customer Services (AIM/Paye.net), Estates (Concerto Asset Management system and Net2 Access Control system), Planning (Accolade, being replaced by Uniform) and Environmental Health (M3, being replaced by Assure).

The audit focussed on the following scope areas as agreed with the Head of IT and Business Transformation: Succession Planning, Cover Arrangements, System Administration policies & procedures, Training Arrangements and System Administration Roles & Responsibilities.

SCOPE

2. The objective of the review was to highlight any possible areas for improvement and provide a 'position statement' to the Head of IT and Business Transformation on the outcomes of the review, as outlined above.

MATERIALITY

3. Effective System Administration processes within the Council's service areas is key to providing seamless service provision to the local community.

KEY FINDINGS

4. Suggested actions and improvements to be made from analysis of the systems and controls in place as well as relevant future changes that may have been relevant where application changes are under way.

AUDIT OBSERVATIONS

5. The audit has concluded with a number of suggested action / improvements presented to management for consideration. These will help management to work towards assessing the efficiency and effectiveness of Business Support Arrangements around the Council in delivering effective service to their customers.

Key suggested actions / improvements include:

- The need to ensure that the IT Department are consulted on all changes proposed for every application used by the Council, regardless of whether the IT Department will be required to provide assistance at any point during the changes proposed. This is to help ensure that the IT department can implement any supporting configuration changes within the Council IT infrastructure that the business may not be aware of and which may affect application performance following any changes if not updated.

- Local System Administration policies and procedures need to be reviewed periodically to ensure that they stay aligned to any changes in local business processes.
- The monthly list of starters, movers and leavers needs to be more widely distributed to all system administrators to help them stay informed of any staff changes that may need to be accounted for in their respective service applications.
- System Administration roles and responsibilities to be outlined within job descriptions and kept aligned to changing duties as they occur to help ensure accountability for the duties concerned is maintained.

Follow Up on Internal Audit Recommendations 1 April 2018 to 23 November 2018

Summary: This report provides an overview of progress made in implementing agreed audit recommendations due for completion between 1 April 2018 and 23 November 2018.

Conclusions: Good progress continues to be made in addressing audit recommendations with a high percentage of these being actioned by management.

Recommendations: It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

Cabinet member(s):	Ward(s) affected:
All	All
Contact Officer, telephone number, and e-mail:	Faye Haywood, Internal Audit Manager for North Norfolk DC 01508 533954, fhaywood@s-norfolk.gov.uk

1. Background

- 1.1. In accordance with agreed internal audit review and reporting cycles, we revisit the status of audit recommendations on a 6-monthly basis and last presented our findings in this area to the Audit Committee in June 2018.
- 1.2. This report now seeks to provide an update on the status of audit recommendations following recent verification work performed by the Contractor, which examined the level of activity concerning the delivery of audit recommendations falling due between 1 April 2018 and 23 November 2018.

2. Overall Position

- 2.1. The overall position in relation to the implementation of Internal Audit Recommendations is within the attached report.

3. Conclusion

- 3.1 Good progress continues to be made in addressing audit recommendations with a high percentage of these being actioned by management.

4. Recommendation

- 4.1 It is recommended that the Committee notes management action taken to date regarding the delivery of audit recommendations.

Appendices attached to this report:

Follow Up Report on Internal Audit Recommendations

Eastern Internal Audit Services



NORTH NORFOLK DISTRICT COUNCIL

Follow Up Report on Internal Audit Recommendations

Period Covered: 1 April 2018 to 23 November 2018

Responsible Officer: Faye Haywood –Internal Audit Manager for North Norfolk DC

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1. INTRODUCTION

- 1.1 This report is being issued to assist the Authority in discharging its responsibilities in relation to the internal audit activity.
- 1.2 The Public Sector Internal Audit Standards also require the Chief Audit Executive to establish a process to monitor and follow up management actions to ensure that they have been effectively implemented or that senior management have accepted the risk of not taking action. The frequency of reporting and the specific content are for the Authority to determine.
- 1.3 To comply with the above this report includes:
- The status of agreed actions.

2. STATUS OF AGREED ACTIONS

- 2.1 As a result of audit recommendations, management agree action to ensure implementation within a specific timeframe and by a responsible officer. The management action subsequently taken is monitored by the Internal Audit Contractor on a regular basis and reported through to this Committee. Verification work is also undertaken for those recommendations that are reported as closed.
- 2.2 **Appendix 1** to this report shows the details of the progress made to date in relation to the implementation of the agreed recommendations. This appendix also reflects the year in which the audit was undertaken and identifies between outstanding recommendations that have previously been reported to this Committee and then those which have become outstanding this time round.
- 2.4 In relation to the historic recommendations (i.e. those prior to the 2016/17 financial year), there is one important recommendation from a 2010/11 review on Development Management. The most recent management response can be seen at **Appendix 2**.
- 2.5 We are pleased to report that all recommendations raised in 2016/17 have now been confirmed as complete.
- 2.6 In 2017/18 internal audit raised 50 recommendations; 36 of which have been implemented by the agreed date, 12 of which are outstanding (no urgent, five important and seven needs attention) and 2 of which are not yet due for implementation.

Number raised to date	50	
Complete	36	72%
Outstanding	12	24%
Not yet due	2	4%

The management responses in relation to the five important recommendations can be seen at **Appendix 3** to the report.

2.8 To date in 2018/19 internal audit have raised 18 recommendations; five, have been closed and 12 are currently not due. One needs attention recommendation is currently outstanding and relates to the Network Infrastructure and Security Audit.

Number raised to date	18	
Complete	5	28%
Outstanding	1	5%
Not yet due	12	67%

2.9 Good progress continues to be made in addressing audit recommendations and it is encouraging to see that actions relating to some historic audits have now been closed. As requested the Committee continue to observe the progress made against completion of the one remaining priority two recommendation made during the 2010/11 review of Development Management, Building Control and Land Charges, in particular the Section 106 Arrangements.

APPENDIX 1 – STATUS OF AGREED INTERNAL AUDIT RECOMMENDATIONS

			Completed bt 31/03/2018 and 23/11/2018			Previously reported to Committee as outstanding			(New) Outstanding			Total Outstanding	Not Yet Due for implementation		
			Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3	Priority 1	Priority 2	Priority 3		Priority 1	Priority 2	Priority 3
Audit Ref	Audit Area	Assurance Level													
2010/11 Internal Audit Reviews															
NN1112	Development Management, Building Control and Land Charges	Adequate					1					1			
2016/17 Internal Audit Reviews															
NN1714	Efinancials Application	Reasonable			1							0			
NN1716	IT Hardware Asset Disposal	Limited		1	1							0			
2017/18 Internal Audit Reviews															
NN1803	Land Charges	Reasonable					1					1			
NN1807	Environmental Health	Reasonable					1	1		1		3			
NN1810	Income	Substantial			1							0			
NN1811	Car Parking	Reasonable					1	1				2			
NN1812	Beach Huts	Substantial			1			1				1			
NN1814	Risk Management	Substantial			2							0			
NN1815	Key Controls and Assurance	Reasonable			2					2		2			
NN1816	Procurement	Reasonable		2	2					1		1		2	
NN1817	Waste Management	Reasonable			1					1		1			
NN1818	Development Management	Reasonable		3						1		1			
2018/19 Internal Audit Reviews												0			
NN1905	Homelessness and Housing Options	Reasonable										0		1	3
NN1909	Network Infrastructure & Security	Reasonable		1	4					1		1			5
NN1904	Pier Pavilion	Reasonable										0			3
TOTALS			0	7	15	0	4	3	0	2	5	14	0	3	11

APPENDIX 2 - OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2010/2011

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1112 Development Management, Building Control and Land Charge	Written guidance detailing the roles and responsibilities for monitoring the key requirements of Section 106 Planning Agreements should be produced to ensure appropriate action is taken to enforce the conditions contained therein. The guidance should be accompanied by a collated record of all Section 106 Planning Agreements, detailing the trigger points and accompanying obligations. This should include key responsibilities and contacts for the obligation and state action to be taken as and when those trigger points are reached. Where trigger points have been reached, action should be taken in a timely manner to enforce those conditions.	2	Considerable progress has been made on capturing section 106 information on to Acolaid, with a facility to produce to monitoring reports. The responsibility for monitoring S106 needs to be allocated to a post, this will be addressed in the restructure proposals for the service	Head of Planning	30/11/2011	30/04/2019	Outstanding	Phillip Rowson has been appointed as the new Head of Planning and has confirmed that plans are in place to implement a new system called Exacom which will interface with the new Uniform system. This will allow the team to monitor and report on Section 106 agreements and associated trigger points. It is expected that this system will be in place by Easter 2019. In the meantime, Case Officers continue to manage each development with Section 106 obligations closely.

APPENDIX 3 – OUTSTANDING INTERNAL AUDIT RECOMMENDATIONS – 2017/18 AUDIT REVIEWS

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1803 Land Charges	Recommendation 1: Procedure notes be produced for all aspects of the local land charge service. These notes to be version controlled and reviewed on a regular basis.	2	The service accept that the current procedural manual is incomplete and could be improved to include version control and recent changes that have occurred within the service.	Property Information Team Leader	31/12/2017	30/04/2019	Outstanding	The project to change systems is still progressing with a go-live date of the beginning of April 2019, after which this recommendation can be completed.
NN1807 Environmental Health	Recommendation 2: A process for sharing data relevant to the Environmental Health Team which can be used for identifying businesses requiring licences be agreed with other Council departments including Planning and Revenues (CTAX/NNDR).	2	Agreed.	Head of EH	31/01/2018	31/12/2018	Outstanding	This has been delayed due to issues with getting a suitably agreed position which is GDPR compliant, but is now progressing. The current position is that the request to enable cross system data sharing has been passed across to IT for action.
NN1807 Environmental Health	Recommendation 1: All the Environmental Health procedures, policies and guidance, including those related to the scope of the audit, be reviewed and updated to ensure that current statutory and non-statutory requirements, where applicable, are included.	2	Agreed	Head of EH	30/04/2018	31/03/2019		The BPR process is continuing but has focussed significantly on the implementation of the new EH IT system which provides much of the functionality to drive the change which supports the corporate digital transformation agenda. This means that a number of the build cycle reviews have taken longer than anticipated. The procedures and policies are being updated as part of these build cycles and this will continue to be the position.

Audit Title	Recommendation	Priority	Management Response	Responsible Officer	Due Date	Revised Due Date	Status	Latest Response
NN1811 Car Parking	Recommendation 1: KLWNBC to provide a statement showing the total / breakdown of income received for PCNs; to be reconciled to PCN's paid at the discounted rate for payment within 14 days; those paid after 14 days at the increased cost; those not yet paid; and those cancelled within that month.	2	Agreed to ensure that KLWNBC provide necessary information and insert a standing item for this work to be on the regular client meeting agenda.	Leisure and Locality Services Manager	02/01/2018	28/02/2019	Outstanding	Further attempts have been made to obtain this information from BCKLWN but nothing has been received.
NN1817 Waste Management	Recommendation 1: A review of M3 users is carried out and any accounts belonging to staff who have left the Council are deactivated. Future leavers should be deactivated when notification of their departure is received from HR.	2	Agreed. Access Policy and Procedure to be written which covers granting access to new users and removal of leavers. This is being tied in to the implementation of the Assure System. In the meantime the Environmental Protection Manager is acting as the control point for all new user access.	Environmental Protection Manager	28/09/2018	31/03/2019	Outstanding	The Council has not been able to finalise this documentation yet and the new process is unlikely to be in place before April. At the current time there are only three officers able to set up new users and all new access requests go through the Environmental Protection Manager, so there are some controls in place in the meantime.

Anti-Money Laundering Policy

Summary: This report recommends the adoption of the attached draft Anti-Money Laundering Policy.

Options considered: None

Conclusions: The Anti-Money Laundering Policy has been reviewed and is ready for adoption by the Council.

Recommendations: **That the Committee agree the attached Anti-Money Laundering Policy (appendix 1)**

Reasons for Recommendations: Fulfils statutory duty as described in the policy and safeguards public money.

LIST OF BACKGROUND PAPERS AS REQUIRED BY LAW

(Papers relied on to write the report, which do not contain exempt information and which are not published elsewhere)

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Cabinet Member(s)	Ward(s) affected: All
Contact Officer, telephone number and email: Lucy Hume, 01263 516246, lucy.hume@north-norfolk.gov.uk	

1. Introduction

1.1 The Governance, Risk and Audit Committee is asked to review the Council’s draft Anti-Money Laundering Policy in light of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 Money Laundering Regulations).

2. Anti-Money Laundering Policy

- 2.1 The Anti-Money laundering policy forms part of the Corporate Framework that supports the Counter Fraud, Corruption and Bribery Strategy. The policy has been revised by Internal Audit in line with best practice. Management Team have also reviewed the contents.
- 2.2 A briefing session will be arranged for the Extended Management Team to cover the contents of the policy once approved.
- 2.3 Arrangements for periodic reviews of the policy are set out within the appendix.

3. Conclusion

- 3.1 The draft policy reflects best practice and requirements of new guidance and should be adopted by the Council.

4. Financial Implications and Risks

- 4.1 Adoption of the attached policy will help to ensure the continued safeguarding of public money held by the Council.

5. Sustainability – none as a direct impact.

6. Equality and Diversity – none as a direct impact.

7. Section 17 Crime and Disorder considerations - none as a direct impact.

Appendix 1

ANTI-MONEY LAUNDERING POLICY

1. INTRODUCTION

- 1.1 This Policy, and the accompanying procedures and reporting forms, represents an important part of the Council's approach to dealing with the risk of fraud and corruption.
- 1.2 Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 Money Laundering Regulations) provide numerous and prescriptive requirements with regards to risk assessments, policies and procedures and customer due diligence checks, amongst other things, all of which are designed to minimise the risk of businesses inadvertently or otherwise becoming involved in money laundering or terrorist financing.
- 1.3 Whilst local authorities are not bound by the requirements of the 2017 Money Laundering Regulations), even when undertaking regulated activities within the meaning of the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001, it is prudent and responsible practice for local authorities to comply with the underlying spirit of the legislation and to have in place appropriate and proportionate anti-money laundering safeguards.
- 1.4 Whilst local authorities do not strictly fall within the scope of the 2017 Money Laundering Regulations, they are bound by the Proceeds of Crime Act 2000 and the Terrorism Act 2000, both of which place a number of duties and responsibilities on local authorities and employees and members of the same, in order that they do not find themselves subject to criminal prosecution.
- 1.5 This policy seeks to address both the underlying spirit of the 2017 regulations whilst ensuring responsibilities under the Proceeds of Crime Act 2000 and Terrorism Act 2000 are clear.

2. SCOPE OF THE POLICY

This policy applies to all employees, whether permanent or temporary, and Members of the Council. Its aim is to enable employees and Members to respond to a concern they have in the course of their dealings for the Council. Individuals who have a concern relating to a matter outside work should contact the Police.

3. WHAT IS MONEY LAUNDERING?

- 3.1 Money laundering is the integration of the proceeds of crime or terrorist funds into the mainstream economy. There are a number of activities defined under either the Proceeds of Crime Act 2000 or the Terrorism Act 2000, which constitute money laundering offences; these are as follows:
 - Concealing, disguising, converting, transferring or removing criminal property* from anywhere within the UK;

- Entering into or being concerned in an arrangement which a person knows or suspects facilitates the acquisition, retention, use or control of criminal property* by or on behalf of another person;
- Acquiring, using or possessing criminal property*;
- Entering into or being concerned in an arrangement which facilitates the retention or control by or on behalf of another person of terrorist property** by concealment, removal, transfer or in any other way;

It is also an offence to attempt, conspire or incite to commit any of the above offences and to aid, abet, counsel or procure the commission of any of the above offences.

**Criminal Property is something which constitutes a person's benefit from criminal conduct or represents such a benefit; it is not limited to money and there is no minimum amount.*

***Terrorist Property includes money or other property likely to be used for terrorism, proceeds of terrorist acts, and proceeds of acts carried out for the purposes of terrorism.*

There are also a number of other offences related to money laundering, including:

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

**** It is important to note that whilst the disclosure obligations and tipping off offences in relation to criminal property will not always strictly apply to local authorities **all** individuals and business' have an obligation to report knowledge, reasonable grounds for belief or suspicion about the proceeds from terrorism, proceeds of acts carried out for the purposes of terrorism or finance likely to be used for terrorism, where that information has come to them in the course of their business or employment.*

- 3.2 The Money Laundering offences cited above carry prison sentence of up to 14 years. A defence is available if it can be shown that any knowledge or suspicion of money laundering was reported to the National Crime Agency (NCA) and as a result that any resultant transaction was put on hold until consent to proceed was given.

4. CUSTOMER DUE DILIGENCE

4.1 What customer due diligence is

Customer due diligence means taking steps to identify customers and checking they are who they say they are. In practice this means obtaining a customer's:

- name
- photograph on an official document which confirms their identity
- residential address and date of birth

The best way to do this is to ask for a government issued document like a passport, along with utility bills, bank statements and other official documents. Other sources of customer information include the electoral register and information held by credit reference agencies such as Experian and Equifax.

It is also necessary to identify the ‘beneficial owner’ in certain situations. This may be because someone else is acting on behalf of another person in a particular transaction, or it to there is a need to establish the ownership structure of a company, partnership or trust.

As a general rule, the beneficial owner is the person who is behind the customer and who owns or controls the customer. Or it is the person on whose behalf a transaction or activity is carried out.

If there are any doubts as to a customer’s identity, any dealings should be put on hold until clarification is obtained.

4.2 When should the Council apply customer due diligence measures

The Council shall undertake customer due diligence measures in all the following circumstances:

- If it establishes a business relationship;
- If it carries out an occasional transaction worth €15000 or more;
- Suspects money laundering or terrorist financing;
- Doubts the veracity or adequacy of documents or information previously obtained for the purposes of identification or verification.
- As necessary for existing customers, for example, if their circumstances change.

4.3 Customer due diligence when establishing a business relationship

A business relationship is one that entered into with a customer where there is an expectation that the relationship will be ongoing. It can be a formal or an informal arrangement.

When establishing a new business relationship it is necessary to obtain information on:

- the purpose of the relationship
- the intended nature of the relationship - for example where funds will come from, the purpose of transactions, and so on

The type of information that may need to be obtained include:

- details of your customer’s business or employment
- the source and origin of funds that your customer will be using in the relationship
- copies of recent and current financial statements
- details of the relationships between signatories and any underlying beneficial owners
- the expected level and type of activity that will take place in your relationship

4.4 The changing circumstances of customers

Keeping up-to-date information on customers is necessary in order to:

- amend the risk assessment of a particular customer if their circumstances change
- carry out further due diligence measures if necessary, for example

Changes of circumstance may include:

- a big change in the level or type of business activity
- a change in the ownership structure of a business

4.5 When to apply customer due diligence for occasional transactions

Customer Due diligence measures must be carried out when undertaking an occasional transactions. These are transactions that aren't carried out within an ongoing business relationship where the value is:

- €15,000 or more if not a high value dealer (or the equivalent in other currencies)
- €10,000 or more if a high value dealer (or the equivalent in other currencies)

This applies whether it's a single transaction or linked transactions.

Linked transactions are individual transactions of less than €15,000 (or €10,000 for high value dealers) that have been deliberately broken down into separate, smaller transactions to avoid customer due diligence checks.

Once a potentially linked transaction has been identified, it is necessary to establish if it has been deliberately split. Some issues to consider are when:

- a number of payments have been made by the same customer in a short period of time
- it's possible that a number of customers have carried out transactions on behalf of the same person
- a number of customers have sent money transfers to the same person

It is also necessary to carry out customer due diligence measures for occasional transactions that are worth less than €15,000 in certain circumstances. For example, when the nature of a transaction means that there's a higher risk of money laundering.

4.7 When to carry out enhanced due diligence

In some situations it is necessary to carry out 'enhanced due diligence'. These situations are:

- when the customer isn't physically present when identification checks are carried out;
- when entering into a business relationship with a 'politically exposed person' - typically, a non UK or domestic member of parliament, head of state or

- government, or government minister and their family members and known close associates;
- when entering into a transaction with a person from a [high risk third country identified by the EU](#); or
- any other situation where there's a higher risk of money laundering.

The enhanced due diligence measures for customers who aren't physically present and other higher risk situations include:

- obtaining further information to establish the customer's identity
- applying extra measures to check documents supplied by a credit or financial institution
- making sure that the first payment is made from an account that was opened with a credit institution in the customer's name
- finding out where funds have come from and what the purpose of the transaction is

The enhanced due diligence measures when dealing with a politically exposed person are:

- making sure that only senior management gives approval for a new business relationship
- taking adequate measures to establish where the person's wealth and the funds involved in the business relationship come from
- carrying out stricter ongoing monitoring of the business relationship

4.8 Additional Information

The nominated Officer shall oversee the customer due diligence checks.

Details of such checks should be recorded and retained for a minimum of 5 years, with an electronic copy of every customer due diligence record being retained by the Nominated Officer to meet the requirements of the regulations and in case of inspection by the relevant supervising body.

5 REPORTING SUSPICIONS/CONCERNS OF MONEY LAUNDERING

- 5.1 All employees and members are obliged to report any suspicion of money laundering or terrorist financing to the Council's Nominated Officer(s). The Council has nominated the Corporate Directors and Head(s) of Paid Service as Nominated Officers; in their absence, reports should be made to the Deputy Nominated Officer. Their contact details are as follows:

Nominated Officer	Deputy Nominated Officer
Corporate Directors and Head(s) of Paid Service Holt Road Cromer Norfolk NR27 9EN nick.baker@north-norfolk.gov.uk steve.blatch@north-norfolk.gov.uk	Head of Internal Audit Cygnet Court Long Stratton Norfolk NR15 2XE ehodds@s-norfolk.gov.uk

- 5.2 Where an employee or member of the Council know or suspect that a money laundering activity is taking/has taken place, or becomes concerned that their involvement in a matter may amount to money laundering or terrorist financing, they must disclose this as soon as practicable to the Nominated Officer. The disclosure should be within hours of the information coming to their attention, rather than days or weeks later. **If this is not done the employee or member may be liable to prosecution.** **Appendix A** provides some further guidance and a list of situations where money laundering might occur.
- 5.3 Although suspicions can be raised through direct contact with the Nominated Officer, they should be raised using the reporting form at **Appendix B**, and e-mailing the completed form to the Nominated Officer. Once this has been undertaken those who have raised their suspicion should not undertake any further enquiries into the matter themselves nor must they voice their suspicions to the person suspected of money laundering, which might amount to ‘tipping off’. Of similar vein, do not keep a note of the report on the client’s file.
- 5.4 The Nominated Officer is required to promptly evaluate any concerns/disclosures raised to determine whether to make a referral to the National Crime Agency (NCA) for further investigation, using the reporting form at **Appendix C**. The Nominated Officer should not undertake investigation of any concerns themselves. If legal professional privilege applies, the Nominated Officer must liaise with the Monitoring Officer to determine the further action to be taken.
- 5.5 If you are concerned that your involvement in a transaction would amount money laundering, then your report must include all relevant details, including deadlines, as you will need consent from the NCA, via the Nominated Officer, to take any further part in the transaction.
- 5.6 You must not proceed with the transaction until consent has given or 7 working days have passed, whichever is sooner. If this results in a transaction having to be deferred or delayed, it should be carefully handled to ensure that the customer is not tipped off as to the money laundering concern.
- 5.7 If the NCA refuses to give consent, a moratorium period of 31 days starts on the day the Council receives the refusal notice. During this period, the Council cannot proceed with the matter for which the consent was applied. At the expiry of the moratorium period, NCA is deemed to have consented to the request and the Council can proceed, unless a court order extending the moratorium period is obtained.
- 5.8 Details of any reports, referrals made and correspondence with the necessary bodies shall be retained by the Council for a minimum of six years.
- 5.9 Reports to the Nominated Officer are confidential and will only be disclosed to other persons within the Council where there is a genuine business need.

6 TRAINING

The Council will take appropriate measures to ensure that all employees are made aware of the law relating to money laundering and will arrange targeted, ongoing training to key individuals most likely to be affected by the legislation.

7 FURTHER INFORMATION

Further information can be obtained from the MLRO and the following sources:

- www.NCA.gov.uk – website of the National Crime Agency;
- Combating Financial Crime – Further Guidance on Anti-Money Laundering for Public Service Organisations, published by CIPFA in 2009;
- Anti Money Laundering (Proceeds of Crime and Terrorism) – Second Interim Guidance for Accountants, published by CCAB (www.ccab.org.uk)
- Money Laundering Guidance at www.lawsociety.org.uk
- SI 2007 No.2157 The Money Laundering Regulations 2007 at: <http://www.hm-treasury.gov.uk/consultationsandlegislation/money>

8. REVIEW OF THE POLICY

8.1 The Policy will be reviewed at least every 3 years by Head of Internal Audit (or more frequently if required by changes to statutory legislation), and the following parties will be consulted prior to finalising and submitting the Policy to the following for subsequent approval:

- Senior Council Officers responsible for receiving suspicions of money laundering activities
- The Corporate Leadership Team
- Governance, Risk and Audit Committee (GRAC)

8.2 Details of the key parties responsible for money laundering reporting activities, shall be reviewed by the Head of Internal Audit to ensure that details remain relevant and up-to-date. This review will not require re-endorsement of the Policy.

8.3 These officers are also responsible for making staff aware of the Policy's requirements through training and publicising initiatives.

APPENDIX A -How the Council may be exposed to Money Laundering

1. Guidelines to staff and Members on concerns or suspicions

- 1.1 If you do have any suspicions or concerns about an individual or transaction then it is always better to raise those concerns appropriately. If necessary, you may wish to use the Council's Whistleblowing Policy for further support and guidance on how to raise a concern. Conversely, if in doubt, seek advice from the MLRO.
- 1.2 Although some offences and suspicions may be fairly apparent, some can be more difficult to identify. The simple guidance is to be vigilant, and not be afraid to question something if you don't think it looks right. If you think something looks suspicious, then the probability is someone else may also think the same. It is better for the Council to be safe when handling public money – it would not reflect well on the Council's reputation if it was found we had taken monies that were obtained through theft, drug trafficking, terrorism, etc.
- 1.3 It is recognised that a lot of the Council's activities are sensitive in nature, and in cases what, to some people, may be suspicious or concerning behaviour, from a money laundering perspective may not necessarily be in line with the activity occurring. However, people should always be mindful of genuine concern and suspicion.

2. The types of activities that may be affected

- 2.1 The following table sets out the types of activities that might be suspicious, and how the Council may come across those activities. It is not intended to be exhaustive, and just because something you are suspicious about is not on the list, it doesn't mean you shouldn't report it.

Activity	The types of activity that may be affected
New customers with high value transactions	<ul style="list-style-type: none"> • Selling property to individuals or businesses • Renting out property to individuals or businesses • Entering into other lease agreements • Undertaking services for other organisations
Secretive clients	<ul style="list-style-type: none"> • Housing benefit claimants who have sums of money entering into / out of their bank account (even if we do not award them benefit, we should still consider money laundering implications) • People buying or renting property from the Council who may not want to say what it is for • People receiving grant funding who refuse to demonstrate what funding was used for
Customers who we think are acting dishonestly or illegally	<ul style="list-style-type: none"> • People paying for Council services who do not provide details about themselves • People making odd or unusual requests for payment arrangements.

Illogical transactions	<ul style="list-style-type: none"> • People paying in cash then requesting refunds in the event of sizeable overpayments made • Requests for the Council to pay seemingly unconnected third parties in respect of goods / services provided to the Council • Requests for the Council to pay in foreign currencies for no apparent reasons
Payments of substantial sums by cash	<ul style="list-style-type: none"> • Large debt arrears paid in cash • Refunding overpayments • Deposits / payments for property
Movement of funds overseas	<ul style="list-style-type: none"> • Requests to pay monies overseas, potentially for “tax purposes”
Cancellation of earlier transactions	<ul style="list-style-type: none"> • Third party “refunds” grant payment as no longer needed / used • No payment demanded even though good / service has been provided • Sudden and unexpected termination of lease agreements
Requests for client account details outside normal course of business	<ul style="list-style-type: none"> • Queries from other companies regarding legitimacy of customers • Council receiving correspondence / information on behalf of other companies
Extensive and over-complicated client business structures / arrangements	<ul style="list-style-type: none"> • Requests to pay third parties in respect of goods / services • Receipt of business payments (rent, business rates) in settlement from seemingly unconnected third parties
Poor accounting records and internal financial control	<ul style="list-style-type: none"> • Requests for grant funding / business support indicates third party not supported by financial information • Companies tendering for contracts unable to provide proper financial information / information provided raises concerns
Unusual property investments or transactions	<ul style="list-style-type: none"> • Requests to purchase Council assets / land with no apparent purpose • Requests to rent Council property with no apparent business motive
Overcomplicated legal arrangements / multiple solicitors	<ul style="list-style-type: none"> • Property transactions where the Council is dealing with several different parties • Property transactions where funds are received for deposits or prior completion from an unexpected source or where instructions for settlement of funds to be paid to unexpected destination.

APPENDIX B - Reporting Form

CONFIDENTIAL

MONEY LAUNDERING REPORT FORM

Employee Details

Name _____

Team _____

Date Reported _____

Contact details _____

Offence Details

Give full details of the name (s) and address (es) of person(s) / company (s) / public body (s) / Directorship (s) involved.

Nature, value and timing of the activity involved – please include full details of what has happened, is on-going or imminently due to happen, where and how it has arisen and the amount of money/assets involved. Why exactly are you suspicious? Please continue on another sheet if necessary.

Investigations – has any investigation already occurred, as far as you are aware? If so, please detail below

Discussions – have you discussed your suspicions with anyone – including any advisory bodies? Please identify who you have contacted and why such discussions were necessary.

Disclosure – is there any reason why you believe this should not be disclosed to the National Crime Agency (NCA).

Further Information – if there is any further information you believe to be relevant, please include here:

Signed _____

Date _____

Please do not discuss the content of this report with anyone you believe to be involved in the suspected money laundering activity described. This form, upon completion, should be forwarded to the MLRO.

APPENDIX C - NCA Reporting Form

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

Date of Money Laundering Report Form being received _____

Date when acknowledged receipt of Money Laundering Report Form _____

Report Form related to:

Report Form completed by: _____

Officer contact details: _____

Action taken to review Report Form

Findings of review

Are there reasonable grounds for suspecting money laundering activity? If yes, please give details.

If yes, please complete the following details

Date or report to NCA:
Details of liaison with NCA regarding the report:
Notice period:
Moratorium period:

Is consent required from NCA? Has consent been received?

--

Date consent given by MLRO to employee for Council to proceed with the transaction

Date consent given by MLRO to employee for any prohibited act transactions to proceed:

Other relevant information

--

Signed _____

Name _____

Date _____

Governance Risk and Audit Committee, 4 December June 2017

Civil Contingencies Update

Following Richard Cook's departure from NNDC in the summer, the opportunity was taken to amend the job description and the new Resilience Manager, Alison Sayer, came in to post on 7 November 2018. Accordingly, this update will be brief.

Business Continuity Incidents

Storm Emma (aka The Beast from the East), 28 February to 3 March 2018, is the only recorded business continuity incident since the June 2017 update.

This severe weather incident was debriefed internally and the lessons identified were fed into the Norfolk Resilience Forum debrief. The Civil Contingencies Manager, Richard Cook, produced a report in May (attached) which included an Action List.



Although the majority of the serial items were rated green at the time several were shown as amber or red and it is not clear whether the solutions and recommendations were taken forward. The intention is to work through the amber and red points with the managers involved by 31 March 2019.

Preliminary discussions have already taken place with Comms about the possibility of having basic template information and "black" pages set up with HR-approved wording re bad weather, remote working and leave.

Business Continuity Plans

The table below sets out the latest position of the authority's team business continuity plans. As one of the recommendations of the 2017 internal audit of NNDC business continuity processes was for the Senior Management Team to ensure that all business continuity plans for critical services are kept up-to-date, I have added a note re criticality to the table. Managers responsible for the out of date plans have all been contacted.

Key: Green = Current Amber = Review due this month Red = Out of date

	Team	Plan Owner	Service Manager	Review date	Critical functions?/ Notes
1	Building Control	Stuart Tate	Nicola Baker	Apr-19	No
2	Civil Contingencies	Alison Sayer	Steve Hems	Jan-19	Yes
3	CLT	Lynda McElligott	Nick Baker/Steve Blatch	Aug-19	Yes
4	Coastal Management	Rob Goodliffe	Bill Parker	Dec-18	No
5	Commercial	Alan Dixon	Steve Hems	Dec-18	No

	Team	Plan Owner	Service Manager	Review date	Critical functions?/ Notes
6	Communications/Web	Louise Cowell	Nick Baker	Dec-18	Yes
7	Customer Services	Jane Wisson	Sean Kelly	Jul-19	Yes
8	Democratic Services	Emma Denny	Emma Duncan	Nov-19	No
9	Economic Development	Stuart Quick	Rob Young	Jun-14	No. Will be reviewed by 31 Jan
10	Electoral Services	Tracey Watts	Oliver Corri	Dec-18	Yes (in run up to election)
11	Environmental Protection	James Wilson	Steve Hems	Oct-18	Yes. Will be reviewed by 14 Dec
12	Environmental Services	Scott Martin	Steve Hems	Jun-19	Yes
13	Finance	Lucy Hume	Duncan Ellis	Dec-18	Yes. Meeting arranged on 3 Dec
14	Housing Options	Lisa Grice	David Williams	Oct-19	Yes
15	Housing Strategy	Nicola Turner	Robert Young	Sep-19	No
16	Human Resources/Payroll	Sally Morgan	Nick Baker/Steve Blatch	Sep-19	Yes
17	IHAT	Karen Hill	Rob Young	Jul-18	No. Will be reviewed by 21 Dec
18	IT	Kate Wilson	Sean Kelly	Nov-18	Yes
19	Legal	Emma Duncan	Nick Baker/Steve Blatch	Jul-19	No
20	Planning	Nicola Baker	Steve Blatch	Jun-19	No
21	Property Information	Rachel Parkin	Nicola Baker	Apr-19	No
22	Property Services	Russell Tanner	Duncan Ellis	Jan-19	Yes
23	Public Protection	Gemma Faircloth	Steve Hems	Feb-19	No
24	Reprographics	Paul Turner	Sean Kelly	Jul-19	No
25	Revenues and Benefits	Liz Codling/Sean Knight	Sean Kelly	May-18	Yes. Should be reviewed by 21 Dec
26	Leisure and Localities	Karl Read	Rob Young	Jul-19	No

Best practice is that BC plans are considered current when they are reviewed annually and contacts are updated regularly – and at least once every six months. Plans are considered out of date when they have not been reviewed for more than 12 months. By this measure the number of out of date plans has increased from one to four since the last update.

As an additional lever to help ensure that business continuity management is sufficiently prioritised and resourced my recommendation is to introduce a key performance indicator for the percentage of up to date critical business continuity plans. This suggestion has been accepted in principle by Nick Baker and Steve Hems.

I would suggest a target of having at least 85% of critical plans in date – but this could be higher if the Governance Risk and Audit Committee wishes.

Emergency Planning Incidents

Palm oil pollution was reported on the beach between Bacton and Mundesley in March 2018 and again on 10 November. Kier Services cleared away 90kg of the material in March.

The pieces washed up in November were reported to the Environmental Health duty officer by the Maritime Coastguard Agency. The biggest lumps were smaller than the palm of your hand, the majority were less than 3cm in diameter, and were washed away by the next tide.

Alison Sayer
Resilience Manager

GOVERNANCE, RISK & AUDIT COMMITTEE ON 11th SEPTEMBER 2018

ACTIONS ARISING FROM THE MINUTES

Minute No.	Agenda item and action	Action By
31.	EY Annual Audit Letter	
	To note the EY Annual Audit Letter	GRAC September meeting
32.	Progress Report on Internal Audit Activity	
	To note the Internal Audit Activity progress report	GRAC September Meeting
33.	Corporate Risk Register	
	To note the Corporate Risk Register	GRAC September Meeting

GOVERNANCE, RISK & AUDIT COMMITTEE WORK PROGRAMME JULY 2018 – JUNE 2019

SEPTEMBER 2018	DECEMBER 2018	MARCH 2019	JUNE 2019	JULY 2019
EY Annual Audit Letter		EY Audit Plan (with overview) Annual Grant Certification Report from EY		Audit Results Report
Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity	Progress Report on Internal Audit Activity	Progress report on Internal Audit Activity	
	Follow Up Report on Internal Audit Recommendations (to include update on historical recommendations)	Undertake self- assessment	Follow up on Internal Audit Recommendations (to include update on historical recommendations)	
	Anti-money laundering policy	Strategic and Annual Audit Plans	Annual Report and Opinion and Review of the Effectiveness of Internal Audit	
	Civil Contingencies Update		Self-assessment feedback	
Corporate Risk Register		Corporate Risk Register	Monitoring Officer's Report	Draft Statement of Accounts
		Risk Management Framework	Annual Governance	Letter of Representation
		Annual Report on the work of the Governance, Risk and Audit Committee	Draft Statement of Accounts	