



Guildhall Gainsborough
Lincolnshire DN21 2NA

Tel: 01427 676676 Fax: 01427 675170

AGENDA

This meeting will be recorded and the video archive published on our website

Governance and Audit Committee

Tuesday, 24th July, 2018 at 2.00 pm

Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA

Members:

- Councillor Giles McNeill (Chairman)
- Councillor Mrs Jackie Brockway (Vice-Chairman)
- Councillor Mrs Sheila Bibb
- Councillor David Bond
- Councillor John McNeill
- Councillor Mrs Angela White
- Alison Adams
- Andrew Morriss
- Peter Walton

1. **Apologies for Absence**
2. **Public Participation Period**
Up to 15 minutes are allowed for public participation.
Participants are restricted to 3 minutes each.
3. **Minutes of Previous Meeting**
 - i) Meeting of the Governance and Audit Committee held (PAGES 3 - 10)
on 19 June
4. **Members Declarations of Interest**
Members may make any declarations of interest at this point but
may also make them at any point during the meeting.
5. **Matters Arising Schedule** (PAGE 11)
Matters Arising schedule setting out current position of
previously agreed actions as at 16 July 2018.
6. **Public Reports for Consideration**
 - i) Annual Governance Statement 2017/18 and Action (PAGES 12 - 50)
Plan/ Closure of the Annual Governance Statement
2016/17 Action Plan

Agendas, Reports and Minutes will be provided upon request in the following formats:

Large Clear Print: Braille: Audio: Native Language

- ii) Internal Audit Quarter 1 Progress Report 2018/19 (PAGES 51 - 71)
 - iii) Review of the Whistle Blowing Policy 2017/2018 (PAGES 72 - 84)
 - iv) Anti Money Laundering Policy (PAGES 85 - 107)
 - v) Audited Statement of Accounts (TO FOLLOW)
 - vi) ISA 260 Report (TO FOLLOW)
7. **Workplan** (PAGES 108 - 111)
8. **Exclusion of the Public**
To resolve that under Section 100 (A)(4) of the Local Government Act 1972, the public and press be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in paragraph 2 of Part 1 of Schedule 12A of the Act.
9. **Complaint Compensation Recommendation from the Local Government Ombudsman** (PAGES 112 - 130)

Mark Sturgess
Head of Paid Service
The Guildhall
Gainsborough

Monday, 16 July 2018

WEST LINDSEY DISTRICT COUNCIL

MINUTES of the Meeting of the Governance and Audit Committee held in the Council Chamber - The Guildhall, Marshall's Yard, Gainsborough, DN21 2NA on 19 June 2018 commencing at 2.00 pm.

Present: Councillor Giles McNeill (Chairman)
Councillor Mrs Jackie Brockway (Vice-Chairman)

Councillor Mrs Sheila Bibb
Councillor David Bond
Councillor John McNeill
Councillor Mrs Angela White
Alison Adams
Andrew Morriss

In Attendance:
Ian Knowles Executive Director of Resources and S151 Officer
Alan Robinson Strategic Lead Governance and People/Monitoring Officer
Tracey Bircumshaw Finance & Business Support Manager
Lyn Marlow Customer Strategy and Services Manager
James O'Shaughnessy Corporate Policy Manager & Deputy Monitoring Officer
Caroline Capon Principal Accountant
Ele Durrant Democratic and Civic Officer
Lucy Gorringe Customer Insight Analysis
Natalie Kostiuik Customer Experience Officer
Lucy Pledge Internal Audit
Matthew Waller Internal Audit
James Welbourn Democratic and Civic Officer

Apologies: Peter Walton

5 PUBLIC PARTICIPATION PERIOD

There was no public participation.

6 MINUTES OF PREVIOUS MEETINGS

The minutes of the meetings held on 17 April and 14 May were approved as correct records.

7 MEMBERS DECLARATIONS OF INTEREST

Andrew Morriss declared that it be noted, for the financial items, that he was a Director of Market Street Renewal Limited, but this did not preclude him from speaking.

8 MATTERS ARISING SCHEDULE

The Monitoring Officer clarified for Members that they needed to be adequately trained to be able to sit on the Governance and Audit Committee.

The Chairman confirmed that the issues of Planning Committee site visits and questions being allowed for annual Council would be rolled into the Annual Review of the Constitution.

The matters arising were noted.

9 INTERNAL AUDIT ANNUAL REPORT - 2017/18

Members considered a report on the Head of Internal Audit's opinion on the adequacy of the Council's governance, risk and control environment alongside the delivery of the Internal Audit Plan for 2017/18.

The Head of Internal Audit highlighted the following points in the report:

- There was a positive picture on how the Council was being run. It performed well in all areas, managed risks, and controlled processes and finances;
- A governance review was ongoing; this looked into the culture of the Council;
- The Internal Audit team had looked at the work done by West Lindsey District Council (WLDC) on co-ordinating assurances and managing key risks;
- WLDC's management had delivered 98% of the recommendations within the actions asked for by Internal Audit;
- Internal Audit had delivered 99% of the Internal Audit Plan by the end of April 2018, not 90% as written within the report;
- Internal Audit had supported the Lincolnshire Counter Fraud Partnership and also worked closely with WLDC on awareness of this topic;
- Contemporary reporting and timescales had been identified as an area for improvement. Some reports took longer to close down, and these had the effect of skewing figures;
- Client feedback remained excellent;
- Quality Assurance outlined that Internal Audit conformed to public sector internal audit standards;

Following questions from Members, further information was provided:

- Each of the delivery models for 3rd party arrangements are governed to make sure WLDC are happy with the way they are run;

- Internal Audit will work with WLDC on an 'ethical audit'; this was to test out integrity, values, and the way in which actions are undertaken. This would be triangulated through staff surveys, focus groups, and the systems and processes WLDC had;
- Payment Card Industry Data Security Standards (PCIDSS) compliance had been changing over the course of the auditing process. WLDC made sure they were compliant and tracked any changes through self-assessments;
- Members should contact officers for help when it came to signing up to agreements across districts at outside bodies and similar meetings.

RESOLVED to:

- (1) Note the Head of Audit's Annual Report;
- (2) Take into account the Annual Report and the Head of Internal Audit's opinion when considering the Council's Annual Governance Statement 2017.

10 DRAFT ANNUAL GOVERNANCE STATEMENT 2017/18

Members considered a report on the draft Annual Governance Statement for 2017/18.

The Statement reflected the governance procedures, structures and processes in place during 2017/18 and activities that have been undertaken to amend them in response to changing circumstances. It also referenced objective opinion of WLDC's arrangements in the form of commenting on the results of audit reports and other externally provided opinion.

Some of the main matters highlighted within the report were:

1. Head of Internal Audit's opinion on the Council's governance arrangements;
2. Changes to the Senior Management Structure and a restructure of management at a lower level;
3. Creation of arrangements to hold consecutive policy/resourcing committees to expedite efficient decision making;
4. Positive findings of the internal audit consultancy report looking at the Quality of Decision Making;
5. Formation of the Portfolio Board to oversee key programmes of work and to ensure effective management of change;
6. Amendments to the Council's Contract Procedure Rules;
7. Training for staff on working in a Political Environment;
8. Review of Member/Officer working protocols and associated workshops;
9. Revision of the Council's Code of Conduct and workshops with Members/Parish

Councils;

10. Refresher training on Regulation of Investigatory Powers Act (RIPA).

Management Team had identified the following matters to be included in the action plan:

1. Commercialism
2. Production of a new Corporate Plan (2019-2023)
3. Health & Wellbeing Service
4. Review of C&I Committee
5. PCI DSS Compliance
6. Value for Money

Following questions from Members, further information was provided:

- When issues have been closed down, they are monitored through the Progress and Delivery (P and D) reports that come to Prosperous Communities, Corporate Policy and Resources, and Challenge and Improvement Committees.

Any issues that are not covered by P and D will be reported internally and would be covered by Internal Audit;

- The review into Scrutiny at WLDC was to make sure it was doing a good job. There would be oversight on this through the Annual Governance Statement action plan;

RESOLVED to note the report.

11 GOVERNANCE OF COMMERCIAL AND GROWTH ACTIVITY

Members considered a report on the governance in place to manage commercial and economic growth.

In the current environment, it was expected that the range of delivery models would grow; as such, it would be necessary to put in place appropriate governance for new delivery models.

Following questions from Members, further information was provided:

- Officers at WLDC had a range of experience drawn from different areas. For specific projects it was ensured that the appropriate advice would be in place; for example this advice was in place when working on the development partner project;
- The internal audit function had a full right of access on issues surrounding commerciality. In addition, delegations were built into the Constitution;
- External auditors go through the record keeping of WLDC and would flag up anything that was inappropriate. State aid requirements need to be considered when supporting independent entities with an arm's length relation to WLDC;

- There were a number of internal checks and balances within WLDC where independent companies were concerned. There were currently no group accounts for these entities as they were not significant enough to merit this;
- Mandatory training for regulatory committees was necessary. However, the situation was not the same for policy committees;
- Non-executive Directors had not been introduced to any WLDC associated companies at this time as there was insufficient need. Their role would be to hold Executive Directors to account; at this stage it wasn't considered that any companies would need this additional cost;
- All WLDC related companies withhold the decisions that the director was able to make through reserved matters;
- Details of the transactions with related companies are included in the notes to the statement of accounts;
- Section 3 of the report referred to 'DPL'; this stands for Dransfield Properties Limited. TB refers to Tracey Bircumshaw, the Secretary for WLDC Trading Ltd, WLDC Staffing Services Ltd and SureStaff Lincs Ltd.

RESOLVED to:

- (1) Agree the governance outlined in this report provide assurance that the council is taking appropriate mitigating measures against the risks identified in its commercial approach; and;
- (2) Request a report on changes to commercial governance is contained in the Monitoring Officer's annual report to the Governance and Audit Committee.

12 MEMBER DEVELOPMENT

Members considered a report on the progress to date on member development, along with proposed amendments to the Member Development Plan.

The focus of member development would be the 2019 induction followed by a 4 year training plan. Following this there would be annual reviews.

Following questions and comments from Members, further information was provided:

- Officers had spoken to those Members who do not attend training with regularity. Reasons for this lower attendance had been given by the Members that responded as location, timing, and frequency of the training sessions;
- Training sessions were often repeated to give Members a second chance if they had been unable to make the first session; in addition to this, one-to-one sessions had been offered to Members;

- Online training was used as an option for officers; this hadn't been used as yet for Members. However, it was noted that online training would not be appropriate for all training topics.

The Chairman moved the recommendations from the Chair, with one slight amendment to the 2nd recommendation. Once it was seconded, it was **RESOLVED** to:

- (1) Accept this report as an accurate reflection of member development over the past civic year.
- (2) Agree for the Member Development Plan to be reviewed and re-written where appropriate, with a draft version to be presented to the Governance and Audit Committee by November 2018 and the final version to be presented by January 2019, including an online training provision;
- (3) Agree to the commencement of a Member Development Group, comprising around 4 Members across all parties, in order to have Member involvement with the updated Member Development Plan;
- (4) Review the progress and implementation of the Plan on an annual basis, subject to the agreement of the final Member Development Plan in January 2019.

13 UNAUDITED STATEMENT OF ACCOUNTS 2017-18

Members considered a report on the 2017/18 unaudited statement of accounts.

The Section 151 Officer highlighted the following from the report:

- Overall for the year there was a surplus on services of £150,000. Additional income from business rates finished at £432,000 for the year;
- The balance sheet position was £12.6 million of earmarked reserves, and the general fund balance stood at £3.9 million. There was a minimum fund balance of £1.5 million;
- The balance sheet was positive even with the pension deficit reduction.

Following questions from Members, further information was provided:

- The development partner was confirmed as being MUSE. The £30 million programme was around the potential for a cinema and restaurants on the Guildhall site;
- Any transitional errors in the report would be highlighted for the auditors;
- The 39 full or part time staff mentioned in the report are additional to the approved establishment, but were part of project delivery;

- An environmental plan was brought forward to policy committees in the previous year; actions such as replacing lightbulbs were taking place at the Guildhall and the Depot.

RESOLVED to note the unaudited statement of accounts. The comments of the Committee will be taken away by the S151 Officer for discussion with the Council's external auditors, KPMG.

14 COMMERCIAL BILLING UPDATE

Members considered a report on the progress of the commercial billing solution. This report was requested by the Governance and Audit Committee after a limited assurance rating for the commercial billing project.

The Head of Finance and Business Support advised Members that Civica had been supportive over the final implementation and completion was imminent.

RESOLVED to accept the current status of this project.

15 VOICE OF THE CUSTOMER REPORT

Members considered a report summarising customer feedback from the year 2017/18; it also gave a view of the voice of the customer. The Voice of the Customer report replaced the previous annual feedback report.

The Customer Experience Officer had implemented a new complaints process; this new approach had increased the reporting and recording of compliments, comments and complaints.

The Customer Experience Officer was independent of all of the services she monitored. She was also the link officer for the Local Government Ombudsman (LGO).

The Customer Insight Officer had implemented weekly customer satisfaction surveys with customers. Trends for learning, and those that could be used for future investigation were also highlighted by the Customer Insight Officer.

The following information from the report was highlighted:

- There were 402 compliments, and 79 comments received in 2017/18; these figures had doubled from the previous year;
- 168 complaints were received, a 7% decrease on the previous year. 15 of these complaints were raised to the LGO. Of these, 8 were not upheld, 4 were still under investigation, and 3 were upheld;
- 82% of customers were satisfied with the initial contact they had with WLDC according to satisfaction surveys sent out from January 2018. 65 % were satisfied with the service they received; however, the sample size for this figure of 65% was smaller than the sample size for the 82% figure;
- Telephone and online demand had increased due to the popular uptake of garden

waste;

- The Facebook posts from both officers reached 75,000 recipients; this was quadruple the number that had been reached in the previous year.

Following questions from Members, further information was provided:

- Waste services had the highest number of upheld complaints at 42; as a percentage per interaction this would likely be at the bottom of the list;
- A complaint going to the LGO would be free of charge; the only cost would be officer time. Work was being undertaken with the Finance department on a spreadsheet to capture the cost of a complaint;
- A Quality Monitoring Board with a membership comprising of the Executive Director for Operations, the Customer Experience Officer, the Customer Strategy and Services Manager and the Strategic Lead for Customer First had been set up. The aim was to feed back to the teams involved in the complaints.

RESOLVED to:

(1) Note the report;

(2) Receive the Voice of the Customer report six monthly via the West Lindsey Newsletter.

16 WORKPLAN

The workplan for 2018/19 was noted.

The meeting concluded at 4.16 pm.

Chairman

Governance & Audit Committee Matters Arising Schedule

Purpose:

To consider progress on the matters arising from previous Governance & Audit Committee meetings.

Recommendation: That members note progress on the matters arising and request corrective action if necessary.

Matters arising Schedule

Status	Title	Action Required	Comments	Due Date	Allocated To
Black					
	Training prior to unaudited accounts	A copy of the unaudited accounts are to come to the June meeting - Members to attend prior to the meeting to get training on accounts and be allowed to make comments.	JW to make sure room is available before committee.	19/06/18	Tracey Bircumshaw
Green					
	Constitution Annual Review	Questions/Motions at Annual Council, and Planning site visits are to be added into this work.		12/03/19	Alan Robinson

Agenda Item 6a



Committee: Governance & Audit

Date: 24th July 2018

**Subject: Annual Governance Statement 2017/18 and Action Plan.
Closure of the Annual Governance Statement 2016/17 Action Plan**

Report by:

Director of Resources – Ian Knowles

Contact Officer:

Ian Knowles

Purpose / Summary:

To present to Members the Annual Governance Statement for 2017/18

RECOMMENDATION(S):

1. That Members approve the Annual Governance Statement for 2017/18 and associated Action Plan.

2. That Members sign off the Action Plan for 2016/17 as completed (bar the action pertaining to Value for Money)

IMPLICATIONS

Legal: The Annual Governance Statement must comply with the Accounts and Audit (England) Regulations 2011

Financial: FIN 74-19 There are no financial implications contained within this report

Staffing: None

Equality and Diversity including Human Rights: None

Risk Assessment: Risk management arrangements are part of corporate governance and issues raised under these arrangements have been included in the Annual Governance Statement

Climate Related Risks and Opportunities: None

Title and Location of any Background Papers used in the preparation of this report:
None.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

1. Background

- 1.1 The Annual Governance Statement is a formal statement under the Accounts and Audit (England) Regulations 2011, which details the Council's governance arrangements and issues for the previous year as an annual report of governance.
- 1.2 The system of corporate governance is the way in which we direct and control our services and functions to ensure that we make the best use of all resources.
- 1.3 Assurance of governance arrangements involves a process to test the framework and to gain confidence that it is operating as intended and that we are, "doing the right things, in the right way, for the right people in an open, honest, inclusive and timely manner."
- 1.4 The Council is required to produce an Annual Governance Statement for approval by 31st July 2018 to accompany the Council's Statement of Accounts. This is two months earlier than has previously been the case.
- 1.5 The Annual Governance Statement includes a summary of the governance framework and identifies those areas where further action is required to achieve greater assurance.

2 Developing the Annual Governance Statement

- 2.1 Sources of information used to develop the Statement include:
 - The development of the framework itself
 - The Combined Assurance Report 2017/18
 - Internal Audit Annual Report
 - Internal Audit "limited assurance" reports
 - The management of strategic and service risks
 - External Audit Annual Audit Letter
 - Complaints and lessons learnt
 - Consultation results
 - Ombudsman investigations
 - Corporate functions assurance statements – Legal, Health & Safety, ICT, Procurement
 - Service Managers – any service or performance issues, including signed assurance that the internal control and governance assurance framework has been upheld, covering:
 - Review of key controls
 - Budget setting and allocation of resources
 - Performance management
 - Risk management
 - Financial and legal implications

3 The Framework

- 3.1 The Governance Framework follows the seven principles of good governance as set out in CIPFA's "Delivering Good Governance in Local Government Framework (2016 edition)" and is formed by the systems and processes, standards, policies and activities through which it accounts to, engages with and leads the community.
- 3.2 Under each of the principles we have identified improvements that have taken place during the year, activity to support the principle, any significant issues and actions that will be undertaken to address any issues or to develop the principles further.

4. Annual Governance Statement 2017/18

- 4.1 The Statement for 2017/18 accompanies this report.

5. Issues to be addressed

- 5.1 Issues that have been identified as requiring attention to ensure more robust governance and which will be addressed in the coming year via the Action Plan are set out below:
 - 1. **Commercialism** – to ensure that related decision making and governance arrangements are effective and transparent and form part of the Monitoring Officer's oversight and reporting duties
 - 2. **Health & Wellbeing Service** – implementation of the new service must be closely monitored, partnership working arrangements must be effective and the intended outcomes for service users must be understood and achieved
 - 3. **Review of Challenge & Improvement Committee** – to ensure that the Committee is effective in its operations and performs a robust scrutiny function
 - 4. **New Corporate Plan (2019-2023)** – the new Plan must clearly set out the strategic aims of the Council and the outcomes it seeks, based on the issues and opportunities facing the District
 - 5. **PCI DSS Processes** – to achieve compliance with industry standards
 - 6. **Value for Money** – to complete VfM assessments across service areas to enable senior management set clear priorities for improvement
- 5.2 The action relating to **Value for Money** is being carried forward into the Action Plan for 2017/18. While some progress has been achieved through the development of a Value for Money handbook; awareness sessions; subscription to an on-line resource and the production of a number of assessments to test the principle, momentum has not been as consistent as desired. To address this, additional capacity has been secured to take ownership of this work and progress during 2018/19.
- 5.3 To address the issues detailed above, an action plan has been developed containing SMART actions which when completed will realise a satisfactory state of affairs. The action plan is the main vehicle through which Members of the Governance & Audit Committee are

provided with updates on progress against the completion of the required actions.

5.4 The Action Plan also accompanies this report.

6. Issues Deemed Closed – Annual Governance Statement Action Plan 2016/17

6.1 The issues which were identified as matters to be addressed via the AGS Action Plan 2016/17 and are now deemed to be completed are detailed below. Members are asked to review and determine whether they are satisfied that sufficient progress has been made to warrant completion.

1. **Implementation of General Data Protection Regulations** – action plan worked to, to implement against GDPR principles, awareness sessions held and role of Data Protection Officer created
2. **Political Governance** – training held for Members/Officers and Code of Conduct reviewed
3. **Partnerships** – service delivery partnerships reviewed and new arrangements in place to ensure on-going monitoring of effectiveness
4. **Delivery of Key Commercial and Community Based Projects** – oversight provided by Portfolio Board and governance arrangements streamlined
5. **Resilience and Capacity** – additional resilience and capacity has been sourced to support delivery
6. **Selective Licensing** –implementation and effectiveness of the scheme reviewed by Members to their satisfaction
7. **Development Management** – actions emanating from the most recent audit have been completed.

6.2 The 2016/17 Action Plan is attached for review and sign off

WEST LINDSEY DISTRICT COUNCIL

Annual Governance Statement 2017/18



ANNUAL GOVERNANCE STATEMENT 2017/18

SCOPE OF RESPONSIBILITY

West Lindsey District Council is responsible for ensuring that its business is conducted in accordance with the law and proper accounting standards, and that public money is safeguarded, properly accounted for and used economically, efficiently and effectively. West Lindsey District Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, West Lindsey District Council has put in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

During 2017/18, West Lindsey District Council has worked to its code of corporate governance which was revised during 2016/17 to ensure consistency with the principles set out in guidance provided by CIPFA/SOLACE in 2016 within their Delivering Good Governance in Local Government Framework. The purpose of the Framework is to assist local government to take responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. A copy of the authority's framework is on the Council's website contained within the [Codes and Protocols](#) section of The Constitution.

This Annual Governance Statement explains how West Lindsey District Council has complied with the code and also meets the requirements of Accounts and Audit (England) Regulations 2015, regulations 4(3) and 4(4), which requires all relevant bodies to prepare and publish an annual governance statement.

THE PURPOSE OF THE GOVERNANCE FRAMEWORK

The governance framework comprises the systems and processes, culture and values by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads its communities. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services that are value for money. The framework has been reviewed during the year and is deemed to be relevant and robust.

The system of internal control is an important part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of

West Lindsey District Council's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

The governance framework has been in place at West Lindsey District Council for the year ended 31st March 2018 and up to the date of approval of the statement of accounts at a meeting of the Governance and Audit Committee on 24th July 2018.

THE GOVERNANCE FRAMEWORK AND REVIEW OF EFFECTIVENESS

The Governance Framework is presented in detail at Appendix One with commentary about improvements made during the year and improvements still required. Some of the key features of the Governance Framework are set out below.

The [Corporate Plan \(2016-2020\)](#) sets out the Council's vision for the District and sets out the key strategic objectives which will deliver these outcomes for our communities. The Corporate Plan is explicitly aligned to the Medium Term Financial Plan and Executive Business Plan, ensuring that the aspirations in the Corporate Plan are realistic within the context of the funding constraints placed on the Council. Progress against the priorities detailed within the Corporate Plan is reported annually and the on-going relevance of the Plan is reviewed annually and takes into account feedback from surveys conducted with the citizens of West Lindsey.

The Constitution of West Lindsey District Council establishes the roles and responsibilities of the Full Council, Policy Committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnership arrangements. The Constitution is reviewed annually to ensure it continues to be fit for purpose.

The Constitution also contains rules of procedures (standing orders and financial regulations) that define clearly how decisions are taken and where authority lies for decisions. The statutory roles of Head of the Paid Service, Monitoring Officer and Chief Financial Officer are described, together with their contributions to provide robust assurance on governance and to ensure that expenditure is lawful and in line with approved budgets and procedures. The influence and oversight exerted by these posts is backed by the post-holders' membership of the Council's Management Team.

West Lindsey District Council has developed, communicated and embedded codes of conduct, defining the standards of behaviour for both Members and staff. In addition, training needs are identified through development appraisals and reviews, enabling individuals to undertake their present roles effectively and have the opportunity to develop to meet their own and the Council's current and future needs.

West Lindsey District Council has responsibility for conducting at least annually a review of the effectiveness of its governance framework including the system of internal control. The review is informed by:

- 1. The Combined Assurance Report – made up from:**
 - a) Feedback from senior managers within the Authority who have responsibility for the development and maintenance of the governance environment and its effectiveness within their areas
 - b) An independent review by the Corporate Governance Team
 - c) The findings of the Annual Audit Work Plan
 - d) Third Party assessment e.g. peer review
- 2. The Annual Review of Comments, Compliments and Complaints**
- 3. The Annual Review of The Constitution**
- 4. The Annual Review of the Effectiveness of Internal Audit**
- 5. The Annual Review of Whistleblowing**
- 6. The Annual Review of Fraud**
- 7. The Head of Internal Audit's Annual Report**
- 8. Comments made by the external auditors and other review agencies and inspectorates**

These reviews have been considered by the Governance and Audit Committee as well as a draft version of this governance statement. As a result the arrangements are deemed as being fit for purpose.

The areas already addressed and those to be specifically addressed via an action plan to be developed in the coming year are outlined below.

SIGNIFICANT GOVERNANCE ISSUES

Over the last year the Council has consolidated its progress made over previous years in embedding its corporate governance arrangements and procedures and to consistently communicate the message across the organisation that governance is an essential component of corporate activity. However, as major projects have developed and commercial initiatives have been pursued, the Council has been cognisant of the need to ensure governance and decision making processes do not inhibit the successful achievement of desired outcomes. Hence, the Council's attitude to risk and governance have been the subject of much discussion to determine the right balance between probity and the taking of opportunities.

This work has been recognised by the Head of Internal Audit. Taking account of the activity and changes within the Council during 2017/18 and the audit and consultancy work the audit team have undertaken, she has concluded that the Council's internal control environment should be classified as Green/Amber – working well.

To enhance capacity and capability across the Council a review of staffing requirements has been undertaken resulting in appointments to key areas to support both operational and programme delivery. Where appropriate, expert subject matter advice has been externally sourced to provide expertise and objective thinking in support of a number of the Council's key projects.

We also continue to review and refresh where appropriate the main processes which constitute the Council's performance and governance framework. This includes considerations relating to project management, partnership arrangements, risk management, procurement and contract management. We aim to provide clear

guidance and support and regularly undertake workshops with staff to ensure that procedures are fully understood and are routinely applied. Work has also been undertaken to review the Council's Portfolio Board structure to provide appropriate support and scrutiny in relation to project development and realise effective delivery.

Considerable attention has been paid to ensure governance arrangements to support the Council's growth and commercial agendas are fit for purpose. This is a fast-paced and highly technical area. The Council has worked closely with a combination of colleagues from Lincolnshire Procurement and Lincolnshire Legal Shared Services, in addition to sourcing additional relevant external professional advice to review particular proposals and help steer decision making. Additionally, to expedite efficient decision making, arrangements have been made to hold concurrent policy and resourcing committee meetings to secure policy/project and resourcing approvals within the same session.

Training for staff and Members has also taken place, as have workshop sessions and regular feedback to Members and the Management Team on governance related matters and a number of other subject areas.

A refresh of measures to be incorporated into the Council's Progress and Delivery reporting has been undertaken to ensure that we report against meaningful aspects of service delivery and also track and record progress against the ambitions detailed within the Council's Corporate Plan.

During 2017/18 West Lindsey District Council has also regularly reviewed progress against the significant issues identified in the previous year's AGS (2016/17). Quarterly update reports have been presented to the Governance and Audit Committee. Issues that have been sufficiently progressed and so are now removed from the AGS (2016/17) action plan are:

- 1. Implementation of General Data Protection Regulations** – action plan worked to, to implement against GDPR principles, awareness sessions held
- 2. Political Governance** – training held for Members/Officers and Code of Conduct reviewed
- 3. Partnerships** – service delivery partnerships reviewed and with new arrangements in place to ensure on-going monitoring of effectiveness
- 4. Delivery of Key Commercial and Community Based Projects** – oversight provided by Portfolio Board and governance arrangements streamlined
- 5. Resilience and Capacity** – additional resilience and capacity has been sourced to support delivery
- 6. Selective Licensing** – implementation and effectiveness of the scheme reviewed by Members
- 7. Development Management** – actions emanating from the most recent audit have been completed.

The action relating to Value for Money has been carried over into the action plan for 2017/18. While some progress has been achieved through the development of a value for money handbook; awareness sessions; subscription to an on-line resource and the production of a number of assessments to test the principle, momentum has not been as consistent as desired. To address this, additional capacity has been secured to take ownership of this work and progress during 2018/19.

SIGNIFICANT CURRENT ISSUES TO BE A FOCUS IN 2018/19.

During 2018/19, the Council will pay attention to a number of issues as described below and will continue to stress the message across the organisation that governance is a core component of corporate activity. Hence all officers are required to play a part in ensuring that our processes and systems are robust and adhered to. On-going 'testing' of our processes will be undertaken and we will continue to work in a collaborative manner with Internal and External Audit colleagues.

Those issues that have been identified as requiring particular attention during 2018/19 are reproduced below. These were identified by Management Team; via reference to Internal Audit opinion and through the work undertaken to complete the Council's Combined Assurance Report for 2017/18. Progress will be made in 2018/19, monitored by the Management Team and the Governance and Audit Committee in conjunction with the Challenge and Improvement Committee.

The significant issues identified are:

1. **Commercialism** – to ensure that related decision making and governance arrangements are effective and transparent and form part of the Monitoring Officer's oversight and reporting duties
2. **Health & Wellbeing Service** – implementation of the new service must be closely monitored, partnership working arrangements must be effective and the intended outcomes for service users must be understood and achieved
3. **Review of Challenge & Improvement Committee** – to ensure that the Committee is effective in its operations and performs a robust scrutiny function
4. **New Corporate Plan (2019-2023)** – the new Plan must clearly set out the strategic aims of the Council and the outcomes it seeks, based on the issues and opportunities facing the District
5. **PCI DSS Processes** – to achieve compliance with industry standards
6. **Value for Money** – to complete VfM assessments across service areas to enable senior management set clear priorities for improvement

We propose over the coming year to take steps to address the above matters via an action plan to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review. There have been no significant events or developments relating to the governance system between the year-end and the date on which the Statement of Accounts were signed by the responsible financial officer.

Signed



Date 27th June 2018

Councilor Jeff Summers, Leader of the Council on behalf of West Lindsey District Council

Signed



Date 2nd July 2018

Mark Sturgess, Head of Paid Service on behalf of West Lindsey District Council

APPENDIX 1 - THE GOVERNANCE FRAMEWORK & REVIEW OF EFFECTIVENESS

1. The Council's Vision

Objective: Developing, communicating, operationalising and reviewing the Council's vision.

This section incorporates information relating to:

- identifying and communicating the Council's vision
- reviewing the Council's vision and its implications for the Council's governance arrangements
- translating the vision into objectives for the Council and its partnerships

To help identify priorities, the Council analyses information from external sources, internal statistics, engagement events, working with partners and horizon scanning reports. It produces an annual State of the District Report for review by Members, the public and other stakeholders alike.

Priorities are tested further through public consultation with both the Citizen's Panel (an established representative group of approximately 1300 local residents) and residents more generally. This is supplemented by engagement with a range of businesses and third sector organisations and Member workshops, which build on the identified community priorities.

The Council, is currently working to its Corporate Plan (2016-2020) which was approved by Council in March 2016. The overall vision contains the following strategic priorities:

- Theme 1: Open for Business
- Theme 2: Asset Management
- Theme 3: People First
- Theme 4: Central Lincolnshire Local Plan
- Theme 5: Partnership/Devolution
- Theme 6: Excellent Value for Money Services

The Corporate Plan is explicitly linked to the Medium Term Financial Plan through to 2020 and the Council's Executive Business Plan. During 2018/19, work will be progressed to develop a new Corporate Plan to take effect from 2019. This timeframe complements the Council elections in May 2019.

The Council publishes its [Corporate Plan](#) on its website in accordance with requirements for transparency and making information available for local people. A review of progress against its objectives was carried out on its second anniversary and presented at Full Council to Members for review and endorsement. A summary publication detailing this has also been produced and shared with stakeholders and published on the Council's website.

The Corporate Plan is delivered in the main through the Council's Portfolio Board. It has a clear terms of reference outlining responsibilities for delivery and the board's

delivery plan is further translated into business and service plans, team plans and personal actions (through the appraisal process), which contain specific key objectives, desired outcomes, responsibilities and targets. This ensures that the necessary resources, both staff and financial, are allocated to deliver the service plans and informs the Medium Term Financial Plan and Executive Business Plan.

The Council continues to operate in a challenging short and medium term financial environment. This challenge is not new to the Council and it has over the last 10 years undertaken on-going reviews of its structures, services and income generating potential to achieve substantial savings. However, for the year ending 31st March 2018 the authority continued to operate within a challenging financial environment as a consequence of further cuts in government funding and local economic conditions, with the outlook for the coming years equally challenging (see [WLDC Budget Book 2018/19 to 2022/23](#)). However, to provide us with a degree of certainty the Council has accepted the Government's offer of a four year settlement deal for 2016/17 to 2019/20. Beyond this timeframe we are awaiting the results of the Fairer Funding Review.

Within this context the priorities for the Financial Strategy are to maximise available resources through effective and efficient delivery of services and to identify and drive innovative and commercial approaches to service delivery; resourcing and the use of our land and property assets. This remains important so as to achieve financial sustainability. The positive action taken by the Council to date means that it is relatively well placed to respond to these challenges. In addition capital investment in projects which will generate a revenue return and working in partnership with the private sector, will bring inward investment and economic growth to the District. There are however further uncertain times ahead (despite indicators of economic recovery) and it is essential that the Council continues to take proactive and sustained action, as without this the Council's financial position will not be sustainable in the longer term.

A robust process of monitoring and the taking of responsible actions in managing its budget ensures the Council remains in a good position to achieve the additional savings/income targets of approximately £1m by 2020/21 in a considered manner. Budgets are controlled and monitored by Budget Managers who are supported by regular liaison meetings with the Council's Finance Business Partners. Budget and performance monitoring is reported to Members and the Management Team in the form of regular Budget Monitoring and Progress and Delivery Reports.

All Committee reports contain a financial reference issued by the Finance Team. This provides decision makers with the full financial implications of the proposals being recommended.

To ensure that staff possess the necessary financial knowledge and skills, the Council has delivered a further programme of finance related training under the banner 'Finance Matters II'. This package complements and enhances the previous training (Finance Matters) delivered to staff three years ago.

2. Measuring the Quality of Services

Objective: Measuring the quality of services for users, ensuring they are delivered in accordance with the authority's objectives and ensuring that they represent the best use of resources and value for money

Performance Management & Value for Money

During the year, the Council has monitored the effectiveness of the Progress and Delivery report in monitoring and reporting on performance, with the Challenge and Improvement Committee retaining oversight. A sub-group of the Committee has met once again to discuss the need for a refresh of measures for 2018/19 to ensure that progress against the achievement of corporate priorities can be tracked. We are keen to stress the message that any measures adopted should be able to help the Council learn and improve. The Executive Director of Operations is responsible for performance management and provides:

1. Quarterly Progress and Delivery reports to the policy committees and the scrutiny committee
2. Assurance that the reports provide quality and contextual data for Members

Individual performance is discussed via the appraisal system for employees, which continues to be monitored to ensure that it is applied consistently.

The Council has adhered to the transparency agenda by publishing spend over £250 on the Council's web site on a monthly basis and continues to meet the legal requirements to publish equality objectives which are included in the Corporate Plan.

Commissioning Partnerships

To achieve value for money and the best use of resources, the Council has adopted a positive approach to partnership working and has retained a number of shared working arrangements, mainly with North Kesteven District Council (NKDC). Other key partnerships include Lincolnshire Legal Services, Procurement Lincolnshire and the creation of a formal statutory body to consider planning policy across Central Lincolnshire. Additionally, key contractual partnerships incorporating performance management aspects are in place for a range of services. During 2017/18, the Council has welcomed positive audit findings into two of its partnership arrangements (Shared ICT with NKDC and Choice Based Lettings).

The Council's ambitious growth plans for the District are beginning to crystallise with the formation of a key strategic outcome focused partnership (in the form of a joint venture) established to achieve regeneration in the retail sector in Gainsborough. Additional work has secured a further development partner to focus on delivering comprehensive regeneration of Gainsborough town centre. Both arrangements conspire to ensure that the Council can deliver the Central Lincolnshire Local Plan housing growth target. Further, the Council continues to be engaged in a meaningful manner with partners from the business sector to promote West Lindsey in general and Gainsborough specifically. These partnerships are key to jointly addressing issues such as skills and ultimately promote the District as a place to invest in and grow.

Further examples of partnership working are provided by the work the Council has conducted with the Greater Lincolnshire Local Enterprise Partnership (GLLEP) and the Homes and Communities Agency (HCA). As the Council moves its growth plans into delivery, this has attracted significant support and funding from these bodies, providing revenue funds to continue the intensive planning and development work to support land assembly and provide significant capital for site acquisition, infrastructure and in effect “gap” funds to bridge viability gaps.

To ensure that the Council considers the appropriateness of partnership working prior to entering into arrangements, an ACoP is in place to offer guidance and workshops have been held with staff to discuss the topic. As stressed above, it is essential that officers involved in partnership working consider value for money by assessing the on-going importance of any partnership and its effectiveness in meeting intended outcomes.

Value for Money

Specific reference has been made to our approach to achieving value for money in both the Council’s Corporate Plan and also the MTFP. Our approach received a positive outcome when audited by External Audit.

One of the priorities of the Corporate Plan is the delivery of excellent, value for money services. To assist in achieving this goal, the Council has subscribed to a database of metrics which provide the ability to benchmark service related costs and performance, triangulated where possible with outcomes. Work continues to use this resource to best effect and produce value for money assessments across a range of services. These assessments will provide services with the basis for generating greater value for money via improvement plans. Over the short/medium term we want to create a culture of value for money across all decision making, building on evidence of benchmarking and the achievement of greater productivity. To assist in the regard, the Council has secured additional capacity in the form of a dedicated role to work closely with services to understand performance, costs and value for money considerations.

Procurement & Contract Management

Effective procurement and contract management is key to ensuring that value for money is achieved. Our Procurement processes were audited during 2017/18 and received a substantial assurance rating. Working closely with Procurement Lincs a substantial report was produced during 2017/18, assessing by service areas, the contracts in place and the scope for efficiencies and consolidation. Due to the absence of key staff during the year, progress against the report’s recommendations was not as swift as planned. However, this will be addressed through 2018/19. During 2017/18 a new contract management system was introduced incorporating greater functionality to assist in cost analysis and reporting. The Council’s Contract Procedure Rules and ACoP which supports contract management are both regularly reviewed and elements of contract management are reported via Progress and Delivery reporting.

Service Reviews

Reviews of service provision, structural arrangements and performance are key components in assessing the value for money of service delivery. During 2017/18 reviews of a number of service areas were conducted to determine and secure the required capacity to achieve objectives and desired outcomes.

Senior Management Restructure

The form and function of the Council is regularly reviewed. During 2017/18, following the retirement of the then Chief Executive, a comprehensive review of the senior management structure was undertaken. This culminated in the deletion from the structure of the post of Chief Executive and a re-alignment of key priorities and tasks across the three remaining Executive Directors. This included the re-assignment of the role of Head of Paid Service.

Customer Feedback

The Council recognises the important role that customer feedback plays in assessing the quality and range of the services delivered. Public consultation plays an integral role in informing budget proposals. Customer satisfaction is an integral component of the Council's performance measurement metrics and an annual review of complaints is reported to Management Team, wider management and Members via a report to the Governance & Audit and the Challenge and Improvement Committees detailing the type and volumes of complaints and comparative analysis with previous years. Contextual information is also provided. To support improvements and consistency in approach, the Council has appointed a Customer Experience Officer to work closely with service areas.

In addition, a pro-active stance is taken across a number of services in the form of customer satisfaction surveys. The consistent application of this across the Council is a key aim in support of effective performance management.

3. Roles, Responsibilities and Delegations

Objective: Defining and documenting the roles and responsibilities of the Full Council, Policy Committees, scrutiny and officer functions, with clear delegation arrangements and protocols for effective communication in respect of the authority and partnerships arrangements

The Council has an overview and scrutiny function (in the form of the Challenge & Improvement Committee) and there is a clear split between policy and scrutiny. Overview and scrutiny contributes to the decision making process.

The Council's policy and decision-making process is defined in detail in The Constitution but can be summarised as follows:

- a) The Budget and Policy Framework is decided by Council and has significant links to the Corporate Plan
- b) The Corporate Policy and Resources Committee formulates policy, plans and strategies which do not form part of the Council's Policy Framework. They are

- responsible for the effective use of all council resources, whether land finances, property or personnel
- c) The Prosperous Communities Committee deals with economic development, leisure and cultural, environmental issues and community issues. They formulate policy, plans and strategies other than those identified for adoption by the Council or the Corporate Policy and Resources Committee
 - d) Arrangements for concurrent meetings of the Prosperous Communities and Corporate Policy & Resources Committees to consider policy and funding decisions during the same session
 - e) The scrutiny function is provided by the Challenge & Improvement Committee which examines the activity of the policy committees to ensure they deliver Council policy and can call the policy committees to account for aspects of poor/deteriorating performance in areas under their jurisdiction
 - f) The Challenge & Improvement Committee works to an individual work programme of matters to be considered for the year ahead and there is a monitoring role for the Committee to ensure delivery of the programme. Additionally the Committee invites and raises questions and discussion with strategic partners responsible for service delivery across the District
 - g) The Challenge & Improvement Committee can also establish time limited groups to carry out in depth reviews
 - h) Quasi-judicial matters such as Planning and Licensing are dealt with through separate Planning and Licensing Committees

The scheme of delegated and reserved powers is set out within The Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation.

The Annual Council meeting each year considers a report from the Monitoring Officer which reviews The Constitution to ensure it remains robust and effective. This allows for appropriate amendments to be made.

There are protocols for effective communication which include:

- a) Member/Officer Relations Protocol
- b) Leaders Panel regularly meet with designated officers and Chief Officers
- c) Group Leaders meetings with Key Officers
- d) Chair's Briefs
- e) Six-weekly Members information bulletin
- f) 'Call-in' protocol which enables a decision of the Policy Committees to be questioned by Scrutiny before it is finally approved

The Management Team and Leader of the Council have established a communication process and they have mechanisms in place to set and manage the delivery of objectives.

4. Standards of Behaviour

Objective: Developing, communicating and embedding codes of conduct, defining the standards of behavior for Members and staff

It is vital that there is a constructive working relationship between elected Members and Officers and that the respective roles are carried out to a high standard.

The Council's leadership is responsible for setting the tone for the organisation and it is tasked with creating a climate of openness, support and respect. A set of organisational behaviours and core values are in place and have been communicated. Lead Member positions also have clear role descriptions set out within The Constitution and these make reference to the behaviours expected when undertaking their duties.

Standards of conduct and personal behaviour expected of Members and staff, of work between Members and staff and between the Council, its partners and the community are defined and communicated through codes of conduct and protocols. These are reviewed on a regular basis and when circumstances dictate. For instance during 2017/18, the subject of Member/Officer working protocols was re-visited, with workshops between both parties taking place. These sessions helped to revisit and update the Operational Conventions Protocol within the Council's Constitution. Additionally in 2017/18, officers received training on working in a political environment.

This includes:

- a. Members and Co-opted Members Code of Conduct
- b. Guidance when dealing with Planning Matters
- c. Protocol on Member/Officer Relations (Operational Conventions protocol)
- d. Officer Code of Conduct
- e. Whistle Blowing Policy
- f. Complaints Procedure
- g. Anti-Fraud and Corruption Policy
- h. Local Code of Corporate Governance

The Council has in place Members' related codes of conduct and a Local Code of Corporate Governance. An agreed process is in place to deal with standards matters should they arise. The Standards Sub-Committee plays a significant role in promoting and maintaining high standards of conduct between elected and co-opted Members and hearing complaints where standards of behaviour fall short of what is expected. In particular the role of the Committee is:

- a) promoting and maintaining high standards of conduct by councillors and co-opted Members
- b) assisting the councillors and co-opted Members to observe the Members' Code of Conduct
- c) advising the Council on the adoption or revision of the Members' Code of Conduct
- d) monitoring the operation of the Members' Code of Conduct

- e) advising, training or arranging to train councillors and co-opted Members on matters relating to the Members' Code of Conduct
- f) granting dispensations to councillors and co-opted Members from requirements relating to interests set out in the Members' Code of Conduct
- g) to hear complaints locally regarding alleged breaches of the Code
- h) exercising such other functions as the Council considers appropriate; and
- i) the exercise of (a) to (g) above in relation to the town/parish councils/meetings and their Members in the Council's area

During the year, the Council has revised and adopted a new Code of Conduct which now incorporates aspects such as bullying, confidentiality and respect. The new Code has also been communicated via workshops to Parish and Town Councils across the District and has been adopted by a significant number. The remainder have opted to continue with the code provided by the National Association of Local Councils (NALC).

The Code of Conduct and the Standards regime form part of the Members' induction arrangements and all Members (new and returning) are required to sign the Code of Conduct and provide a new register of interest return.

There is a Code of Conduct for employees and there is also an induction process in place which includes conduct matters. There is an appraisal process in place for both Members and Officers which allows a personal development plan to be put in place.

The Council has an [Anti-fraud and anti-corruption policy](#) and also a [whistle blowing policy](#) in place. Annual reports on fraud and whistle blowing incidents are presented to Members and are made available for review via the Council's web site.

There are registers of gifts and hospitality, interests, and secondary employment. During the year (and especially around Christmas and holiday periods) Members and staff are reminded of the procedure for registering gifts and hospitality and more senior staff are regularly reminded of the need to do this. Procedures for dealing with conflict of interest are in place. Arrangements are in place to ensure that Members and employees of the Council are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders.

Rules and procedures are set out in The Constitution including Members' Code of Conduct, Operation of the Standards Sub-Committee, Procedure Rules for Committees, Financial and Contract and Procurement Procedure Rules (updated during 2017/18) and Scheme of Delegation.

The Monitoring Officer and Chief Finance Officer also have clear supporting roles.

Awareness of probity issues amongst managers is raised through regular reminders that are sent out to all staff.

The Council has an investigation and disciplinary process for conduct issues and action is taken against employees where conduct falls below that expected. At a Chief Officer level this function is undertaken by elected Members and there are clear rules of procedure defined in The Constitution.

5. The Decision Making Framework

Objective: Reviewing the effectiveness of the authority's decision-making framework, including delegation arrangements, decision making in partnerships and robustness of data quality

The scheme of delegated and reserved powers is set out within The Constitution, including a formal schedule of those matters specifically reserved for collective decision of the Council, taking account of relevant legislation. Attention is paid to ensure that arrangements reflect current structures and roles and support appropriate good decision making.

A Scrutiny Committee (Challenge & Improvement) is in place and has clear terms of reference. Their operation is covered in The Constitution which allows them to exercise their powers to 'Call In' decisions made by the policy committees and if necessary ask them to reconsider their earlier decisions. During 2017/18, Members received training on the Effectiveness of Scrutiny and undertook an exercise in self-evaluation. Going into 2018/19, a review of the on-going requirement for this Committee is to be undertaken, as there is no statutory obligation for a District Council to have such an arrangement.

To support joined-up and efficient decision making, particularly in respect of time critical decisions, where appropriate, the Council has implemented concurrent meetings of the Prosperous Communities and the Corporate Policy & Resources Committees within one session. This entails the policy position being debated with recommendations made for resourcing decisions to be determined immediately afterwards. This has worked well to date, to support the expedient progress of key growth and commercial initiatives.

Work has also been completed to ensure that the focus of Committee reports is placed on key decision making. Hence the Council has reduced the number of reports placed before Members by no longer using Committees for the provision of update and information only reports. Alternative arrangements have been put in place to oversee such matters.

During 2017/18 the Council commissioned a consultancy report from Internal Audit to look at the quality of decision making. Reviewing three key decisions, the report found that governance structures, business cases and supporting papers, financial and legal information and scrutiny and the capability of decision makers were all working effectively.

The Council has a robust reporting process in place. There is a committee timetable and Democratic Services identify agendas with the services. The committee report template requires report authors to seek professional comment on proposals from finance, human resources and legal colleagues. It also prompts officers, where appropriate, to detail at least three options for consideration with a recommended option highlighted and to also consider legal, staffing and equalities matters and to assess risk.

The meetings of the Council have appropriate agendas, reports and minutes which demonstrate data quality. All Committees are web cast with the Planning Committee and Full Council meetings webcast live.

The Council uses training, workshops, ACoPs and manuals to help staff operate systems.

The Council has a Risk Management Strategy which sets clear policy and guidance on managing risk and Members receive risk management training.

The Council's Portfolio Board oversees the key programmes which have been instigated to support delivery of the Corporate Plan. An audit of the workings of the Portfolio Board was undertaken during 2017/18 and received a substantial assurance rating. Below this Board a number of themed programme boards exist which manage the delivery of individual projects. Each board is chaired by the relevant programme sponsor and has specific terms of reference. A key component to assist in decision making and delivery is the role of sponsor. The role is accountable for putting in place the appropriate governance arrangements (including the formation of a board if necessary) to avoid the creation of a transactional approach and to ensure that due proportionality is applied to risk. The sponsor is also responsible for reporting progress/issues back to the Portfolio Board.

During 2017/18, both the Section 151 and the Monitoring Officer have played key roles in decision making. They have ensured gateway reviews have been undertaken in connection with the development of business cases associated with commercial, land and property and regeneration initiatives. Such reviews have enabled effective decisions to be made at each stage of project development.

The step change we are making on the growth and commercial agendas (specifically the Commercial Investment portfolio) requires pace, ability to take a commercial view and responsive governance. Work has progressed during 2017/18 to ensure these notions are addressed. The joint sessions of the Prosperous Communities and Corporate Policy & Resources Committees have been a step-change in this regard. Culturally, much progress has been made with staff and Members to ensure that the key foci in discussions remain on programme direction and the commercial imperatives and opportunities.

Data quality contributes to the achievement of and underpins the Council's priorities. The Council is committed to high standards of data quality and must take care to ensure that the data and information used throughout the organisation and particularly in relation to performance management is fit for purpose. In the recent past, the Council recognised the need to ensure a consistent approach to data quality and has therefore produced and communicated via workshops and meetings a [Data Quality Policy](#). In addition agreement has been reached with Internal Audit for them to explicitly assess and reference data quality (where relevant) as part of their audit work.

6. Risk Management

Objective: Reviewing the effectiveness of the framework for identifying and managing risks and demonstrating clear accountability

The Council has in place a [Risk Management Strategy](#) which covers the period 2016-2018. It is due to be revised during 2018/19. There is also an accompanying risk management ACoP, which supports the strategy to outline operational procedures and roles and responsibilities.

Internal Audit reviewed the Council's risk management arrangements during 2016/17 and provided a substantial assurance finding. Service risk management is a standing item of the Service Leadership Team (SLT) meeting agenda whereby any issues can be raised and service areas undertake on-going assessment of service related risks.

A number of workshops with staff and Management Team have been held during the year to discuss risk and the Council has attended the Lincolnshire Risk Management Group meetings.

All risks are maintained on a central system which enables risk owners to identify risks at a service level. If any such risk escalates in nature there is a process in place by which it can be brought to the attention of Management Team.

The Strategic Risk register identifies risks to the delivery of the outcomes in the Corporate Plan. This approach reflects the guidance provided by the Association of Local Authority Risk Managers (ALARM). Therefore, during 2017/18, Management Team have assessed progress against the Corporate Plan objectives to ensure the strategic risk register remains correctly aligned. The register is reviewed regularly by Management Team and is presented for review by the Governance and Audit Committee on a six-monthly basis.

The Governance and Audit Committee have a responsibility as part of their terms of reference for approving the Risk Strategy and maintain an overview of risks. The committee has appointed a Member Risk Champion who has clear terms of reference.

7. Counter-Fraud and Anti-Corruption

Objective: Ensuring effective counter-fraud and anti-corruption arrangements are developed and maintained

The Council has an [Anti-Fraud, Corruption and Money Laundering Strategy](#) which stresses a zero tolerance approach and is part of a suite of policies covering:

- Whistleblowing Policy
- Disciplinary Policy
- Covert Surveillance Policy
- Codes of Conduct for Members and Officers
- Risk Management Policy and Strategy

- Gifts and Hospitality
- Standing Orders

The policy applies to:

- All West Lindsey District Council Employees.
- Councillors and Independent Members
- Staff and members of Council funded voluntary organisations
- Partners
- Suppliers, contractors and consultants
- Residents

Members of staff, partners and contractors have all been reminded of the policy and how to raise any concerns, or report suspected fraud or corruption, through a series of leaflets and posters and a 'Fighting Fraud' leaflet is distributed annually to all staff. An anti-fraud presentation forms part of the corporate induction process. The Council also maintains a specific fraud related risk register.

The Governance and Audit Committee receive a yearly report on anti-fraud and corruption arrangements and the action that has been taken to investigate and prosecute cases.

To monitor and manage the risk of fraud, the Council is a member of the Lincolnshire Fraud Partnership. The Council also takes part in the Housing Benefit Matching Service (HBMS) work and the National Fraud Initiative (NFI); a bi-annual exercise that matches electronic data within and between public sector bodies to prevent and detect fraud. A fraud-health check was conducted in the year by Assurance Lincolnshire which assessed our anti-fraud related arrangements and identified some areas for improvement.

8. Management of Change

Objective: Ensuring effective management of change and transformation

Governance arrangements are in place to ensure change is effectively managed in the form of Board scrutiny, effective project management and Progress and Delivery reporting against projects and programme development. Members are also part of this process and regular reports are produced to keep them updated.

An internal review of the Council's principles and processes in place to support effective project management has been undertaken with colleagues to ensure they remain fit for purpose. Additional capacity has been secured in the form of a Senior Programme Officer to provide critical oversight of all key initiatives. Reporting in 2016/17, Internal Audit provided a finding of substantial assurance following an audit into the Council's project management processes and methodology.

Each Board has been assigned a Programme Sponsor responsible for delivery. In this regard their remit is to direct and provide support to project managers and also ensure a high quality of project development and adherence to the Council's project management methodology.

Effective communication is regarded as crucial to delivering effective change and strong links have been forged between the relevant Boards and the Communications Team to ensure the Council as a whole is kept abreast of developments.

To provide strategic capacity and capability concerned with change and transformation, particularly in support of the delivery of key programmes and projects, the Council has adopted an approach of sourcing professional subject related expertise on a needs basis. This is intended to deliver better value for money and objectivity.

9. Role of the Chief Financial Officer

Objective: Ensuring the authority's financial management arrangements conform with the governance requirements of the [CIPFA Statement on the Role of the Chief Financial Officer in Local Government \(2010\)](#) and, where they do not, explain why and how they deliver the same impact

The Council has designated the Executive Director of Resources as the Chief Finance Officer under Section 151 of the Local Government Act 1972. This officer has statutory responsibility for the proper planning, administration and monitoring of the Council's financial affairs. The Council's financial management arrangements also conform to the governance requirements of the CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2010).

The financial management of the Council is conducted in accordance with the Financial Procedure Rules set out in The Constitution. The financial management system includes:

- A five year Medium Term Financial Strategy which is reviewed and updated annually to support the delivery of the Council's strategic priorities.
- An annual budget cycle incorporating Council approval for revenue and capital budgets as well as treasury management strategies.
- Financial Procedure Rules that are reviewed at intervals of not more than three years. Relevant amendments are made when required.
- Process and procedure guidance manuals.
- Regular budget monitoring by budget holders through monthly financial monitoring meetings and reports.
- Four reports per year to Management Team and Members relating to the Council's financial position stating financial and performance information.
- Annual accounts supporting stewardship responsibilities which are subjected to external audit and which follow the Code of Practice on Local Authority Accounting in the UK in line with International Financial Reporting Standards.

10. Role of the Head of Internal Audit

Objective: Ensuring the authority's assurance arrangements conform with the governance requirements of the CIPFA Statement on the Role of the Head of Internal Audit (2010) and, where they do not, explain why and how they deliver the same impact

The [CIPFA statement on the Role of the Head of Internal Audit \(2010\)](#) states that the Head of Internal Audit in a public service organisation plays a critical role in delivering the organisation's strategic objectives by:

1. Championing best practice in governance, objectively assessing the adequacy of governance and management of existing risks, commenting on responses to emerging risks and proposed developments
2. Giving an objective and evidence based opinion on all aspects of governance, risk management and internal control

To perform this role the Head of Internal Audit:

3. Must be a senior manager with regular and open engagement across the organisation, particularly with the Management Team and with the Audit Committee
4. Must lead and direct an internal audit service that is resourced to be fit for purpose; and
5. Must be professionally qualified and suitably experienced

A review of the CIPFA statement has taken place and no matters of concern were identified. The Head of Internal Audit reports to the Management Team and the Governance & Audit Committee on a regular basis in relation to audit and governance related matters.

The Council has in place an Internal Audit Charter which defines the terms of reference for Internal Audit by setting out the nature, role, responsibilities and authority of the Internal Audit service within the Council.

The Constitution identifies that the Chief Finance Officer is responsible for providing an efficient and effective Internal Audit service, which will comply with relevant legislation and best auditing practice.

11. Role of the Monitoring Officer

Objective: Ensuring effective arrangements are in place for the discharge of the monitoring officer function

The [Constitution](#) covers the key statutory role and functions of the Monitoring Officer. It also includes the requirement for the Council to ensure that the Monitoring Officer has access to sufficient skills and resources to undertake the role. The Monitoring Officer has confirmed that this is the case and he

continues to review this. Appropriate training is delivered where needs are identified and the Officer has attended a number of training courses during 2017/18.

There is a specific job role which reflects the Monitoring Officer duties. The Monitoring Officer is line-managed by the Executive Director of Resources. No conflict of interest in this line management structure has been identified.

12. Role of the Head of Paid Service

Objective: Ensuring effective arrangements are in place for the discharge of the head of paid service function

The statutory provisions are included in [The Constitution](#). The authority does not have a Chief Executive following a senior management review and restructure. This role is now undertaken by the Executive Director of Operations.

The Leader and the Executive Directors have agreed corporate objectives and key priorities for the year. Monitoring against progress is achieved via regular liaison between the relevant parties.

13. The Audit Committee

Objective: Undertaking the core functions of an audit committee, as identified in CIPFA's [Audit Committees: Practical Guidance for Local Authorities](#)

The Council maintains and operates a Governance & Audit Committee which is independent of the Policy Committees and the scrutiny function. Membership includes up to three Independent Members. The Committee receives training and has a defined work plan. Substitutes are not permitted unless the substitute has undertaken specific audit committee training.

The core functions of the [Governance and Audit Committee](#) are set out in [The Constitution](#). Terms of reference are in line with CIPFA guidance and the Committee operates to these.

Some Audit Committee Members are also Members of the scrutiny committee. This arrangement has been agreed by Full Council.

14. Compliance with Laws and Regulations

Objective: Ensuring compliance with relevant laws and regulations, internal policies and procedures, and that expenditure is lawful

The Constitution and relevant job descriptions outline Officer, Member, Committee and Council responsibilities. The Council's statutory officers are the Head of Paid Service (Executive Director of Operations), the Section 151 Officer (Executive Director of Resources) and the Monitoring Officer (Strategic Lead for Democracy and Business Support). These officers are responsible for ensuring that the Council acts within the law and in accordance with established policy and procedure. Counsel opinion may be obtained in certain circumstances and unusual transactions are

referred to the External Auditor for consideration.

The Section 151 Officer is specifically responsible for the proper discharge of the Council's financial arrangements and must advise elected Members where expenditure is likely to exceed resources. Where any proposal is unlawful, the Section 151 Officer, jointly with the Monitoring Officer, have a duty (should such a scenario arise) to produce a 'Section Five' report and inform the Head of Paid Service and External Audit.

The Management Team carry responsibility for ensuring that legislation and policy relating to service delivery and health and safety are implemented. A disciplinary process is in place for both staff and Members for any breaches.

The subject of 'Compliance' is detailed within the Council's strategic risk register. This demonstrates the importance the Council places on the requirement to comply with and/or correctly implement relevant statutory legislation.

Lincolnshire Legal Services hold a central library of all relevant legislation and are consulted when required. Departments take responsibility for receiving and operating to new legislative responsibilities as they arise with service and business planning providing opportunities to consider the implications and plan for legislative change.

Where relevant, expert legal advice is procured to support decision making, particularly in relation to delivery of projects supporting the growth and commercial plans. During 2017/18 the Council drew on expert legal advice in its negotiations and decision making relating to the appointment of a strategic development partner. Additionally, advice has been sought to ensure legal complexities were understood across a number of further projects related to economic growth and regeneration.

Legislation and Statutory Instruments are dealt with and assessed as they are received (from a range of sources including national email alert systems). Changes in legislation have been implemented successfully with no major issues arising.

The communication of local policies and procedures is embedded in a number of different ways such as SLT meetings and workshops, team briefings and local training. Officers ensure that they are aware of and comply with laws and regulations which are relevant to their roles. During 2017/18 refresher training on the Regulation of Investigatory Powers Act (RIPA) was provided for relevant staff.

The Council pays close attention to requirements relating to Information Governance and close working arrangements are in place with neighbouring authorities. Training packages have been provided for staff during the year via the Council's on-line training platform. The requirement to be compliant with the General Data Protection Regulations by May 2018, has been a focus during the year and a delivery plan is being worked through to achieve this. The Council's state of readiness was assessed by internal audit during 2017/18 and received a rating of substantial assurance. Best practice has been followed with the nomination of officers to the roles of Senior Information Risk Officer (SIRO) and Senior Information Governance Officer (SIGO) and Data Protection Officer (DPO). The Corporate Information Governance Group meets regularly to review information governance related matters and developments.

The Governance and Audit Committee receive reports by Internal Audit which include review of compliance with legislation. This provides the Committee with an overview of compliance with policy and procedures and it can request attendance of managers to provide further assurance.

15. Whistleblowing Arrangements

Objective: Arrangements for whistle blowing and for receiving and investigating complaints from the public

The Council has in place a [whistle blowing policy](#) which is available for reference via the Council's web site and internal intranet and its existence and content is regularly communicated to staff. The Council also works in partnership with Lincolnshire County Council and fellow Lincolnshire authorities to develop and produce a County-wide 'Fighting Fraud' leaflet which is distributed to staff. Annual reports are presented to the Governance & Audit Committee on whistleblowing and more general customer feedback.

The Council also has in place a customer complaints, compliments and comments procedure. The [procedure](#) is available for view on the intranet and web site. When complaints are received an internal independent officer (Customer Experience Officer) is appointed to investigate and in certain circumstances an external appointment may be made. One of the key aspects of the policy is our desire to learn from complaints to rectify matters if required. Where appropriate, complaints that have been referred to the Ombudsman are brought to the attention of Management Team

16. Member and Officer Development

Objective: Identifying the development needs of Members and senior officers in relation to their strategic roles, supported by appropriate training

A [Member Development Plan](#) is in place, however is in the process of being renewed in preparation for 2019 elections and subsequent induction processes. This will oversee the training and development requirements of the next administration. The existing and new plan are compiled from a number of sources:

- Requirements from The Constitution
- Areas for development recommended for each committee
- Feedback from Members
- Areas of interest
- Changes to the local government environment including legislation

Member training is also recorded to keep track of the training delivered and details of Member attendance. During the year, Members have received training on such matters as Treasury Management Strategy Scrutiny; Statement of Accounts Scrutiny; Code of Conduct, Data Protection, Licensing and Development Management related topics.

Staff surveys are undertaken on an annual basis and the content is used to develop appropriate training and to address any issues identified. Recent results of the staff

survey were positive and reported improvements in all areas including, communication, motivation and general job satisfaction. It was also pleasing to report that absence due to sickness were at an all-time low. The Council is working to an approved Workforce Development Plan (currently being refreshed) and also has a Staff Engagement Group, drawn from staff across the Council. A Joint Staff Consultative Committee (JSCC) is in place consisting of staff members and Councillors and part of its remit is to review and approve staff related policies.

To improve the ability of managers with line management responsibility to fulfil their roles more effectively, the HR team have held a series of drop-in workshops where staff can raise issues and seek advice and guidance.

The Corporate Plan is communicated to staff and forms the golden thread for staff appraisals and work objectives for the forthcoming year and associated training/development needs. During 2017/18 much of the Council's training was delivered via an on-line learning and development tool.

17. Community and Stakeholder Engagement

Objective: Establishing clear channels of communication with all sections of the community and other stakeholders, ensuring accountability and encouraging open consultation

The Council meets its statutory responsibilities with regard to engagement on budget setting by holding events with residents, parishes and businesses. The Council uses a variety of channels to communicate with the community and stakeholders for example:

- West Lindsey Citizen Panel through surveys and focus groups
- West Lindsey District Council website
- Focus groups with residents and local businesses
- E-surveys
- Local press
- Summits
- Social media

During 2017/18, the Council reviewed its usage of printed means of communication to achieve on-going effectiveness and value for money. The outcome of this was a move to electronic means of communication to replace the existing paper-based West Lindsey News.

Use of social media as a communication tool has rapidly increased. Presently the Council has over 8,000 social media followers.

The Council consults on key service changes and issues that may affect residents of the District. Topics consulted on during 2017/18 included:

- Proposed Public Space Orders
- Gainsborough Car Parking
- Garden Waste Service
- Local Council Tax Support Scheme

- Budget Consultation
- Shopping Trolley Consultation

During the year we also undertook surveys with service users (whether they are internal or external to the Council) to ascertain the levels of satisfaction with services. Results are used to develop our services to ensure they are delivering the level of service required by users.

The Council continues to actively support the Community Right to Bid initiative. During the year a number of applications from community groups have been received and considered with decisions fed back.

18. Partnership Governance

Objective: Enhancing the accountability for service delivery and effectiveness of other public service providers incorporating good governance arrangements in respect of partnerships and other joint working as identified by the Audit Commission's report on the governance of partnerships, and reflecting these in the authority's overall governance arrangements.

To enhance the accountability for service delivery and effectiveness of other public service providers, the Challenge and Improvement Committee have continued with their programme of holding meetings with strategic partners to discuss their approach to addressing the strategic needs of the residents of the District. To this end the Committee focused on the issue of health during 2017/18 and set up a Health Commission to oversee the work. Over the course of the year a number of bodies operating in this field were consulted to detail the work they do, the issues they face and the aspects they feel need to be addressed.

Meetings held during the year have also seen Lincolnshire Police and local housing associations attend to present overviews of their work; the impact it is having on the general well-being of the District and the issues they face.

The Council recognises that effective partnership working is key to the achievement of successful outcomes, particularly in respect of addressing complex needs. Two key partnership arrangements (Choice Based Lettings and the ICT partnership with North Kesteven) have been the subject of audit during 2017/18 and both received positive findings.

Strategic partnership working is recognised by the Council as being integral to the achievement of its ambitions. Key partnerships have been formed in the areas of skills, economic development and regeneration to deliver growth and support business across the District. Partnership working is also evident in the form of the Joint Planning Unit (created to devise and deliver the Central Lincolnshire Local Plan) and the Council's participation in local enterprise partnerships. The creation of further partnerships are in the pipeline.

The Council's Management Team sponsored a review of all current partnership arrangements in place across the Council to ensure on-going relevance and effectiveness. In conducting this work, reference was made to the Audit Commission's ['Governing Partnerships'](#) Report. The work involved the identification

of the Council's key partnerships; their effectiveness and on-going relevance and put in place measures for the provision of regular reporting by the respective officer lead on the achievements, issues and future intentions of the relevant partnership. This assists in gauging whether any partnership is providing value for money. To provide guidance for staff a Partnership ACoP is in place. The Council's Partnership Register has been cleansed and populated with the up to date information.

Our current Contract Procedure Rules cover contract monitoring procedures and management of delivery. They were revised slightly during 2017/18 to reflect delegation arrangements and provide greater clarification in certain areas. The accountability of service providers is managed through contract management and work has been undertaken to ensure The Council has robust contract management procedures in place.

DRAFT

Annual Governance Statement 2017/18 Action Plan

Issue	Description	Action	Current Position	Date Due	Officer	BRAG
Commercialism	To ensure that related decision making and governance arrangements are effective and transparent and form part of the Monitoring Officer's oversight and reporting duties	1, Monitoring Officer to report annually on governance arrangements to Management Team and Governance and Audit Committee 2. Council's Constitution is updated as appropriate duties		31/07/2019	Eve Fawcett-Moralee	Green
Health & Wellbeing Service	Implementation of the new service must be closely monitored, partnership working arrangements must be effective and the intended outcomes for service users must be understood and achieved	1. Assess usefulness of measures adopted to track delivery of service against anticipated outcomes 2. Implement and review results of user satisfaction surveys 3. Ensure a robust overview and effective delivery of partnership working		31/07/2019	Mark Sturgess	Green
Review of Challenge & Improvement Committee	To ensure that the Committee is effective in its operations and performs a robust scrutiny function	1. Meet with Chair(s) to set scope of the review which includes 'Call-In' process 2. Undertake review, assess findings and identify areas to address, using KPMG training material as reference point 3. Report findings back and create and monitor project plan		31/03/2019	Mark Sturgess	Green

		4. Track delivery of plan and assess level of improvements				
New Corporate Plan (2019-2023)	The new Plan must clearly set out the strategic aims of the Council and the outcomes it seeks, based on the issues and opportunities facing the District	<ol style="list-style-type: none"> 1. Produce State of District Report for Members 2. Conclude mission, vision, value work 3. Identify priorities to be addressed 4. Officers generate options for action 5. Set measures to track progress 6. Produce Corporate Plan document 		31/03/2019	Ian Knowles	Green
PCI DSS Processes	To achieve compliance with industry standards	<ol style="list-style-type: none"> 1. Produce audit trail of SAQ responses and undertake an annual scoping exercise 2. Record regular inventory and check of card machines 3. Training undertaken by all relevant officers 4. Produce and maintain accurate network diagrams 5. Receive follow-up audit findings 		31/03/2019	Ian Knowles	Green
Value for Money	To complete VfM assessments across service areas to enable senior management set clear priorities for improvement	<ol style="list-style-type: none"> 1. Produce series of VfM assessments for Management Team to review and prioritise action 2. Establish improvement plans for teams and track through business planning activity 		31/07/2019	Ian Knowles	Green

Annual Governance Statement 2016/17 Action Plan

Issue	Description	Action	Current Position	Date Due	Officer	BRAG
Implementation of General Data Protection Regulations	To ensure compliance with new regulations coming into force on 25th May 2018, which aim to increase cyber-security and the protection of personal data	<ol style="list-style-type: none"> 1. Devise project plan and milestones 2. Undertake self-assessment exercise and act on findings 3. Determine response for appointment of DPO 4. Implement scheme of staff training and awareness 5. Maintain on-going review of guidance and best practice 6. Obtain external assessment of delivery plan 	<ol style="list-style-type: none"> 1. Project plan worked to and progress review mechanisms in place 2. Self-assessment exercise completed 3. Training packages delivered to staff/Members 4. DPO position appointed 5. Communications plan developed 6. Audit (Feb 2018) on preparedness reported substantial assurance 	30/06/2018	I. Knowles	Black
Political Governance	To maintain and re-inforce the current high standards of behaviour across all levels of democratic governance within West Lindsey	<ol style="list-style-type: none"> 1. Roll-out newly adopted Code of Conduct via training/workshops 2. Deliver specific Member behaviour training via external provider 3. Produce annual report to Standards Committee 4. Work closely with Group Leaders 5. Work with team managers and other key staff on working in a political environment 	<ol style="list-style-type: none"> 1. New Code of Conduct in place 2. Training delivered for Members July 2017 3. Regular meetings scheduled with Group Leaders 4. Team manager training incorporated into Workforce Development Plan 5. Annual report presented to Standards Committee 6. Code of Conduct 	31/07/2018	A. Robinson	Black

			workshops held with Parish Councils. Awaiting responses confirming adoption of Code 7. Training sessions held re Member/Officer working protocols and political awareness			
Partnerships	To critically evaluate and maintain the effectiveness of the Council's key strategic partnerships	<ol style="list-style-type: none"> 1. Review all key partnerships and update partnership register 2. Report to Management Team on evaluation 3. Raise awareness and understanding across staff 4. Implement on-going monitoring and reporting on effectiveness 	<ol style="list-style-type: none"> 1. Paper to GCLT in May 2017 setting out rationale 2. Review of Audit Commission's 'Governing Partnerships' guidance completed 3. Review meetings held with partnership leads 4. Cleanse of partnership register completed 5. Evaluation report to MT and on-going review mechanism agreed 	31/07/2018	I. Knowles	Black
Value for Money	To complete value for money assessments across service areas and develop appropriate improvement plans to achieve greater value for money and increased productivity; wider usage of benchmarking and the creation of a value for money culture	<ol style="list-style-type: none"> 1. Gain understanding of benchmarking tool 2. Undertake VfM assessments across a number of service areas 3. Report initial findings to GCLT and learning obtained 4. Roll-out VfM work across remaining service areas 5. Identify improvements required and plans for delivery 6. Monitor progress through 	<ol style="list-style-type: none"> 1. VfM tool utilised and VfM assessments produced 2. VfM Handbook produced 3. Findings presented to a number of service areas with discussions and consideration of results 4. Performance Officer appointed to undertake benchmarking exercises 	31/07/2018	I. Knowles	Amber

		internal processes				
Delivery of Key Commercial and Community Based Projects	To deliver at the required pace, key projects in support of the Corporate Plan which deliver benefits for the whole of the District	<ol style="list-style-type: none"> 1. Ensure effective Sponsorship of all key projects 2. Review delegation arrangements and streamlining of governance arrangements 3. Effective Board scrutiny and challenge/support for programme delivery 4. Commission audits into 'Effective Decision Making' and 'Commercial Plans Delivery' 5. Act on recommendations of Commercial Plans Delivery audit 6. Review capacity required to deliver key projects. 	<ol style="list-style-type: none"> 1. Sponsorship of key programmes and projects allocated with clear responsibilities assigned 2. Work undertaken to examine governance processes and concurrent committees schedule implemented 3. Commercial oversight group formalised as a Board. Land & Property Board established. 4. 'Quality of Decision Making' consultancy review found the decision making process for large scale programmes and projects is robust and can be considered to be supportive of good decision making 5 Response to Commercial Plans Delivery audit provided for G&A Committee and Member training provided on aims of commercial ambitions. Reporting of commercial activity now 	31/07/2018	E. Fawcett-Moralee	Black

			mainstreamed and included in Executive Business Plan. 6. Retention arrangements made for specialist legal commercial and property advice. Capital Projects Officer appointed with construction specialism to deliver Crematorium and new leisure facility at Market Rasen.			
Resilience and Capacity	To balance the Council's capacity to deliver ambitious programmes with the operational and management responsibilities placed on staff	<ol style="list-style-type: none"> 1. Workforce Development Plan reviewed and updated 2. Implement resourcing plan to ensure appropriate skills/capacity in place 3. Undertake to streamline processes to deliver greater efficiency and delivery capacity 4. Completion of Business Plans to identify staff resources required to deliver objectives through to 2020/21 5. Undertake review of progress of the Corporate Plan and identify and prioritise future work programmes 6. Review capacity required to drive delivery of key projects 	<ol style="list-style-type: none"> 1. Current Workforce Development Plan completed taking account of appraisal 16/17 needs 2. Outline Resourcing Plan principles in place 3. Work underway to examine processes of governance following external review 4. Restructure at management level completed 5. Business Plans submitted and analysis completed. Feedback provided by Directors 6. Review of Corporate Plan underway 7. Relevant appointments made to support project 	31/07/2018	I. Knowles	Black

			development and delivery			
Selective Licensing	For Members to receive and consider a report evaluating the implementation and effectiveness of the scheme	<ol style="list-style-type: none"> 1. Officers to collate data and information and produce report 2. Report to be presented and approved by Prosperous Communities Committee Oct 17 	<ol style="list-style-type: none"> 1. Scheme in place and monitoring and review of effectiveness in place 2. Report received by PC Committee and approved. Now deemed as BaU activity 	31/12/2017	M. Sturgess	Black
Development Management	To receive the findings of an audit into the service, providing oversight and scrutiny to ensure subsequent recommendations and actions are appropriately considered and implemented	<ol style="list-style-type: none"> 1. Audit to be completed and findings considered by GCLT 2. Audit report to be presented to G&A Committee 3. Actions to be completed and signed off 	<ol style="list-style-type: none"> 1. Audit completed and report received. Substantial assurance rating received and findings reviewed by G&A Committee Nov '17 2. Await evidence of sufficient progress against agreed audit actions 3. Update provided to G&A Committee of enforcement related activity and processes 	31/03/2018	M. Sturgess	Black



**Governance & Audit
Committee**

24th July 2018

Subject: Internal Audit Quarter 1 Progress Report 2018/19

Report by:

Lucy Pledge (Head of Service – Corporate Audit & Risk Management – Lincolnshire County Council)

Contact Officer:

Ian Knowles, Director of Resources
ian.knowles@west-lindsey.gov.uk

Purpose / Summary:

The report gives members an update of progress, by the Audit partner, against the 2018/19 annual programmes agreed by the Audit Committee in March 2018.

RECOMMENDATION(S):

- 1) **Members consider the content of the report and identify any actions required.**

IMPLICATIONS

Legal: None directly arising from the report

Financial: None directly arises from the report.

Staffing: None

Equality and Diversity including Human Rights:

None arising from this report

Risk Assessment: N/A

Climate Related Risks and Opportunities: None arising from this report

Background Papers: No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Call in and Urgency:

Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No



Internal Audit Progress Report at 30th June 2018



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Appendix 2 – Audit Plan & Scheduling 2018/19	
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Appendix 4 – Assurance Definitions	
Appendix 5 – Details on overdue audit recommendations	

Contact Details:
Lucy Pledge CMIIA QIAL
Head of Audit & Risk Management



For all your assurance needs
County Offices, Newland, Lincoln, LN1 1YG
☎: 01522 553692 ☉ lucy.pledge@lincolnshire.gov.uk

Introduction

1. The purpose of this report is to:
 - Advise of progress made with the 2018/19 Audit Plan
 - Provide details of the audit work undertaken since the last progress report.
 - Provide details of the current position with agreed management actions in respect of previously issued reports
 - Raise any other matters that may be relevant to the West Lindsey Governance & Audit Committee role

Key Messages

2. Work continues to progress on finalising the 2017/18 audit plan and we have started work on the 2018/19 annual plan.
3. The following audits have been completed since the last progress report and details are included in this report:
 - Procurement
 - PCI DSS Follow Up
 - ARCUS Consultancy
 - The Portfolio Board

2018/19 quarter one audits currently in progress are

- The Growth Programme
- Environmental Protection

Quarter two audit preparation includes agreeing Terms of Reference (TOR) for -

- Customer First Programme review
- Financial Strategy and Budget Preparation
- Budget Monitoring

Full details of progress are detailed in the Internal Audit Plan schedule in **Appendix 2**.

4. Work continues on the Governance review and this is planned to be completed in quarter three and then reported to Committee. This audit has run across 2017/18 and 2018/19 and is planned to be completed as part of this year's work plan.

5. We have delivered 9% of the 2018/19 Internal Audit Plan against a quarter one target of 18%. We have been completing the final 2017/18 audits and of the three reviews due in quarter one two are underway, with one at draft report stage. The final review due for quarter one is going through management approval to agree the terms of reference.
6. Good progress has been made in implementing audit recommendations - there is currently no overdue action to report. There is one action where we have received an update and a new date for completion has been added. This relates to the section 106 part of the Development Management audit, which was substantial assurance. Details on the outstanding actions can be found in **Appendix 3 & 5**.

Internal Audit work completed at 30th June 2018

7. The following audit work has been completed and final reports have been issued since the progress report presented to the last meeting of the audit committee:

High Assurance	Substantial Assurance	Limited Assurance	Low Assurance	Consultancy
	Procurement Portfolio Board	PCI DSS Follow Up		ARCUS

Note: The Audit Committee should note that the assurance expressed is at the time of issue of the report but before the full implementation of the agreed management action plan. Definitions levels are shown in **Appendix 4**.

8. Below are summaries of the audit reports issued. :

Procurement – Substantial Assurance

Continued funding cuts and service transformation means that it is essential that the Council manages it's spending through a structured approach to procurement, to ensure value for money (VfM) and fairness and transparency in allocating public contracts.

This review sought to provide assurance on the effectiveness of the current guidance and procedures in place to manage effective procurement.

Our review found that the Council's approach to procurement is clearly defined within Contract Procedure Procurement Roles (CPPR's), Financial Procedure Rules and a Code of Practice, and staff

are supported in its application by the Council's Contract and Procurement Officer, and a designated Procurement Lincolnshire contact.

Our review tested seven large scale procurements where the Council had been supported by Procurement Lincolnshire. The sample of contracts tested had been completed in compliance with CPPR's.

We found some areas in the smaller procurements, not supported by procurement Lincolnshire, and some areas in overall corporate procurement processes and policy where controls, records and compliance with CPPR's need to be strengthened.

We agreed an action plan with management to address these.

Payment Card Industry Data Security Standard (PCI DSS) Follow Up – Limited Assurance

PCI DSS is the Payment Card Industry Data Security Standard. This is a worldwide standard that was set up to help businesses process card payments securely and reduce card fraud. It does this through tight controls surrounding the storage, transmission and processing of cardholder data that businesses handle. PCI DSS is intended to protect sensitive cardholder data.

An earlier audit report on PCI DSS compliance, issued in March 2017, gave a limited assurance opinion. This review has focused on evaluating the progress made on the recommendations within that report and the assurance level that can now be given.

The Council has provided answers in respect of card data security to the online PCI DSS portal supplied by the Council's bank. The portal has reported that the Council is now compliant but we would advise that this is a result of the Council's use of self-validation tools and this then doesn't verify or test what the Council provides.

Our own assessment is that the Council still has work to do in order to assure itself that it is compliant with the Payment Card Industry Data Security Standard (PCI DSS) and it is our opinion that there is a significant risk that, whilst the Council has assessed itself as compliant, it is not.

A number of recommendations from the original PCI DSS audit report remain outstanding and we have identified two further issues that we would like management to address and respond to.

Further details of this report are attached at Appendix 1.

ARCUS – Consultancy

The Council had commenced a project to implement ARCUS Planning, a cloud based ICT system for Development Management, Building Control and Land Charges. The project was seeking efficiency and productivity gains through more modern software offering that provided visible performance information to officers and managers assisting officers to work remotely and directly to the Councils customers via the internet.

The Council took the decision to terminate the project, due to issues around the delivery of the systems as proposed by the supplier.

Our review identified a number of areas where improved project management could have benefited the overall deliver of the project, including –

- Ensure the project manager coordinates the procurement through the Procurement team from the start of the project, following the Councils Contract Procedure Rules.
- Ensure that project managers fully follow project management duties allowing decisions to be made objectively and with maximum benefit to the project outcome.
- Ensure full evidence is collated to support the supplier answers and where possible supplier clients are visited independently and systems reviewed to ensure the supplier will deliver systems as per tender.
- PM and project board to ensure that communication is maintained with supplier throughout the project lifecycle, with mechanisms for any significant issues to be immediately raised and resolved.
- Project board to review the project risk register throughout the life of the project to ensure emerging risks are being captured and fully documented and addressed as they arise.

There were a number of positive outcomes acknowledged as a result of the project. Each department had the opportunity to review their departmental processes. The Land Charges department was able to reduce their application process time down from an average of 26 days to 8 days year up on year and have now been tracking an average of 4 days for the last 6 months. Both the Planning & Development and Building Control departments have reviewed the contents of their letters and number of letters sent out, and these have been streamlined to make the letters more customer focused.

Portfolio Board – Substantial Assurance

The Portfolio Board's remit is to provide oversight and corporate leadership of all key projects and programmes ensuring there is effective sponsorship, resource allocation, governance and delivery of programme and projects.

The aim of the review was to provide assurance that the Portfolio Board is operating effectively in managing the development and delivery of key programmes and projects of work. We attended board meetings, reviewed supporting documents and spoke to key board members as part of our review.

Our observations and review found there is more clarity and purpose in the way the board runs than we have found in a previous review of the Councils key governance board.

During 2017 we completed a review of the commercial strategy and effectiveness of the Entrepreneurial board and found the board was not providing effective oversight of projects and programme management. We found that the Portfolio Board is working well in carrying out its remit of providing management oversight, support and challenge to the council's larger scale projects and programmes.

The summary reports which go to the board give a detailed snapshot and overview of programme and project management which allows the board to scrutinise and support delivery and progress. Key officers and project managers attend which allows the board to challenge, support and provide a strategic and operational view of the Councils programmes of work, which is fulfilling its remit.

There were four findings included in the report to support more effective governance, review and management oversight, including;

- Ensuring all the required information on finance, risks and milestones are completed
- Reviewing the assurance process which rates each project with an indicator to inform the board if it is on track. To ensure a consistent measurable process is applied.
- Having a focus on high risks identified and missed milestones to provide transparency and records that projects have been scrutinised.
- Ensuring there is clarity on the governance board structure for the Portfolio Board and sub programme boards.

Overdue Audit Recommendations

9. Outstanding Internal Audit recommendations are tracked and monitored along with the Council's Business Improvement Officers to ensure actions are accurately recorded and monitored. This helps to maintain oversight and momentum.
10. There is one management action with a revised date for completion from the section 106 review.

Appendix 3 & 5 provides details of all outstanding recommendations.

Other matters of Interest

Lincolnshire Audit Committee Forum

The Lincolnshire Audit Committee Forum is a networking group which enables the sharing of good practice, emerging governance and risk issues and hot topics for public sector audit committees. It is designed to help and support the effectiveness of audit committees.

This is good opportunity to meet up with members of audit committees countywide and we plan to host an all-day forum event on 16th October 2018. This forum day is open to all members of public sector Audit Committees.

CIPFA Publication – Audit Committees – A Practical Guide for Local Authorities and Police (2018 Edition)

This publication sets out CIPFA's guidance on the function and operation of audit committees and represents good practice for audit committees in local authorities throughout the UK.

It emphasises the importance of audit committees and recognises the key part they play in governance. The publication covers:

- Core functions
- Possible wider functions
- Independence and accountability
- Membership and effectiveness
- Suggested terms of reference
- Audit committee members – knowledge and skills framework

Performance Information

11. Our performance is measured against a range of indicators. The table below shows our performance on key indicators as at 30th June 2018.

Performance Details 2018/19 Planned Work

Performance Indicator	Annual Target	Target to date	Actual
Percentage of plan completed.	100% (revised plan)	18%	11%
Percentage of key financial systems completed.	100%	0%	*0%
Percentage of recommendations agreed.	100%	100%	0%
Percentage of recommendations due, implemented.	100% or escalated	100% or escalated	100% or escalated
Timescales: Draft report issued within 10 working days of completing audit.	100%	100%	0% (None Issued)
Final report issued within 5 working days of CLT agreement.	100%	100%	0% (None Issued)
Period taken to complete audit – within 3 months from fieldwork commencing to the issue of the draft report.	80%	80%	0% (None Issued)

Client Feedback on Audit (average)	Good to excellent	Good to excellent	
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*Work scheduled in and due to start January / February 2019, this will give us almost a full 12 months of financial transactions for the review.

Appendix 1 – Details of Limited Assurance Audits

PCI DSS Follow Up

Background and Context

PCI DSS is the Payment Card Industry Data Security Standard. This is a worldwide standard that was set up to help businesses process card payments securely and reduce card fraud. It does this through tight controls surrounding the storage, transmission and processing of cardholder data that businesses handle. PCI DSS is intended to protect sensitive cardholder data.

PCI DSS is a recognised standard comparable to other information security frameworks such as ISO:27001. Compliance with the PCI DSS standard will help ensure that payment card data is secure and adopting the standard more widely throughout the organisation will help ensure the Council has increased resilience against threats to all of its data.

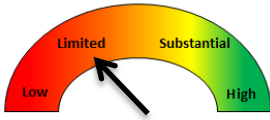
If an organisation loses card data and is not PCI DSS compliant then there is the potential for financial penalties to be imposed such as:

- fines for the loss of this data
- fraud losses incurred against the cards involved
- banks operational costs associated with replacing the accounts.

Scope

An earlier audit report on PCI DSS compliance, issued in March 2017, gave a limited assurance opinion. This review has focused on evaluating the progress made on the recommendations within that report and the assurance level that can now be given.

The Council annually self-validates its PCI DSS compliance. Should a card data breach occur then the bank may investigate and determine whether the Council's assessment of its compliance was accurate. In undertaking our assessment we have therefore adopted a strict interpretation of the guidance provided by the Payment Card Industry Security Standards Council.



Risk	Rating (R-A-G)	Recommendations	
		High	Medium
Risk 1 - Management arrangements for progressing PCI DSS compliance are not effective.	Green	0	0
Risk 2 - Failure to comply with PCI DSS – Recommendations outstanding	Amber	1	3
Risk 2 - Failure to comply with PCI DSS – New recommendations	Amber	1	1

Key Messages



The Council has provided answers in respect of card data security to the online PCI DSS portal supplied by the Council's bank. The portal has reported that the Council is now compliant but we would advise that this is a result of the Council's use of self-validation tools and this then doesn't verify or test what the Council provides.

Our own assessment is that the Council still has work to do in order to assure itself that it is compliant with the Payment Card Industry Data Security Standard (PCI DSS) and it is our opinion that there is a significant risk that, whilst the Council has assessed itself as compliant, it is not.

A number of recommendations from the original PCI DSS audit report remain outstanding and we have identified two further issues that we would like management to address and respond to.

We would further suggest that the Council acquaints itself with the current (v3.2) Data Security Standard as this will provide further insight into the questions posed by the bank, and the rationale behind them.

Additionally, there is a template document for "Reporting on Compliance" used by independent assessors to confirm PCI DSS compliance, which may also assist in the Council's completion of its PCI DSS tasks.

Recommendations we found not to have been implemented are listed below:

- Annual Scoping Exercise – High Priority

The first step of PCI DSS compliance is to accurately determine the scope for compliance, identifying where card data enters the Council. Scoping must

Key Messages



documented. This has not been undertaken in the past year.

- Completion of a self-assessment questionnaire – High Priority

The second stage is to then complete a self-assessment questionnaire (SAQ). The “SAQ” is a self-validation tool for merchants (i.e. the Council) to report the results of their PCI DSS self-assessment to their bank.

Our earlier review found that some of the responses within the complete SAQ were incorrect. However, there are different questionnaires available to meet different environments. The Council has since progressed an earlier audit recommendation to identify the correct SAQ to be completed, but our assessment remains that some of the responses to one of the current SAQs is not supportable and should be reviewed.

Inaccurate responses could lead the bank to believe the Council is compliant when in reality this may not be the case.

- Completion of Network Diagrams – Medium Priority

Without current network diagrams, devices could be overlooked and be unknowingly left out of the security controls implemented for PCI DSS and thus be vulnerable to compromise. Current network diagrams were not provided as part of this review. The requirement to do this is linked to the responses in the self-assessment questionnaire to which the Council has said is not applicable. We believe this may not be correct.

- Inspections – Medium Priority

Payment devices should be periodically inspected to make sure they haven't been tampered with. There isn't a proper inventory of payment devices (as required under 9.9.1. of the PCI standard) and neither is there any documentation to evidence the periodic checking of these devices.

Areas of Good Practice



The Council has progressed the following recommendations:

- Upwards Reporting Of Compliance Progress – Medium Priority

A recommendation to report to management progress on PCI DSS compliance has been adhered to in that we are informed that the Director of Resources (and Senior Information Risk Owner) was informed that

compliance was achieved in respect of payment terminals at the Council and payments taken by staff over the phone. The response to the original recommendation was that confirmation of compliance would be reported to the Corporate Information Governance Group but this has not taken place and staff involved with PCI DSS compliance have questioned whether this is the right group to monitor compliance.

- Determination of correct Self-Assessment Questionnaire to complete – High Priority

In order to determine which type of self-assessment questionnaire the Council needs to complete, it responds to an initial set of questions set by the bank. In our assessment, the responses to these initial questions are accurate and we therefore have confidence that the correct Self-Assessment Questionnaires are being completed.

- Development of a PCI DSS Security Policy and Training for staff – High Priority

The Council has produced a very informative security policy for staff that handle credit and debit cards. A training module has also been established and rolled out, although management need to ensure that the completion rate for this training is improved.

The payment processing function for card payments is undertaken by a chosen supplier whose application is PA DSS (Payment Application Data Security Standard) compliant; thereby reducing the risks to the Council associated with certain PCI DSS requirements.

The Council's bank also provides an online portal that guides and simplifies the compliance process. The portal also identifies any in-year tasks that need to be recorded, such as the annual review of the Information Security Policy.

The Council's PCI DSS Security Policy is clear and informative, providing good direction for the control of card holder data and payment devices used within the Council. The Council has also implemented an e-learning module on card data security for staff that are responsible for taking card payments.

As a standard process, the Council undertakes background checks on all new starters. Whilst this is a requirement under PCI DSS, it is something that the Council was already doing under its own initiative.

Management Response



While the findings of this audit have not produced the result we would have wanted, it does demonstrate that progress has been made since the last audit. We have developed a PCI DSS Security Policy, sourced and rolled-out training for staff, introduced a schedule for checking our payment devices, adopted a collective effort around the process and put in place arrangements to report to the Council's SIRO. While a number of issues remain to be worked through, we continue to work to achieve greater assurance in our processes and security concerning the receipt of card payments. This is a highly technical subject, for which differing interpretations are possible and this is one reason for the auditor finding that our compliance status may not be as secure as we previously thought. Steps will be made to address this and we will make greater use of the guidance that is available to support us in this. Other matters to address relate to the systematic recording of actions/decisions and the completion of training by relevant colleagues.

It is important to stress that as far as we are aware, customers have had no issues or had their security compromised when making card payments; with this method of payment being greatly utilised as residents signed up and paid for the Council's Green Waste service. Additionally the bank has not reported any issues with our arrangements.

As is our policy when receiving a limited assurance finding we would like to request a further follow-up audit in Q3 of this year to further assess and test our procedures.

We would like to thank the auditor for his work, his preparedness to be challenged on the findings and the expert advice he has provided.

Appendix 2 – Audit Plan Schedule

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Environmental Protection & Enforcement	Review the recent changes in structures and management and provide assurance that services are being delivered as intended.	Q1 June 2018	June 2018		WIP
Income and Investment programmes	Review the Councils approach to managing projected gaps in the budget and provide assurance on the delivery of projects which provide a commercial return to the Council.	Q1 June 2018			To agree TOR
Growth Programmes from 17/18	To follow up on 2016 growth audit work and provide assurance on project and programme work in delivery.	Q1 May 2018	June 2018		WIP
Housing Benefits Subsidy	Test a sample of benefit cases to on behalf of the external auditor KPMG to provide assurance on the subsidy claimed by the Council	Q2 Dependent on external auditor.			Not started
Customer First	A key programme of work and business transformation for the Council. Provide assurance that the programme is being effectively managed and monitored.	Q2 July – Sept 2018			TOR Agreed
Corporate Planning	Review the Council's systems and processes over the setting of its strategic direction.	Q2 July – Sept 2018			Not started
Financial Strategy &	Review the Councils systems and processes in	Q2 July – Sept			TOR agreed

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
Budget Preparation	place to provide assurance on the management of budgets. This will include budget setting, forecasting, monitoring, any key person dependencies and system access.	2018			
Budget management	Review the Councils systems and processes in place to provide assurance on the management of budgets. This will include budget setting, forecasting, monitoring, any key person dependencies and system access.	Q2 July – Sept 2018			TOR agreed
Leisure Contract	Consultancy review of the new Leisure contract process.	Q2 July – Sept 2018			
ICT Areas to be agreed		Q3 Oct – Dec 2018			
Follow up PCI DSS	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			
Follow up Sales & Invoicing	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			
Combined Assurance	Document the Councils critical areas to provide an assurance rating to	Q3 Oct – Dec 2018			

Area	Indicative Scope	Planned Start Date	Actual Start Date	Final Report Issued	Current Status / Assurance Opinion
	inform the audit plan and report to management and members.				
Follow up Planning Enforcement	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			
Follow up Commercial	Follow up low or limited audit reports for assurance on improvement and implementation of findings	Q3 Oct – Dec 2018			
10 Unallocated contingency days	To be used to address any arising areas of risk or control identified in year.	Q4 Jan – Mar 2018			
Key Controls Finance	Delivery of key control testing to enable the Head of Internal Audit to form an opinion on the Council's Financial control environment.	Q4 Jan – Mar 2018			To start Jan – Mar 19

Appendix 3 - Overdue Audit Recommendations at 30th June 2018

Data is for audits where recommendations were due to be implemented by 30th June 2018

Activity	Issue Date	Assurance	Total Recs	Recs implemented	Priority of Recommendations o/s		
					High	Medium	Not yet due
Development Management	October 2017	Substantial	9	8	0	1*	0
Totals			9	8	0	1	0

*Original date for completion 31.03.2018, revised date 01.10.2018.

Appendix 4- Assurance Definitions¹

High Assurance	<p>Our critical review or assessment on the activity gives us a high level of confidence on service delivery arrangements, management of risks, and the operation of controls and / or performance.</p> <p>The risk of the activity not achieving its objectives or outcomes is low. Controls have been evaluated as adequate, appropriate and are operating effectively.</p>
Substantial Assurance	<p>Our critical review or assessment on the activity gives us a substantial level of confidence (assurance) on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are some improvements needed in the application of controls to manage risks. However, the controls have been evaluated as adequate, appropriate and operating sufficiently so that the risk of the activity not achieving its objectives is medium to low.</p>
Limited Assurance	<p>Our critical review or assessment on the activity gives us a limited level of confidence on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>The controls to manage the key risks were found not always to be operating or are inadequate. Therefore, the controls evaluated are unlikely to give a reasonable level of confidence (assurance) that the risks are being managed effectively. It is unlikely that the activity will achieve its objectives.</p>
Low Assurance	<p>Our critical review or assessment on the activity identified significant concerns on service delivery arrangements, management of risks, and operation of controls and / or performance.</p> <p>There are either gaps in the control framework managing the key risks or the controls have been evaluated as not adequate, appropriate or are not being effectively operated. Therefore the risk of the activity not achieving its objectives is high.</p>

¹ These definitions are used as a means of measuring or judging the results and impact of matters identified in the audit. The assurance opinion is based on information and evidence which came to our attention during the audit. Our work cannot provide absolute assurance that material errors, loss or fraud do not exist.

Appendix 5- Details on overdue audit recommendations 2018/19

Name	No	Priority	Finding	Ref	Status	Agreed management action	Date to be completed	Response Comments	Revised date for completion	Person responsible	Rating
WLDC 2017/18-Q1 - 02 - Development Management		Medium	<p>There is no current regular reporting of section 106 information. It is planned that when the new ICT system ARCUS goes live this will be addressed. However at the time of the audit the ARCUS project had stalled and was behind schedule. Implementation was due in April 2017 but the provider was not able to keep to agreed deadlines for delivery and in August 2017 the system was not implemented. .</p> <p>This would be particularly valuable not only to management but also to residents and members. As section 106 agreements represent the public getting something back when a new development is agreed in their area.</p>	05.1 - s106 reporting	Not Implemented	Review work objectives and agree a robust system of reporting as an interim measure until the ARCUS system is implemented.	31.03.2018	<p>On track for delivery in October: The first part - to implement a CIL monitoring system is complete and live. This is being extended to capture all s106 and associated trigger points for payments. CIL had to be prioritised after Members formally agreed to adopt CIL early in 2018. The s106 element is almost entirely complete for the system development, data capture is now ongoing to populate the database. Note - there is no P&D requirement to monitor s106 information, however the new system would allow this if Members were to require updates. Already, the work to improve the data held has entirely eliminated historic issues with s106 records that were identified in the audit. Press articles to promote where s106 monies have been collected (eg Market Rasen Skate Park) have been used to improve understanding and awareness of how s106 is collected and used.</p>	01.10.2018	Oliver Fytche - Taylor	Substantial

Agenda Item 6c



Governance and Audit

Date: 24th July 2018

Subject: Review of the Whistle Blowing Policy 2017/2018

Report by:	Alan Robinson
Contact Officer:	Alan Robinson Monitoring Officer T: 01427 676509
Purpose / Summary:	Annual Review of the Whistleblowing Policy

RECOMMENDATIONS:

That Members assure themselves the Whistleblowing Policy in place is working effectively. Where appropriate members may suggest improvements to the Policy.

IMPLICATIONS

Legal: None

Financial : None

Staffing : None

Equality and Diversity including Human Rights : N/A

Risk Assessment : N/A

Climate Related Risks and Opportunities : None

Title and Location of any Background Papers used in the preparation of this report:

Whistleblowing Policy <https://www.west-lindsey.gov.uk/my-council/have-your-say/whistleblowing>

Call in and Urgency:

Is the decision one which Rule 14 of the Scrutiny Procedure Rules apply?

Yes

No

Key Decision:

Yes

No

1. Introduction

- 1.1 The Whistle Blowing Policy provides a method for employees to raise concerns about the running of the Council without the risk of victimisation. All employees have access to this policy. This committee has been receiving regular updates on this matter since 2008

2. Whistle Blowing Policy

- 2.1 There have been no Whistle Blowing Procedures carried out during 2017/2018. The policy has been publicised to all staff member and it is also highlighted to new starters in their induction.

3 Conclusion

- 3.1 Whilst there have been no reported cases this year it is still vitally important that we maintain this policy and continue to publicise the reporting mechanism.

Whistle-blowing Policy



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Whistle Blowing Policy

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Introduction

1. 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.
2. The Public Interest Disclosure Act 1998 protects employees who report wrongdoing within the workplace but it is the aim of this policy to ensure that as far as possible our employees are able to tell us about any wrongdoing at work which they believe has occurred or is likely to occur.
3. The council recognises that employees may not always feel comfortable about discussing their concerns internally, especially if they believe that the council itself is responsible for the wrong doing.
4. The aim of this policy is to ensure that employees are confident that they can raise any matter with the council that concerns them in the knowledge that it will be taken seriously, treated as confidential and that no action will be taken against them.
5. The council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment, we expect employees, and others that we work and deal with, who have serious concerns about any aspect of the council's work to come forward and voice those concerns. It is recognised that most cases will have to proceed on a confidential basis.
6. This policy makes it clear that employees can do so without fear of victimisation, subsequent discrimination or disadvantage. This whistle-blowing policy is intended to encourage and enable employees to raise serious concerns within the council rather than overlooking a problem or 'blowing the whistle' outside.
7. The policy applies to all employees and those contractors working for the council, for example, certain agency staff, builders, apprentices, certain trainees, homeworkers etc. It also covers suppliers and those providing services under a contract with the council from their own premises.
8. The procedures are in addition to the council's complaints procedures and other statutory reporting procedures which may apply. Managers are responsible for making employees aware of the existence of these procedures.

The responsible officers

The council's monitoring officer has overall responsibility for the maintenance and operation of this policy. The People and Organisational Development Team Manager will maintain a record of concerns raised and the outcomes (but in a form which does not endanger confidentiality) and will report as necessary to the council.

The council's Section 151 Officer will be responsible for investigating allegations of fraud or financial irregularity. Other offences will be investigated by other heads of service or a member of the council's core management team.

Aims and scope of this policy

This policy aims to:

- Encourage employees to feel confident in raising serious concerns and to question and act upon concerns about practice
- Provide avenues for employees to raise those concerns and receive feedback on any action taken
- Ensure that employees receive a response to their concerns and that managers are aware of how to pursue them
- Reassure employees that they will be protected from possible reprisals or victimisation if they have a reasonable belief that they have made a disclosure in good faith

There are existing procedures in place to enable employees to lodge a grievance relating to their own employment.

The whistle-blowing policy is intended to cover major concerns that fall outside the scope of other procedures.

These include:

- Conduct which is an offence or a breach of law
- Failure to comply with any legal obligations
- Disclosures related to miscarriage of justice
- Health and safety risks, including risks to the public as well as other employees
- Damage to the environment
- The unauthorised use of public funds
- Possible fraud and corruption
- Other unethical conduct
- Deliberate concealment of any of the above

Thus, any serious concerns that employees have about any aspect of service provision or the conduct of officers, members of the council or others acting on behalf of the council can be reported under the whistle-blowing policy.

This may be about something that:

- Makes employees feel uncomfortable in terms of known standards, their experience or the standards they believe the council subscribes to
- Is against the council's procedure rules and policies
- Falls below established standards of practice
- Amounts to improper conduct

Safeguards against harassment and victimisation

The council is committed to good practice and high standards and wants to be supportive of employees.

The council recognises that the decision to report a concern can be a difficult one to make. If what is being said is believed to be true, employees should have nothing to fear because they will be doing their duty to the council and those for whom we are providing a service.

The council will not tolerate any harassment or victimisation (including informal pressures) and will take appropriate action, including disciplinary action if necessary, to protect employees when they raise a concern in good faith.

Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect the employee who raises an issue.

Confidentiality

All concerns will be treated in confidence and every effort will be made not to reveal an employee's identity if he/she so wishes. At the appropriate time, however, an employee may need to come forward as a witness.

Anonymous allegations

This policy encourages employees to put their name to an allegation whenever possible.

Concerns expressed anonymously are much less powerful and will only be considered in exceptional circumstances at the discretion of the council.

In exercising this discretion, the factors to be taken into account would include:

- The seriousness of the issues raised
- The credibility of the concern
- The likelihood of confirming the allegation from attributable sources
- Consideration of the damage that could be caused to an individual or group of people if the allegation is not proven

Untrue/vexatious allegations

If an employee makes an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against him/her.

If, however, an employee is found to have made an allegation maliciously or for personal gain then this will constitute a misconduct and will be dealt with in accordance with the disciplinary procedure.

How to raise a concern

As a first step, an employee should normally raise concerns with his/her immediate line manager or head of service. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if an employee believes that management is involved, he/she should approach the People and Organisational Development Team Manager.

Concerns may be raised verbally or in writing. Employees who wish to make a written report are invited to provide:

- the background and history of the concern (including relevant dates)
- the reason why they are particularly concerned about the situation

Although employees are not expected to prove beyond doubt the truth of an allegation, they will need to demonstrate to the person contacted that there are reasonable grounds for their concern. The earlier a concern is expressed, the easier it is to take action.

Employees may wish to consider discussing their concern with a colleague first and they may find it easier to raise the matter if there are two (or more) employees who have had the same experience or concerns.

Employees may invite their trade union or a friend to be present during any meetings or interviews (off site if they prefer) in connection with the concerns they have raised.

How the council will respond

The council will respond to employees' concerns, not forgetting that testing out concerns is not the same as either accepting or rejecting them.

Where appropriate, the matters raised may:

- Be investigated (in accordance with the Fraud and Corruption Response Plan) by management, internal audit, or through the disciplinary process
- Be referred to the police
- Be referred to the external auditor
- Form the subject of an independent inquiry

In order to protect individuals and those accused of misdeeds or possible malpractice, initial 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, grievance, disciplinary or discrimination issues) will normally be referred for consideration under those procedures.

Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required (e.g. suspension), this will be taken before any investigation is conducted.

Within 10 working days of a concern being raised, the responsible officer will write to the employee who raised it:

- Acknowledging that the concern has been received
- Indicating how we propose to deal with the matter
- Giving an estimate of how long it will take to provide a final response
- Confirming whether any initial enquiries have been made
- Confirming what support mechanisms there are in place for the employee
- Informing the employee whether further investigations are necessary and, if not, why not

The amount of contact between the officers considering the issues and the employee who raised them will depend on the nature of the matters, the potential difficulties involved and the clarity of the information provided. If necessary, the council will seek further information from the employee.

The council will take steps to minimise any difficulties which employees may experience as a result of raising a concern. For instance, if an employee is required to give evidence in criminal or disciplinary proceedings, the council will arrange for him/her to receive advice about the procedure.

The council accepts that employees need to be assured that the matter has been properly addressed. Thus, subject to legal constraints, we will inform the employee who reported the matter of the outcome of any investigation.

How the matter can be taken further

This policy is intended to provide employees with an avenue within the council to raise concerns. The council hopes employees will be satisfied with any action taken. If an employee is not satisfied and feels it is right to take the matter outside the council, the Audit Commission is the designated independent organisation nominated for this purpose by the council.

The following are also possible contact points:

- The external auditor
- The employee's trade union
- Citizens' Advice Bureau
- A relevant voluntary organisation, for example, Public Concern at Work (PCAW)
- Relevant professional bodies or regulatory organisations
- The police

Contact details are set out in the Appendix to this policy.

If an employee does take the matter outside the council, he/she should ensure that confidential information is not disclosed. The council's monitoring officer can provide further advice on this.

Monitoring

The effectiveness of the council's whistle-blowing code will be monitored annually and it will be updated where/when necessary.

Employees' rights

The policy does not prevent employees from exercising their right to report to relevant outside bodies nor prevent anyone from having rights under the Public Interest Disclosure Act 1998.

Appendix

Contact details for external organisations

External Auditor
KPMG LLP (UK)
1, Waterloo Way
Leicester
LE1 6LP
Tel: 0116 256 6067

UNISON East Midlands
UNISON Regional Centre
Vivian Avenue
Nottingham
NG5 1AF
Tel: 0800 0857 857
E-mail: eastmidlands@unison.co.uk

Citizens' Advice Bureau
Guildhall
Marshall's Yard
Gainsborough
Tel: 08444 111 444
Website: www.westlindseycab.org.uk

Public Concern at Work
3rd Floor, Bank Chambers
6-10 Borough High Street
London SE1 9QQ
Tel: Whistleblowing Advice Line 020 7474 6609
General Enquiries 020 3117 2520
Email: UK advice line: whistle@pcaw.org.uk UK services: services@pcaw.org.uk

Lincolnshire Police
Lincolnshire Police Headquarters
Deepdale Lane
Nettleham
Lincs
Tel: 01522 532222

If you would like a copy of this leaflet in large print, audio, Braille or in another language: Please telephone 01427 676676

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Guildhall, Marshall's Yard
Gainsborough DN21 2NA

www.west-lindsey.gov.uk



**Governance & Audit
Committee**

24 July 2018

Subject: Anti-Money Laundering Policy

Report by:	Tracey Bircumshaw, Strategic Finance and Business Support Officer
Contact Officer:	Tracey Bircumshaw 01427 676560 Tracey.Bircunshaw@west-lindsey.gov.uk Strategic Manager Finance and Business (Deputy S151)
Purpose / Summary:	The report provides for a new individual Anti-Money Laundering Policy that takes account of recent legislation changes.

RECOMMENDATION(S):

- 1) Members approve that the Executive Director of Resources (S151) is appointed as the Council's Money Laundering Reporting Officer and the Strategic Manager Finance and Business Support (Deputy S151 Officer) is appointed as deputy.
- 2) That the Anti-Money Laundering Policy be approved.

IMPLICATIONS

Legal:

The law which comprises the *UK Anti Money Laundering regime* is contained in the following legislation and relevant amending statutory instruments:

- The Proceeds of Crime Act 2002 (POCA) as amended by the Serious Organised Crime and Police Act 2005 (SOCPA);
- The Terrorism Act 2000 (TA 2000) (as amended by the Anti-Terrorism Crime and Security Act 2001 (ATCSA) and the Terrorism Act 2006 (TA 2006));
- Terrorist Asset-Freezing Act 2010; 6
- Anti-terrorism, Crime and Security Act 2001;
- Counter-terrorism Act 2008, Schedule 7;
- The Criminal Finances Act 2017.
- The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 (the 2017 Regulations);

The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place considerable new responsibilities on the Council to put in place policies and procedures for monitoring and reporting, to require the appointment of a Money Laundering Reporting Officer and a deputy to implement and keep under review procedures for the identification of instances of money laundering. Ultimately, any instances found will need to be reported to the National Crime Agency.

The adoption of the updated will enable the Council to meet its responsibilities under the above legislation.

Financial: FIN/64/19/TJB

There are no financial implications arising directly from this report. It is expected that training costs will be met from within existing budgets.

Staffing: No additional staff resources will be required but those staff affected must be trained appropriately so that they understand their own personal anti money laundering obligations and that of the Council wide systems and controls.

Equality and Diversity including Human Rights:

None arising from this report.

Risk Assessment: In order to implement the requirements Council officers have carried out a “risk-based approach” which has allowed the Council to tailor the strategy in proportion to the perceived risk.

Money laundering is considered a very low risk for West Lindsey District Council

Climate Related Risks and Opportunities: None arising from this report

Background Papers: No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

Call in and Urgency:

Is the decision one to which Rule 14 of the Scrutiny Procedure Rules apply?

Yes No

Key Decision:

Yes No

1. Background

- 1.1 The Council approved the existing Anti-Fraud, Corruption and Money Laundering Policy & Strategy in 2015.
- 1.2 Since that time there has been a major item of legislation issued in respect of money laundering, in addition to changes in the organisations management structure and roles and responsibilities.
- 1.3 As a result of the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 there are now more obligations on Councils that require the establishment of internal procedures to prevent the use of their services for money laundering.
- 1.4 Therefore a new specific Money Laundering Policy is attached for Members approval.
- 1.5 A new Counter Fraud and Corruption policy will be presented at a future meeting.

2. Money Laundering Policy changes

- 2.1 The new Anti-Money Laundering Policy is attached at Appendix A.
- 2.2 The main changes focus on the requirements of the new money laundering regulations and specifically virtually the whole of section 5 is new and covers the following requirements:
 - To appoint a Money Laundering Reporting Officer (“MLRO”) and deputy to receive disclosures from employees of money laundering activity (their own or anyone else’s);
 - To implement a procedure to enable the reporting of suspicions of money laundering;
 - To maintain client identification procedures in certain circumstances; and
 - To maintain record keeping procedures.
- 2.3 Although the changes are significant, the expectation is that the risk of the Council being involved in money laundering activities is very small. The Council has considerably reduced the amount of actual cash that is handled which will greatly help in preventing instances of money laundering. The policy relating to money laundering has therefore been determined in order to enable the Council to meet the legal requirements in a way which is proportionate to the very low risk to the Council of contravening the legislation.
- 2.4 The Policy nominates the Executive Director of Resources (S151) as the Money Laundering Reporting Officer with the Strategic Finance and Business Support Manager (Deputy S151) acting as deputy.

- 2.5 The internal reporting procedure for suspicious activity (SAR) is included as pro-forma's in Appendix B and C of the Policy
- 2.6 The MLRO will report annually to the Corporate Governance & Audit Committee on the effectiveness of the controls and of all cases of Suspicious Activity Reports (SAR) received in the previous year.
- 2.7 Rather than referring to organisations as a whole, the regulations refer to "relevant business" which is defined with reference to the nature of the activities undertaken. Some of the Council's business is "relevant" for the purposes of the legislation:
- the provision by way of business of advice about the tax affairs of another person by a body corporate
 - the provision by way of business of accountancy services by a body corporate
 - the provision by way of business of audit services
 - the provision by way of business of legal services by a body corporate which involves participation in a financial or real property transaction (whether by assisting in the planning or execution of any such transaction or otherwise by acting for, or on behalf of, a client in any such transaction);
 - the provision by way of business of services in relation to the formation, operation or management of a company or a trust;
- 2.8 It is therefore mainly the Finance and Business Support Services and Audit Services and certain financial, company and property transactions undertaken by Legal Services which will be formally subject to the internal procedures. Since audit and legal services are provided to the Council by Lincolnshire County Council it will mainly be the Finance and Business Support Service that will be subject to the internal procedures. Lincolnshire County Council will need to determine their own policies relating to anti money laundering.
- 2.9 However, although the conduct of relevant business does not apply to the Council as a whole, all members of staff are required to comply with the Council's Anti-Money Laundering Policy in terms of reporting concerns re money laundering; this will ensure consistency throughout the organisation and avoid inadvertent offences being committed.
- 2.10 The client identification procedure (as included at 5.7 & 5.8 in the Policy) is only required to be followed by those engaging in "relevant business" as defined above.

- 2.11 The new requirements will mean that those services affected will have to maintain client identification procedures in certain circumstances and maintain record keeping of the procedures being operated.
- 2.12 Training for a small number of employees affected will be required relating to the new policies and procedures and the MLRO will need to be fully conversant with the legislation and the responsibilities placed upon this post.
- 2.13 The regulations require that the appointment of the MLRO and deputy and the new policies and procedures be approved by senior management. Member's approval of the new Money Laundering Policy as attached will meet these requirements.

Anti-Money Laundering

Policy 2018



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ANTI MONEY LAUNDERING POLICY

1. Introduction

- 1.1. West Lindsey District Council has a zero tolerance policy concerning money laundering and is committed to the highest standards of conduct.
- 1.2. The Proceeds of Crime Act (POCA) 2003, the Terrorism Act 2000 and the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 place obligations on West Lindsey District Council and its employees to ensure that procedures are in place to prevent the Council's services being used for money laundering.
- 1.3. This policy sets out the process to minimise the risk, as well as provide guidance on the Council's money laundering procedures. Adhering to this policy and guidance will protect employees from the risk of prosecution if an employee becomes aware of money laundering activity while employed by the Council.
- 1.4. The policy is not intended to prevent customers and service providers from making payments for Council services, but to minimise the risk of money laundering in high value cash transactions.

2. Definition of Money Laundering

- 2.1. The term 'Money Laundering' can be used to describe a number of offences involving the proceeds of crime or terrorist financing. In simple terms, money laundering is a process used by criminals to make the proceeds of their crimes appear as though they originated from a legitimate source. Money launderers aim to disguise the identity of the criminal and/or conceal their connection to the proceeds of the crimes.
- 2.2. The following constitute money laundering offences:
 - Concealing, disguising, converting, transferring criminal property or removing it from the UK (section 327 of the Proceeds of Crime Act 2002).
 - Entering into or becoming concerned in an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person (section 328).
 - Acquiring, using or possessing criminal property (section 329).
 - Doing something that might prejudice an investigation e.g. falsifying a document.

- Failure to disclose one of the offences listed above, where there are reasonable grounds for knowledge or suspicion.
- Tipping off a person(s) who is or is suspected of being involved in money laundering in such a way as to reduce the likelihood of or prejudice an investigation.

Attached at Appendix A are some examples of money laundering.

- 2.3. There is a possibility that any member of staff could be prosecuted for money laundering offences if they suspect money laundering and either become involved with it in some way and/or do nothing about it. This policy sets out the appropriate practice and how any concerns should be raised.
- 2.4. Although the risk to the Council of contravening the legislation is low, it is important that all employees are aware of their responsibilities as serious criminal sanctions may be applied to those who breach the legislation.
- 2.5. **The significant requirement for employees is to immediately report any suspected money laundering activity to the Money Laundering Reporting Officer (MLRO; see section 5). Failure to do so could lead to prosecution.**

3. Identifying Money Laundering

- 3.1. There is no clear definition of what constitutes a suspicion of money laundering – common sense will be needed. Although you do not need to have actual evidence that money laundering is taking place, mere speculation is unlikely to be sufficient to give rise to knowledge or suspicion. However, if you deliberately shut your mind to the obvious, this will not absolve you of your responsibilities under the legislation.
- 3.2. Examples of money laundering activity include:
 - Large cash payments;
 - Asking for cash refunds on credit card payments; or
 - Overpaying bills and invoices and then asking for cash refunds.
- 3.3. Any transaction involving an unusually large amount of cash should cause concern and prompt questions to be asked about the source. This will particularly be the case where the value of cash paid exceeds the amount due to settle the transaction and the person(s) concerned ask for a non-cash refund of the excess.
- 3.4. If the person(s) concerned use trusts or offshore funds for handling the proceeds or settlement of a transaction, then the reasons for this should be questioned.

3.5. Care should be exercised and questions asked where:

- A third party intermediary becomes involved in a transaction;
- The identity of a party is difficult to establish, or is undisclosed;
- A company is used where the ultimate ownership of the company is concealed or difficult to verify; and/or
- A party is evasive about the source or destiny of funds.

4. The Council's Obligations

4.1. The Council is obligated to:

- Appoint a money laundering reporting officer.
- Maintain client identification procedures in certain circumstances.
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Report any cash transactions over €15,000 (or the Sterling equivalent).
- Maintain sufficient records.

5. The Money Laundering Reporting Officer (MLRO)

5.1. The Council has nominated the following officers to be responsible for anti-money laundering measures within the Council:

MLRO: **Ian Knowles**, Executive Director of Resources.

Email: ian.knowles@west-lindsey.gov.uk Tel: 01427 676682

Deputy MLRO: **Tracey Bircumshaw**, Strategic Finance and Business Support Manager

Email: tracey.bircumshaw@west-lindsey.gov.uk Tel: 01427 676560

5.2. In the absence of the MLRO (or deputy), or in instances where it is suspected that the MLRO themselves are involved in suspicious transactions, concerns should be raised with Mark Sturgess, Executive Director Operations/Head of Paid Service.

6 Identification of Clients

6.1 In general, management should ensure that appropriate checks are carried out on new partners, suppliers and contractors in accordance with the Council's existing policies and procedures.

6.2 However, where the Council is carrying out a '**relevant business**',¹ and as part of this:

- forms an ongoing business relationship with a client; or
- undertakes a one-off transaction involving payment by or to the client of €15,000 (or the equivalent in sterling) or more; or
- undertakes a series of linked on-off transactions involving total payment by or to the client(s) of €15,000 (or the sterling equivalent) or more; or
- it is known or suspected that a one-off transaction (or a series of them) involves money laundering.

Then the client identification procedures (listed below) must be followed before any business is undertaken for that client. In the event the business relationship with the client existed before 1st March 2004 this requirement does not apply.

6.3 Where the 'relevant business' is being provided internally signed, written instructions on Council headed notepaper or an email on the internal email system should be provided at the outset of the business relationship.

6.4 If the 'relevant business' is being provided externally then the following additional checks must be completed:

- Check the organisation's website and other publically available information such as telephone directory services and Companies House to confirm the identity of the personnel, their business address and any other details.
- Ask the key contact officer to provide evidence of personal identity and position within the organisation, for example a passport, photo ID card, driving licence and signed, written confirmation from the Head of Service or Chair of the relevant organisation that the person works for the organisation.

6.5.1 Remember, these additional client identification procedures are **only** required when conducting a 'relevant business.'

7. Reporting concerns

7.1 Where you know or suspect that money laundering activity is taking place/has taken place you must report this as soon as possible (i.e. within hours of the information coming to your attention, not weeks or months later) to the MLRO using the pro forma Money Laundering Reporting Form attached at Appendix B.

¹ Relevant business is defined as the provision 'by way of business' of advice about tax affairs; accounting services; audit services; legal services; services involving the formation, operation or arrangement of a company or trust; or dealing in goods wherever a transaction involves a cash payment of €15000 or more

SHOULD YOU NOT DO SO THEN YOU MAY BE LIABLE TO PROSECUTION

7.2 Record Keeping Procedures

- 7.2.1 Each section of the Council delivering services must maintain records of:
- client identification evidence obtained; and;
 - details of all relevant business transactions carried out for clients for at least five years.
- 7.2.2 This is so that they may be used as evidence in any subsequent investigation by the Council into money laundering.
- 7.2.3 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 form any funds were received or paid. In practice, the divisions 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.

7.3 Cash Payments

- 7.3.1 Instances of Council officers accepting cash payments have been reduced considerably so that there are now very few areas where cash is accepted. In those few instances the following shall apply.
- 7.3.2 No payment to the Council should automatically be accepted in cash (including notes, coins or travellers cheques in any currency) if it exceeds £1,000. This does not, however, mean that cash transactions below this value will be valid and legal and should not arise any suspicion. Professional scepticism should remain at all times.
- 7.3.4 Staff who collect cash payments are asked to provide the details of any cash transaction over £1,000 to the MLRO so that precautionary checks can be performed.
- 7.3.5 It is best practice to insist on payment by cheque or electronically from a UK clearing bank and this is the case for the majority of Council income.
- 7.3.6 The Council can accept payments from individuals and organisations. If an employee has no reason to suspect or know that money laundering activity is taking/has taken place and if the money offered is less than £1,000 in cash as payment or part payment for goods/services offered by the Council then there is no need to seek guidance from the MLRO.

7.4 Reporting Procedure

- 7.4.1 If a member of staff has reasonable grounds to suspect money laundering activities or proceeds of crime, or is simply suspicious, the matter should still be reported to the MLRO. If the money offered is £1,000 or more in cash then payment must not be accepted until guidance has been received from the MLRO even if this means the person has to be asked to wait.
- 7.4.2 Any officer involved in a transaction of this kind should ensure that the person provides satisfactory evidence of their identity personally, through passport/photo driving licence plus one other document providing evidence of current address in the form of a bank statement, credit card statement, mortgage or insurance details or a utility bill. Where the other party is a company, this can be done through company formation documents or business rate bill.
- 7.4.3 In the event of an employee suspecting a money laundering activity they must immediately report their suspicion to the MLRO, or to the deputy MLRO, using the Reporting Form available on Minerva. The report must contain as much detail as possible, the Reporting form is attached at Appendix B.
- 7.4.4 If the suspicious transaction is happening right now, for example someone is trying to make a large cash payment, every effort should be made to speak with the MLRO or deputy, who will decide whether to accept the payment or suspend the transaction. If it is not practical or safe to do so, a report should be made to the MLRO or deputy immediately after the transaction is complete.
- 7.4.5 The information provided to the MLRO will be used to decide whether there are reasonable grounds to demonstrate knowledge or suspicion of money laundering, whether further investigation is necessary, whether the transaction should be accepted or suspended, and if appropriate, whether a suspicious activity report should be made to the National Crime Agency (NCA). If it is not practical or safe to suspend a suspicious transaction a report should be made to the National Crime Agency immediately after the transaction is complete.
- 7.4.6 The employee must follow directions given to them by the MLRO and must **not** discuss the matter with others or notify the person(s) who is suspected of money laundering. 'Tipping off' a person suspected of money laundering is a criminal offence.
- 7.4.7 The MLRO or deputy must immediately evaluate any disclosure to determine whether the activity should be reported to the National Crime Agency (NCA).
- 7.4.8 The MLRO or deputy must, if they so determine, promptly report the matter to NCA in a prescribed manner and on their standard report form (currently

referred to as a suspicious activity report (SAR)). This can be found on the NCA website: www.nationalcrimeagency.gov.uk

8. Training

- 8.1 Officers considered to be most at risk of being exposed to suspicious situations will be made aware by their Team Manager and provided with appropriate training.
- 8.2 Additionally, all officers and Members will be familiarised with the legislation and regulations relation to money laundering and how they affect the employees (themselves) and the Council.
- 8.3 It is not necessary for all staff to be aware of the specific criminal offences, staff that are likely to encounter money laundering should be aware of the procedures that are in place. This policy and procedures provides sufficient information to raise awareness for most staff.
- 8.4 It is recommended that staff in areas that are highly vulnerable to money laundering, should be provided with targeted training that is specific to the Council activity at hand. This could be achieved by in house resources, or through training courses and seminars run by external providers

9 Further information

- 9.1 Further information can be obtained from the MLRO and the following websites:
 - www.nationalcrimeagency.gov.uk
 - Proceeds of Crime (Anti- Money Laundering) - Practical Guidance for Public Service Organisations'- CIPFA
 - Money Laundering Guidance at www.lawsociety.org.uk
 - HM Revenue & Customs <http://www.hmrc.gov.uk/mlr/>

10 Conclusion

- 10.1 The likelihood of West Lindsey District Council being exposed to money laundering is extremely low. However, the legislation and requirements that have been implemented must be followed. Failure to comply with such legislation and requirements by individuals could lead to prosecution.

APPENDIX A

POSSIBLE SIGNS OF MONEY LAUNDERING

It is not possible to give a definitive list of ways in which to spot money laundering but facts which tend to suggest that something “odd” is happening may be sufficient for a reasonable suspicion of money laundering to arise.

The following are the types of risk factors which *may*, either alone or cumulatively with other factors, suggest the possibility of money laundering activity:

- A new customer with no previous history with the Council;
- A secretive customer: for example one who refuses to provide requested information without a reasonable explanation;
- Concerns about the honesty, integrity or identity of a customer;
- Illogical third party transactions: for example unnecessary routing or receipt of funds from third parties or through third party accounts;
- Involvement of an unconnected third party without logical reason or explanation;
- Payment of a substantial sum in cash;
- Overpayments by a customer;
- Absence of an obvious legitimate source of the funds;
- Movement of funds to and from overseas;
- Where, without reasonable explanation, the size, nature and frequency of transactions or instructions is out of line with normal expectations;
- Cancellation or reversal of an earlier transaction.

APPENDIX B: MONEY LAUNDERING REPORTING FORM

Anti-Money Laundering Reporting Form

Date report received:

Date receipt of report acknowledged:

Your Contact Details

Please provide your contacts details in the box below so we can confirm that we have received the report and get into contact with you if required.

Name :	
Role:	
Email:	
Contact Telephone:	

Main Subject

Please provide the details of the person you suspect of money laundering. If you suspect more than one person, please fill in the additional boxes below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Address	Type: (Home, work etc)		

Transaction(s)

Please enter the details of the transactions you think are suspicious

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction:			

Date:			
Amount:		Currency:	
Credit/Debit			
Reason for the transaction			

Account(s)

Please enter details of the account(s) used.

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Account Holder's Name		Acc. No	
		Sort Code:	
Current balance:		Balance date:	

Associated Subjects:

If there are any other people you suspect are involved in money laundering, please enter their details below.

Name:			
Date of Birth:		Gender:	
Occupation:			
Reason for association			
Address	Type: (Home, work etc)		

Name:			
Date of Birth:		Gender:	
Occupation:			

Reason for association		
Address	Type: (Home, work etc)	

Linked addresses:

Please enter details of any linked addresses:

Address	Type: (Home, work etc)	

Reason for Suspicion:

Please enter details of your suspicions. Please provide as much information as possible.

APPENDIX C: MONEY LAUNDERING DISCLOSURE FORM

THE FOLLOWING PART OF THIS FORM IS FOR COMPLETION BY THE MONEY LAUNDERING REPORTING OFFICER (MLRO)

Date report received:

Date receipt of report 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?

Yes/No (please select the relevant option)

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

Details of liaison with NCA regarding the report:

Notice Period:To

Moratorium Period: To

Is consent required from the NCA to any ongoing or imminent transactions which would otherwise be prohibited acts?

Yes/No (please select the relevant option)

If yes, please enter full details in the box below:

Date consent received from NCA:

Date consent given by you to employee:

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

[Please set out reasons for non-disclosure]

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

.....

Other relevant information:

Signed:

Dated:

THIS REPORT IS TO BE RETAINED FOR AT LEAST FIVE YEARS.

APPENDIX D

Document Enhancement notification

DOCUMENT ENHANCEMENT FOR THE VISUALLY IMPAIRED OR TRANSLATION FROM ENGLISH IS AVAILABLE ON REQUEST.

TELEPHONE: (01427) 676578

OR E-MAIL: customer.relations@west-lindsey.gov.uk

INFORMATION REGARDING EQUALITY AND DIVERSITY CAN BE ACCESSED FROM OUR WEBSITE AT

www.west-lindsey.gov.uk

West Lindsey District Council, The Guildhall, Marshall's Yard, Gainsborough, Lincolnshire DN21 2NA

Telephone: (01427) 676578

Fax: (01427) 675170

Next Review date: May 2019 (and every year thereafter) or amended should best practice change or for changes in new legislation.

Governance and Audit Committee Work Plan

Purpose:

This report provides a summary of reports that are due on the Forward Plan over the next 12 months for the Governance and Audit Committee.

Recommendation:

1. That members note the schedule of reports.

Date	Title	Lead Officer	Purpose of the report
06/11/2018	Members' Allowances	Alan Robinson	To allow the Governance and Audit Committee to discuss Members' Allowances for 2019/2020 to assist the work of the Remuneration Panel
	Agency Staff & Consultants Expenditure 2016/17	Tracey Bircumshaw	Annual update for Members on the expenditure incurred during 2017/18 on the engagement of temporary/agency staff and consultants
	Strategic Risks - 6 month update	James O'Shaughnessy	6 month update for 18/19
	Annual Fraud Report	Tracey Bircumshaw	To review the number, type and results of investigations made by the Council during 2017/18
	Q1 Review of AGS Action Plan 17/18	James O'Shaughnessy	To review the progress with the Annual Governance Statement 2017/18 Action Plan

	Internal Audit Q2 Monitoring	James O'Shaughnessy	Internal Audit to present the report from the second quarter.
	Update report re Member Development	Ele Durrant	To update Cttee on the progress of the Member Development Plan and proposed Induction Plan
	Counter Fraud and Corruption Policy	Tracey Bircumshaw	After a review by the Fraud partnership and due to the additional requirements of new regulations the money laundering and corruption reports have been separated.
	Annual Audit Letter 17/18	Tracey Bircumshaw	The purpose of the report is to present the Annual Audit Letter to the Governance and Audit Committee.
	Review of the Effectiveness of Internal Audit	Ian Knowles	To review and report on the effectiveness of the internal audit service provided by Assurance Lincolnshire
15/01/2019	Internal Audit Charter	Tracey Bircumshaw	To provide independent and objective assurance on critical activities and key risks
	Certification of Grants and Claims Annual Report	Tracey Bircumshaw	An annual report for 2017/18 from the External Auditor.

	Internal Audit Q3 Monitoring	James O'Shaughnessy	Internal Audit to present an update report from Quarter 3.
	Periodic Review of the AGS	James O'Shaughnessy	6 monthly update on the AGS.
	Draft Treasury Management Strategy	Tracey Bircumshaw	To scrutinise the Treasury Management Strategy and recommend its inclusion within the Medium Term Financial Plan.
	Ethical Audit	James O'Shaughnessy	At the June 2018 meeting of G and A Lucy Pledge mentioned that work on an 'ethical audit' would come back to the G and committee. This has been put in for 6 months from the annual internal audit report.
	Internal Audit Draft Annual Plan Report 2019/20	James O'Shaughnessy	To present to members the draft annual internal audit plan based on assurance mapping and risk assessments across the Councils critical services
12/03/2019	Combined Assurance Report	James O'Shaughnessy	To present the Council's Combined Assurance Report for 2018/19

	Closure of Accounts 18/19 + External Audit Plan	Tracey Bircumshaw	To review and approve the accounting policies actuary assumptions and materiality levels that will be used for the preparation of the 2018/19 accounts. For the External Auditor to explain the process of the External Audit of the Statement of Accounts and approach to the Value for Money Audit 2018/19.
16/04/2019	Internal Audit Q4 Monitoring	James O'Shaughnessy	To feedback on Quarter 4 to G and A Committee

Agenda Item 9

By virtue of paragraph(s) 2 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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of the Local Government Act 1972.

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