SELBY

DISTRICT COUNCIL

Meeting: **AUDIT AND GOVERNANCE COMMITTEE**
Date: **WEDNESDAY 18 JANUARY 2017**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors M Jordan (Chair), I Reynolds (Vice Chair), K Arthur, D Buckle, Mrs J Chilvers, A Thurlow and P Welch.**

There will be a training session for Councillors at 4.30pm in the Committee Room.

Agenda

1.   **Apologies for absence**

2.   **Disclosures of Interest**

A copy of the Register of Interest for each Selby District Councillor is available for inspection at www.selby.gov.uk .

Councillors should declare to the meeting any disclosable pecuniary interest in any item of business on this agenda which is not already entered in their Register of Interests.

Councillors should leave the meeting and take no part in the consideration, discussion or vote on any matter in which they have a disclosable pecuniary interest.

Councillors should also declare any other interests. Having made the declaration, provided the other interest is not a disclosable pecuniary interest, the Councillor may stay in the meeting, speak and vote on that item of business.

If in doubt, Councillors are advised to seek advice from the Monitoring Officer.

3.   **Minutes**

To confirm as a correct record the minutes of the Audit and Governance Committee held on 28 September 2016 (pages 1 to 7 attached).

4.   **Chair's Address to the Audit and Governance Committee**

5. **Audit Action Log**

   To review the Audit Action Log (pages 8 to 9 attached).

6. **Work Programme 2016/17**

   To note the current Audit and Governance Committee Work Programme (pages 10 to 13 attached).

7. **Progress Update following the ICT Disaster Recovery audit**

   To receive report A/16/14 from the Head of Business Development and Improvement, which asks the Committee to review progress made since the last meeting in respect of the ICT Disaster Recovery audit (pages 14 to 33 attached).

8. **Information Governance Annual Report 2016**

   To review report A/16/15 from the Solicitor to the Council, which updates the Committee on information governance issues that have arisen during 2016 and includes the high level action plan for information governance. (pages 34 to 45 attached).

9. **Review of Standards Arrangements**

   To receive report A/16/16 from the Solicitor to the Council, which asks the Committee to agree the arrangements and Terms of Reference for a review of standards arrangements of the Council (pages 46 to 49 attached).

10. **Annual Audit Letter**

    To receive report A/16/17 from the external auditor, which asks the Committee to consider the Annual Audit Letter 2016 (pages 50 to 63 attached).

11. **External Audit Progress Report**

    To receive report A/16/18 from the external auditor, which asks the Committee to consider the External Audit Progress Report (pages 64 to 75 attached).

12. **Counter Fraud Update**

    To receive report A/16/19 from the external auditor which updates the Committee on the performance and development of counter fraud arrangements within the Council. The report also asks the Committee to review a new Counter Fraud and Corruption Policy and a new Counter Fraud and Corruption Strategy (pages 76 to 103 attached).

13. **Review of Risk Management Strategy**

   To receive report A/16/20 from the internal auditor which presents the revised Risk Management Strategy and asks the Committee to endorse the actions of officers in furthering the progress of risk management (pages 104 to 123 attached).

14. **Review of Corporate Risk Register 2016-17**

   To receive report A/16/21 from the internal auditor which updates the Committee on movements within the Corporate Risk Register and asks the Committee to endorse the actions of officers in furthering the progress of risk management (pages 124 to 145 attached).

15. **Internal Audit Progress Report**

   To receive report A/16/22 from the internal auditor which updates the Committee on progress made in the delivery of the internal audit work plan for 2016/17. The report also summarises the findings of recent internal audit work, and asks the Committee to endorse the actions of officers in furthering the progress of risk management (pages 146 to 190 attached).

16. **Consideration of Internal Audit Reports**

   To consider any internal audit reports that have concluded 'Limited Assurance' or 'No Assurance' and that the Chair has determined should be brought to the attention of the Committee.

Gillian Marshall
Solicitor to the Council

For enquiries relating to this agenda please contact Daniel Maguire:
Tel: 01757 705101. Email: dmaguire@selby.gov.uk.

Recording at Council Meetings
Recording is allowed at Council, Committee and Sub-Committee meetings which are open to the public, subject to:- (i) the recording being conducted with the full knowledge of the Chairman of the meeting; and (ii) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Democratic Services Officer on the above details prior to the start of the meeting. Any recording must be conducted openly and not in secret.

SELBY

DISTRICT COUNCIL

Minutes

Audit and Governance Committee

Venue:	Committee Room
Date:	Wednesday 28 September 2016
Time:	5.00pm
Present:	Councillors M Jordan (Chair), K Arthur, D Buckle, A Thurlow, P Welch and Mrs D White (sub for Mrs J Chilvers).
Apologies:	Councillors Mrs J Chilvers and I Reynolds.
Officers present:	Karen Iveson, Chief Finance Officer (s151); Gillian Marshall, Solicitor to the Council; Keith Cadman, Head of Commissioning, Contracts and Procurement; John Raine, Head of Technical Finance, North Yorkshire County Council; Phil Jeffrey, Audit Manager, Veritau; Jonathan Dodsworth, Counter Fraud Manager, Veritau; Suresh Patel, Director, Mazars; Dan Spiller, Mazars; and Daniel Maguire, Democratic Services Officer
Public:	0
Press:	0

10.   DISCLOSURES OF INTEREST

There were no disclosures of interest.

11.   MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 15 June 2016.

RESOLVED:
>   **To approve the minutes of the Audit and Governance Committee meeting held on 15 June 2016.**

12. CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair introduced councillors and officers.

13. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2016/17

The Committee considered the work programme and agreed to include the Counter Fraud Strategy at the January meeting.

RESOLVED:
> **To include the Counter Fraud Strategy in the Work Programme for the January meeting.**

14. REVIEW OF THE AUDIT ACTION LOG

The Chair informed the Committee that the Action Log would be included as a standing item at all Audit and Governance Committee meetings, as agreed at the previous meeting. The Action Log would assist the Committee in monitoring progress regarding issues raised at meetings.

Updates were noted to the following items:
- Councillor Lunn had taken on the counter fraud responsibility as part of his Executive portfolio;

- The Chief Finance Officer had advised the Extended Leadership Team about the Committee's concerns regarding the revised date for action relating to lockable storage;

- The Chief Finance Officer confirmed that the concerns about the Recruitment and Selection Manual would be addressed as part of a wider review of Human Resources policies; and

- It was proposed that a report on the changes to arrangements for the appointment of external auditors would be considered by Council in December 2016.

RESOLVED:
> **To update the Audit Action Log.**

15. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER 2015/16 (REPORT A/16/5)

The Solicitor to the Council presented the report which included the Annual Review Letter from the Local Government Ombudsman. It was noted that the letter covered the period 1 April 2015 to 31 March 2016 and provided a

summary of complaints received by the Ombudsman relating to Selby District Council.

The letter confirmed that 23 complaints had been received relating to Selby District Council. The Committee was informed that 2 cases were resolved by the Council and in the other 21 cases the Ombudsman had made a formal decision. The Solicitor to the Council provided a breakdown of how the complaints received had been dealt with:

- In 8 cases the complainant had been referred back to the Council as they had not exhausted the Council's complaints process.

- A further 8 cases were closed after initial enquiries.

- The remaining 5 cases had progressed to a formal investigation, of which 3 had not been upheld and only 2 complaints had been upheld. The Committee was informed that the upheld complaints related to housing and benefits and taxation.

In response to questions from the Committee it was confirmed that there were no 'repeat complainants', and that it was difficult to provide relevant comparisons with other local authorities due to the low number of complaints received (i.e. that the upheld rate for Selby was 40%, but that only represented 2 out of 5 complaints).

RESOLVED:
> **To note the Local Government Ombudsman Annual Review Letter and the report of the Solicitor to the Council.**

16.   EXTERNAL AUDIT COMPLETION REPORT (A/16/6)

The Director (Mazars) presented the report which updated the Committee on the work of the external auditor and specifically the completion of the 2015/16 audit.

The Committee noted that there were no internal control issues at category 1 (high), and one at category 2 (medium) which related to the ownership of land at New Lane, Selby. The Director confirmed that the audit had concluded a positive Value for Money conclusion.

In response to questions from the Committee it was confirmed that officers were awaiting the outcome of government decisions in relation to Business Rates, and that allocations of the Section 106 commuted sum reserve would be considered by the Executive in due course and within the framework previously approved.

The Chair recorded his thanks on behalf of the Committee to council officers for their work in securing a positive audit completion report.

RESOLVED:
>   **To note the External Audit Completion Report.**

17.   STATEMENT OF ACCOUNTS 2015/16 (REPORT A/16/7)

The Chief Finance Officer and the Head of Technical Finance presented the report and the Statement of Accounts 2015/16. The report asked the Committee to approve the audited accounts, as required by the Accounts and Audit Regulations 2015.

The Committee noted that Councillor expenses had increased from £7,000 to £9,000 compared to 2014/15, despite a reduction in the number of Councillors from 41 to 31. The Chief Finance Officer confirmed that this figure often fluctuated, which could be due to late submission of expense claims.

The Committee also considered the Housing Revenue Account (HRA). The Committee was assured that the current deficit was being sufficiently managed. The Committee also noted the implications of government policy on the HRA, including social housing rent reductions and 'pay to stay'.

The Chief Finance Officer explained two minor amendments to the Annual Governance Statement (AGS), which would be considered later in the meeting. The amendments related to the ICT audit which had been completed since publication of the AGS.

RESOLVED:
>   **To approve the Statement of Accounts 2015/16, subject to the amended Annual Governance Statement being approved.**

18.   ANNUAL GOVERNANCE STATEMENT (REPORT A/16/8)

The Chief Finance Officer and the Head of Technical Finance presented the report. A revised Annual Governance Statement was circulated to the Committee, which included minor changes relating to the ICT audit which had been completed by the internal auditor (Veritau) since the publication of the agenda.

The report asked the Committee to approve the AGS, including the minor amendments relating to the ICT audit. It was noted that the AGS provided public assurance that the Council has a sound system of internal control to help manage and control risks.

RESOLVED:
>   **To approve the Annual Governance Statement 2015/16, as amended.**

19. CONSIDERATION OF INTERNAL AUDIT REPORT ON ICT DISASTER RECOVERY (REPORT A/16/9)

The Head of Contracts, Commissioning and Procurement presented the report which asked Councillors to consider an internal audit report relating to ICT Disaster Recovery. The audit report had concluded 'Limited Assurance' and had therefore been brought to the attention of the Chair, who had requested the report be considered by the Committee.

It was confirmed that the internal audit had been undertaken during a period of transition in regard to ICT support. The Committee was informed that North Yorkshire County Council (NYCC) had recently taken on the contract for ICT support from Craven District Council and that the original contract with NYCC had not included a disaster recovery provision. The Head of Contracts, Commissioning and Procurement confirmed that a draft proposal for disaster recovery had been prepared by NYCC and was due to be agreed in October 2016.

The Committee noted that additional actions had been undertaken by officers to mitigate the risks identified in the report (such as data tapes being destroyed after 8 years, and secure storage facilities being made available). The Committee was informed that officers were confident that systems would soon be in place to increase the level of assurance.

The Committee was concerned at the degree of fragmentation, with systems and storage being provided by a range of suppliers at a range of locations. The Head of Contracts, Commissioning and Procurement confirmed that, although not universal across all local authorities, this was becoming the standard method for delivering such services in an increasingly digital environment.

The Committee requested that officers provide an update on progress at the next meeting in January.

RESOLVED:

   (i)   To note the internal audit report on ICT Disaster Recovery; and

   (ii)   To request an update at the next Audit and Governance Committee meeting.

20. COUNTER FRAUD ANNUAL REVIEW (REPORT A/16/10)

The Counter Fraud Manager (Veritau) presented the report, which included a private appendix relating to the Council's strategy for managing fraud risk. It was confirmed that the Committee would not be discussing the content of the private appendix and the meeting remained in public session.

The report noted that the responsibility for investigating housing benefit fraud had moved to the Department of Work and Pensions (DWP), and as a consequence the Council's trained benefit fraud investigators had transferred to the DWP. The Committee noted that this had removed a significant area of fraud responsibility and would allow a broader approach to monitoring and managing fraud.

The Committee was advised that Veritau had been engaged by the Council to deliver a counter-fraud service, and that Veritau provides a similar service to five other local authorities in the area. It was confirmed that Veritau would consult on a new anti-fraud policy and strategy which would be presented to the Committee in January 2017.

RESOLVED:
> **To endorse the Council's actions in addressing fraud.**

21.   INTERNAL AUDIT CHARTER (REPORT A/16/11)

The Audit Manager (Veritau) presented the report which asked Councillors to approve changes to the Internal Audit Charter.

It was confirmed that the changes were required to reflect the new organisational structure and also to take into account changes to the Public Sector Internal Audit Standards (PSIAS).

RESOLVED:
> **To approve the Internal Audit Charter.**

22.   INTERNAL AUDIT PROGRESS REPORT (REPORT A/16/12)

The Audit Manager (Veritau) presented the report which updated the Committee on progress made in delivering the internal audit work plan and summarised the conclusions of recent audits.

The Committee noted that a significant number of audits were recorded as 'not started', but the Audit Manager confirmed that the work plan was on target. It was requested that future reports include a summary table showing the progress of audits, agreed actions and dates.

RESOLVED:
> **To note the Internal Audit Progress Report.**

23.   REVIEW OF THE CORPORATE RISK REGISTER (REPORT A/16/13)

The Chief Finance Officer presented the report and the Corporate Risk Register. It was noted that the Access Selby Risk Register was now

incorporated into the Corporate Risk Register to reflect recent changes to the operational structure of the Council.

The Committee was able to ask questions of the Chief Finance Officer, and it was noted that risk owners were required to assess each risk but that these judgements were reviewed by the Extended Leadership Team to ensure consistency.

RESOLVED:

To note the contents of the Corporate Risk Register and to endorse the actions of officers in furthering the progress of risk management.

The meeting closed at 6.34pm.

SELBY DISTRICT COUNCIL
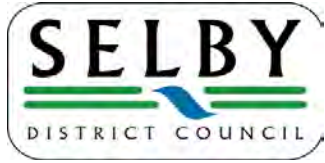
Audit and Governance Committee: Action Log 2016-17

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
15 Jun 2016	6 - Annual Report of the Head of Internal Audit	The Executive would consider having a portfolio responsibility for counter fraud	Councillor Lunn has taken on the counter fraud responsibility.	GM	Completed
15 Jun 2016	6 - Annual Report of the Head of Internal Audit	Revised target date of 30 October 2016 had been agreed in relation to concerns about lockable storage being left unlocked	KI had raised the Committee's concerns with the ELT	KI / Veritau	Completed
15 Jun 2016	6 - Annual Report of the Head of Internal Audit	Revised target date of 30 June 2016 for an updated Recruitment and Selection Manual	These would be addressed as part of a wider review of HR policies following the organisational review.	KI / Veritau	In progress
15 Jun 2016	9 - Changes to the arrangements for appointment of external auditors	Recommend to Council that SDC opt-in to a 'sector-led body' for the appointment of external auditors when the current transitional arrangements expire.	Report was taken to Council on 13 December 2016.	KI	Completed
28 Sep 2016	19 - Consideration of Internal Audit Report on ICT Disaster Recovery	Request that officers provide an update at the January meeting.	Officers will attend the January meeting with an update report.	DSO	In progress
28 Sep 2016	22 - Internal Audit Progress Report	Request that future reports included a summary table showing the progress of audits and agreed actions.	Vertiau will look at displaying the information in a convenient format.	KI / Veritau	In progress

This page is intentionally blank.

SELBY
DISTRICT COUNCIL

Audit Committee Work Programme 2016/17

Date of Meeting	Topic	Action Required
All meetings will be preceded by a training / briefing session for Councillors. These sessions will start 30 minutes before the meeting.		
15 June 2016	Time of meetings	To agree the start time of Audit Committee meetings for 2016/17
	Internal Audit Annual Report 2015/16	To consider the Internal Audit Annual Report for 2015/16
	External Audit Progress Report	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.
	Risk Management Annual Report	To consider the Risk Management Annual Report for 2015/16
	Changes to the arrangements for the appointment of external auditors	To make a recommendation to Council regarding the arrangements for the appointment of external auditors.

28 September 2016	Review of Action Log	To consider the latest Action Log.
	External Audit Completion Report and Opinion on the Financial Statements	To receive the Mazars Audit Completion Report and opinion on Financial Statements
	Statement of Accounts (post audit)	To approve the Statement of Accounts
	Corporate Risk Register	To review the Corporate Risk Register.
	Annual Governance Statement	To approve the Annual Governance Statement
	Local Government Ombudsman Annual Review Letter 2015/16	To receive the Local Government Ombudsman Annual Review Letter 2015/16.
	Counter Fraud Annual Report	To review the Counter Fraud Annual Report
	Internal Audit Quarter 1 Report 2016/17	To review progress against the Internal Audit Plan
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.

18 January 2017	Review of Action Log	To consider the latest Action Log.
	Information Governance Report	To approve the Information Governance Annual Report
	Internal Audit Quarter 2 Report 2016/17	To review progress against the Internal Audit Plan
	Annual Audit Letter	To receive the Mazars report on the 2015/16 Audit and Value for Money conclusion
	ICT Disaster Recovery	To receive an update on actions following the internal audit report concerning ICT Disaster Recovery
	Counter Fraud Strategy	To approve the revised Counter Fraud Strategy
	Review of Risk Management Strategy	To review the Risk Management Strategy
	Review of the Risk Register(s)	To review the latest Risk Register(s)
	External Audit Progress Report – Mazars	To review the progress by Mazars in meeting its responsibilities as the Council's External Auditor.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.

12

	Review of Action Log	To consider the latest Action Log.
	Audit Strategy Memorandum and External Audit Progress Report – Mazars	To review the Audit Strategy and progress of the External Audit with Mazars
	Annual Governance Statement – Action Plan Review	To review progress against the AGS Action Plan
19 April 2017	Internal Audit Quarter 3 Progress Report 2016/17	To review progress against the Internal Audit Plan for 2016/17
	Internal Audit Charter	To approve the Internal Audit Charter
	Internal Audit Plan 2017/18	To approve the Internal Audit Plan 2017/18
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Audit Committee Annual Report 2017/18 and Work Programme 2017/18	To approve the 2016/17 Annual Report and the 2017/18 Work Programme for the committee

13

SELBY

DISTRICT COUNCIL

Public Session

Report Reference Number: A/16/14   **Agenda Item No: 7**

To: **Audit and Governance Committee**

Date: **18 January 2017**

Author: **Stuart Robinson, Head of Business Development & Improvement**

Title: **Progress Update following the ICT Disaster Recovery Audit**

Summary:

The September Audit and Governance Committee considered an internal audit report on the ICT Disaster Recovery systems at Selby District Council where the opinion of the auditor was 'Limited Assurance'.

The Committee requested that officers provide an update on progress at the next meeting in January.

Significant progress has been made since September – as demonstrated by the attached improvement plan – not least the development of a draft Disaster Recovery Plan.

Recommendation:

> **To consider the progress made in improving the Council's ICT disaster recovery arrangements.**

Reasons for recommendation

To provide the Chair of the Audit and Governance Committee with greater assurance around the Council's ICT Disaster Recovery arrangements following the previous internal audit opinion of 'Limited Assurance'.

1.   Introduction and background

1.1   In summer 2016, the internal auditor, Veritau, completed an audit of ICT Disaster Recovery at Selby District Council. The opinion of the auditor was that ICT Disaster Recovery controls provided 'Limited Assurance'. See Appendix A.

14

1.2 The September Audit and Governance Committee considered the report and requested that officers provide an update on progress at the next meeting in January.

1.3 Along with our ICT infrastructure providers – North Yorkshire County Council – we are working through an improvement plan. A copy of the plan – including progress updates - is provided at Appendix B.

2 The Report

2.1 The audit identified the following:

   i. The council's new service level agreement (SLA) with North Yorkshire County Council (NYCC) does not yet include the provision of DR services.

   ii. There is no formal ICT disaster recovery plan approved and adopted by management;

   iii. The replication arrangement with CDC is not covered by a formal agreement;

   iv. The existing DR plan does not assign any responsibilities, clarify who would invoke DR or carry out any of the required actions;

   v. The council has carried out very limited testing of ICT disaster recovery arrangements;

   vi. Back-ups are not routinely tested to ensure that they would function correctly and data would be available after a disaster;

   vii. It is unclear how system restoration would be prioritised, and on what basis; and

   viii. Dependences on individual members of staff, as well as suppliers and third parties which could affect disaster recovery have not been considered in the plan.

2.2 Progress is as follows:

   i. Significant progress has been made on our collaborative arrangements with NYCC – particularly around strengthening governance and day to day joint working. DR is part of the IT support contract with NYCC – the emerging DR Plan provides the detail.

   ii. A formal high level ICT DR Plan has been drafted and will be consulted on during January & February – including a Business Continuity Workshop. Aim to have a final detailed plan agreed by April 2017.

   iii. Notice has been sent to Craven to state we are proposing to end the current agreement at the end of April. NYCC will start to move DR across to ahead of end of April to have it in place by then. A DR agreement is in place with East Riding (Benefits) and a revised agreement being developed with Richmondshire (Finance systems).

iv.   The draft DR Plan includes contact details and roles/responsibilities of key officers.

v.   Data back-ups are tested on a regular ad hoc basis. A formal quarterly testing programme is now in place. A second member of staff has been trained on back-ups and the process documented. Back-up tapes are now securely held at County Hall, Northallerton (removing the previous risk of damage/loss in transit to Vivars). Encryption of tapes is currently cost prohibitive.

vi.   Testing of the DR Plan will commence when the Plan is finalised and any issues identified during testing reflected in revised DR documentation. Frequency of testing agreed included in Plan.

vii.   Priorities for system restoration will be outlined in the DR Plan – this is currently being negotiated with NYCC.

viii.   The DR Plan considers any dependences (employees, suppliers, third parties) which could affect disaster recovery.

2.3   This update forms the basis for discussion at the Audit and Governance Committee meeting, and the Committee will have the opportunity to ask questions of officers at the meeting.

3   Legal/Financial Controls and other Policy matters

3.1   None.

4.   Conclusion

4.1   The Committee is asked to consider the progress made.

5.   Background Documents

None.

Contact Officer:

Stuart Robinson, Head of Business Development & Improvement
Ext: 42296
srobinson@selby.gov.uk

Appendices:

A – Internal Audit Report; ICT Disaster Recovery 2015/16
B – Improvement Plan; ICT Disaster Recovery

ICT Disaster Recovery 2015-16

Selby District Council

Internal Audit Report

Business Unit: ICT
Responsible Officer: Director of Corporate Services and Commissioning
Service Manager: Head of Business Development & Improvement
Date Issued: 17th August 2016
Status: Final
Reference: 76520/009

	P1	P2	P3
Actions	0	7	0
Overall Audit Opinion	Limited Assurance		

Introduction

ICT Disaster Recovery (DR) is the process of recovering information technology systems and services after a natural or human-induced disaster. DR forms part of wider business continuity planning intended to restore normal business functionality as quickly as possible.

Effective ICT DR plans should provide for a structured and timely recovery of services in the event of a disaster, and should help reduce disruption to a pre-determined acceptable and managed level.

Selby District Council's ICT systems support operations throughout the council, with the main server facility located at the Civic Centre. As well as local back-ups to tape, there is also off-site replication of data to council servers housed at Craven District Council (CDC) in Skipton. This formed part of the previous ICT shared service arrangements with CDC.

Reliable back-up of data held in its systems is essential to enable the council to recover and restore business information in the event of a system failure.

We agreed to complete two audits in the 2015/16 internal audit plan relevant to DR and business continuity planning. This audit reviewed ICT DR arrangements. A further audit has reviewed the physical and environmental security of the council's server room.

Objectives and Scope of the Audit

The purpose of this audit was to provide assurance to management that procedures and controls will ensure that:

- the council develops, documents and maintains a DR plan;
- DR roles and responsibilities are clearly defined;
- DR plans are tested;
- system restoration is appropriately prioritised; and
- data are available for restoration.

Key Findings

The council had previously put good practical disaster recovery arrangements in place with CDC. However these are now transitional and both councils are seeking other partners for replication. The council's new service level agreement (SLA) with North Yorkshire County Council (NYCC) does not yet include the provision of DR services.

It was identified that:

- there is no formal ICT disaster recovery plan approved and adopted by management;
- the replication arrangement with CDC is not covered by a formal agreement;
- the existing DR plan does not assign any responsibilities, clarify who would invoke DR or carry out any of the required actions;
- the council has carried out very limited testing of ICT disaster recovery arrangements;
- back-ups are not routinely tested to ensure that they would function correctly and data would be available after a disaster;
- it is unclear how system restoration would be prioritised, and on what basis; and
- dependences on individual members of staff, as well as suppliers and third parties which could affect disaster recovery have not been considered in the plan.

Overall Conclusions

It was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. Our overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance.

19

SELBY
DISTRICT COUNCIL

1 Disaster recovery plans

Issue/Control Weakness	Risk
There is no formal ICT disaster recovery plan approved and adopted by management.	Plans may not reflect technical and operational changes, leading to inability to restore services as planned.
The current plan does not have an internal owner and has not been reviewed since 2013.	SDC management may be unaware of the plan's impact on service restoration and continuity.
Other DR documentation is out of date.	

Findings

The ICT DR Plan is in effect a set of instructions for the replication set-up for SDC and CDC, covering how to add or remove virtual servers from the arrangement, as well as DR. It does not include information on recovery from back-up tapes or any other more serious scenarios in which the virtual machines are not available.

The plan is not subject to regular review - the latest version dates from 31/05/2013. Responsibility for reviewing it is not assigned anywhere within it, and as it was created by an external contractor (Razorblue), there is no internal owner. It does not indicate if it was formally approved by SDC management.

It does not cover the council's alternative DR provision, which relies on back-up tapes, or any other scenarios. There is no written procedure for the tape back-ups and the tape back-up rotation strategy is undocumented.

The council has a range of other documents relating to ICT DR, such as a Disaster Recovery Contingency Policy, last updated in 2006, a draft unapproved Service Continuity Plan for ICT from 2011, which also includes more detail, and an IT Business Impact Assessment from 2013. Some of these included more detailed information found in a typical DR Plan, but which is now very outdated.

Agreed Action 1.1

NYCC will develop a new ICT Disaster Recovery Plan based on the NYCC Disaster Recovery plan, with significant input from SDC.	**Priority**	2
	Responsible Officer	Heads of Business Development / CCP
The plan will be formally approved by SDC senior management.	**Timescale**	30th November 2016

SELBY

2 Roles, responsibilities and contacts in the event of a disaster

Issue/Control Weakness	Risk
Planning documents do not specify who will carry out DR actions, or include any contact details for key officers.	Disaster recovery may be delayed or impossible.

Findings

The ICT DR Plan does not assign any responsibilities or clarify who would invoke the plan or carry out any of the required actions. We are not aware of any other documents which adequately address this matter.

No contact information is included for officers who would carry out DR duties.

Agreed Action 2.1

The new ICT Disaster Recovery Plan will include responsibilities, invocation procedures and responsibilities for actions etc.

SDC and NYCC will identify officers for each role as appropriate.

Priority	2
Responsible Officer	Heads of Business Development / CCP
Timescale	30th November 2016

21

SELBY
DISTRICT COUNCIL

3 Testing of ICT disaster recovery arrangements

Issue/Control Weakness	Risk
Flaws in the ICT DR Plan cannot be identified and rectified if contingency arrangements are not tested.	Disaster recovery may be delayed or impossible.

Findings

The ICT Disaster Recovery Plan states: "It is highly important to perform regular DR tests to highlight any potential issues the District Councils may not be aware of". However, this plan only covers the replication set-up, and the tests referred to would only be of the functionality of replication.

The separate review of the physical and environmental security of the server room has highlighted that the council does not receive any information regarding testing or maintenance of the back-up generator, as its maintenance and testing are managed by the NHS.

While some assurance can be gained from individual tests carried out in isolation, the value of the plan and the council's overall level of resilience can only be judged by carrying out much more comprehensive testing of a true disaster situation, such as simulating the loss of premises, hardware or network infrastructure. The availability of alternative premises and equipment could have a considerable impact on disaster recovery timescales.

Agreed Action 3.1

The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of the agreement.

SDC will determine and document the degree of testing of wider contingency arrangements which it deems sufficient, such as replacement premises, equipment etc.

Priority	2
Responsible Officer	Heads of Business Development / CCP
Timescale	31st December 2016

22

SELBY
DISTRICT COUNCIL

4 Prioritisation of system restoration

Issue/Control Weakness	Risk
Information on service restoration priorities is incomplete.	The importance of services may not be recognised and prioritised appropriately.

Findings

No information on system restoration priorities is included in the ICT DR Plan. The latest business impact assessment for IT includes details of priorities, but as mentioned previously, this dates from July 2013 and is likely to be out of date. There is also separate document which lists critical systems, but the Business Manager confirmed that there is no further information beyond this.

Some key pieces of information for each system need to be incorporated into plans or supporting documentation and kept up to date in line with any changes to the council's requirements:
- o recovery time objectives - the longest period of time for which the council is able to manage without the system and
- o recovery point objectives - the age of the data which are brought back after a disaster, which is dependent on the latest available back-up, and how much data loss and/or re-entry the council will accept.

In practice, the virtualised environment would probably enable all systems to be recovered within minutes of each other, but only once the underlying infrastructure is in place, so it is still important to plan appropriately for other eventualities where this may not be available.

Agreed Action 4.1

The new ICT Disaster Recovery agreement will provide a framework for prioritising system restoration agreed with the business.

NYCC will carry out a Business Impact Analysis (BIA) in conjunction with SDC, to categorise and document the order of restoration.

Priority	2
Responsible Officer	Heads of Business Development / CCP
Timescale	30th November 2016

23

SELBY
DISTRICT COUNCIL

5 Availability of data for restoration

Issue/Control Weakness	Risk
Data back-ups are not routinely tested.	Disaster recovery may prove impossible.
Lack of staff training in back-up processes; dependency on one NYCC officer.	Data on tape back-ups may be retained for an excessive amount of time.
If the Civic Centre was inaccessible, tape back-ups at Vivars would also be inaccessible.	
Data on tape back-ups may be up to four weeks old.	
Some tape back-ups have been retained for at least eight years.	
Anite data are not replicated.	

Findings

The council has back-ups on replicated servers at CDC and also tape back-ups held at the Civic Centre and the Vivars Centre in Selby.

The ICT DR Plan highlights the importance of DR tests, and includes a schedule for replication testing at six-monthly intervals running from May 2013 to May 2015. We were advised that the two scheduled tests were carried out in 2013, but since then the schedule has not been followed - or extended - and no further testing has been done. No test results were documented, but the Senior Server Analyst advised that systems could be accessed afterwards.

Alerts are generated automatically to confirm whether routine replication jobs have succeeded or failed. The alerts are sent to four separate email addresses. One of these is no longer directly relevant, as it relates to Craven DC, one is the Selby Helpdesk, and the other two are the work and personal email addresses of the NYCC Senior Server Analyst. He informed us that if a replication job fails for three nights in a row, he investigates. However, the failures are not logged, and other staff have not been trained in the use of the replication software, so if he were unexpectedly absent from work, failed replication jobs may not be investigated and rectified, even though alerts would have been sent to the service desk.

We were also advised that back-up tapes are not routinely tested, although they have been used to restore files when needed, and that back-up tape processes are monitored by Netcentrix, an ICT contractor. We were informed that alerts are usually made by telephone or occasionally by email (example attached from June 2015). Again the Senior Server Analyst is the only current contact, as the alternative contact left SDC some time ago.

There are separate tapes for Mon-Thurs daily and Friday Wks 1-4 weekly. These are held in the data safe in the server room at the Civic Centre and overwritten in those cycles, with the exception of the Week 4 tapes which are taken out of the cycle and transferred to a Lampertz data fire safe at the Vivars Centre. If these were the only back-ups available to the council, the data on them could be up to four weeks old.

The Vivars Centre is approximately two miles from the Civic Centre, although the distance as the crow flies is no more than one mile. A major incident could render both locations inaccessible.

There is one key to the Vivars Centre safe, and it is kept in the Civic Centre server room, so loss of access to the Civic Centre one would make it impossible to retrieve the tapes if they were needed.

Back-up tapes date back to approximately 2008, which may exceed legal retention periods for personal information held on them.

Anite is classed as a critical application by the council, but is not currently covered by replication, as it is too big. It is however backed up to tape.

Agreed Action 5.1

The new ICT Disaster Recovery agreement will include a programme of backup tests to be put in place. Current arrangements of data replication mitigate some of the risk as backup tapes would only be required if both Selby and Craven experience a disaster at the same time.

Another member of staff has been trained for the current arrangement. Once the DR moves to the NYCC infrastructure it will come under the NYCC processes which are centrally managed.

The tapes which would possibly be required in a DR situation have been moved from the Vivars site to County Hall. The replicated copy of data is up to date and would be used to restore.

Tapes are currently being reviewed and those which are no longer required will be destroyed.

SDC will investigate how Anite can be replicated.

Priority	2
Responsible Officer	Heads of Business Development / CCP
Timescale	28th February 2017

25

SELBY
DISTRICT COUNCIL

6 Security of data on back-up tapes

Issue/Control Weakness	Risk
Back-up tapes are not encrypted and could be read by unauthorised persons with the appropriate equipment, if they were lost or stolen while in transit to the Vivars Centre.	Unauthorised access to council data, leading to fines or the imposition of other sanctions by the ICO.

Findings

The council's Information Risk Management Policy states: "Selby District Council undertakes the commitment to review its strategy for risk management and fully incorporate information risks into the Risk Register. By way of example, information risks in Selby District Council could include the loss or compromise of staff and payroll details, personal details of members of the public, benefits records etc…….. Some things you may identify as information risks could include use of unencrypted USB sticks……."

However, the council does not encrypt its back-up tapes, although the Week 4 tapes are transferred from the Civic Centre to the Vivars Centre by the NYCC Senior Server Analyst, without any additional security measures. These would hold far more data than a USB flash drive.

Agreed Action 6.1

SDC will investigate if tape encryption can be enabled.

Priority	2
Responsible Officer	Heads of Business Development / CCP
Timescale	31st August 2016

SELBY
DISTRICT COUNCIL

7 Dependence on third party services

Issue/Control Weakness	Risk
There is no formal agreement in place to cover the DR arrangement with CDC. Hosted systems and terms and conditions for services supplied by other third parties may not have been taken into account when the council drew up its plans. Information relating to provision of these services may not be readily available for reference in the event of a disaster.	Suppliers' and partners' business continuity terms may be inconsistent with the council's disaster recovery requirements.

Findings

The key element supporting the council's ability to recover data and systems after a disaster is the replication arrangement with CDC. This originally formed part of the ICT shared service agreement. However, the shared service came to an end at the end of January 2016. There is now only an informal agreement made by email with CDC's ICT and Transformation Manager that CDC will be given six months' written notice if SDC/NYCC wish to terminate the arrangement, but there does not appear to be any similar agreement from CDC that it would give notice if it no longer wished to host SDC's DR servers.

The latest available (July 2013) business impact assessment for ICT lists a further ten external dependencies, including East Riding of Yorkshire Council, Richmondshire District Council, Civica and Northgate. The field "Do they have a Business Continuity Plan?" is blank for each of these. However, the scope of the ICT DR Plan states: "Any application hosted outside of the individual District Council environment will be outside of the scope of the disaster recovery testing", which is clearly the case, as data reside on third party servers. Access to, and therefore availability of, these systems, is not currently covered by the plan.

Assuming that service level agreements contain all relevant assurances relating to the availability of hosted data, the council still needs to take other factors into consideration, such as the impact of the availability of suitable hardware and software and a functioning network on the ability of its staff to access hosted systems and data.

Other relevant information, such as contact details for key ICT support contractors, such as Netcentrix and Razorblue, is not included in the plan.

Agreed Action 7.1

The current replication arrangement will be replaced by a new arrangement with NYCC	Priority	2

SELBY
DISTRICT COUNCIL

covered by a formal agreement in relation to DR provision.

SDC will confirm arrangements for restoring hosted systems in a DR situation.

Responsible Officer	Heads of Business Development / CCP
Timescale	31st December 2016

Audit Opinions and Priorities for Actions

Audit Opinions
Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
High Assurance	Overall, very good management of risk. An effective control environment appears to be in operation.
Substantial Assurance	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
Reasonable Assurance	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.
Limited Assurance	Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.
No Assurance	Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

Priorities for Actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management.
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

SELBY
DISTRICT COUNCIL

DR Audit Improvement Plan at December 2016

Issue	Agreed Action	Latest Progress Update	Revised Date	Owner	RAG
Disaster recovery plans; No formal ICT disaster recovery plan approved and adopted by management. The current plan has no internal owner and no review since 2013. Other DR documentation is out of date.	NYCC to develop a new ICT Disaster Recovery Plan based on the NYCC Disaster Recovery plan, with significant input from SDC and approval from SDC senior management	Delay due to the discovery of the water pipe running through the server room. Change of scope for use and a new plan drafted with NYCC moving their DR to Richmondshire. NYCC will still have a small amount of comms equipment in the server room. Plan drafted and being finalised between SDC and NYCC	Mar-17	SR	AMBER
Roles, responsibilities and contacts; Planning documents do not specify who will carry out DR actions, or include any contact details for key officers.	The new ICT Disaster Recovery Plan will include responsibilities, invocation procedures and responsibilities for actions etc.	DR Plan above includes contact details and roles/ responsibilities of key officers	Mar-17	SR	GREEN
Testing of DR arrangements; Flaws in the ICT DR Plan cannot be identified and rectified if contingency arrangements are not tested.	The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of the agreement. SDC to determine and document the degree of testing of wider contingency arrangements which it deems sufficient, such as replacement premises, equipment etc.	To follow plan being agreed, needs to link to BCP and emergency planning Testing schedule will be set out in the DR plan.	Mar-17	SR	GREEN

Issue	Agreed Action	Latest Progress Update	Revised Date	Owner	RAG
Prioritisation of systems restoration; Information on service restoration priorities is incomplete	The new ICT Disaster Recovery agreement will provide a framework for prioritising system restoration agreed with the business. NYCC to carry out a Business Impact Analysis (BIA) in conjunction with SDC, to categorise and document the order of restoration.	Systems priorities is detailed in the DR plan and this is the outstanding item to be agreed between SDC and NYCC for the plan to be in place	Mar-17	SR	AMBER
Availability of data for restoration; Data back-ups are not routinely tested.	Agreed but the current arrangements of data replication mitigate some of the risk as backup tapes would only be required if both Selby and Craven experience a disaster at the same time. New ICT Disaster Recovery agreement to include a programme of backup tests.	Completed in the interim. The DR Plan will review how data is stored and replicated in future.	Mar-17		GREEN
Lack of staff training in back-up processes; dependency on one NYCC officer.	Another member of staff has been trained for the current arrangement. Once the DR moves to the NYCC infrastructure it will come under the NYCC processes which are centrally managed.				
If the Civic Centre was inaccessible, tape back-ups at Vivars would also be inaccessible.	The tapes which would possibly be required in a DR situation have been moved from the Vivars site to County Hall. The replicated copy of data is up to date and would be used to restore.				
Data on tape back-ups may be up to four weeks old.	Tapes are currently being reviewed and those which are no longer required will be destroyed.				
Some tape back-ups have been retained for at least eight years.	Investigate how Anite can be replicated.				
Anite data are not replicated.					

Issue	Agreed Action	Latest Progress Update	Revised Date	Owner	RAG
Security of data on back up tapes; Back-up tapes are not encrypted and could be read by unauthorised persons with the appropriate equipment, if they were lost or stolen while in transit to the Vivars Centre. Are the tapes still stored in vivars.	Investigate if tape encryption can be enabled.	Completed	Aug-16	SR	GREEN
Dependency on third party services; There is no formal agreement in place to cover the DR arrangement with CDC. Hosted systems and terms and conditions for services supplied by other third parties may not have been taken into account when the council drew up its plans. Information relating to provision of these services may not be readily available for reference in the event of a disaster.	Agreed, however these are reciprocal arrangements which have been referenced and accepted in the minutes of the IT Board meetings. The current replication arrangement will be replaced by a new arrangement with NYCC covered by a formal agreement in relation to DR provision. SDC to confirm arrangements for restoring hosted systems in a DR situation.	Notice has been sent to Craven to state we are proposing to end the agreement at the end of the DR SAN arrangements (spring/summer 2016). A formal agreement will exist between SDC and NYCC for these arrangements in the future. At East Riding (Benefits) a Disaster Recovery agreement is in place. Financial systems are hosted by Richmondshire and a revised SLA covering DR is in in process of being drawn up. These will be fed into new DR plan.	Apr-17	SR	AMBER

Public Session

Report Reference Number: A/16/15   **Agenda Item No: 8**

To:	**Audit and Governance Committee**
Date:	**18 January 2017**
Author:	**Gillian Marshall, Solicitor to the Council**
Lead Officer:	**Karen Iveson, Executive Director (s151)**

Title: Information Governance Annual Report

Summary:

In March 2014 the Council's internal auditors (Veritau) published a final report into their review of the Information Governance and Data Protection arrangements at Selby District Council.

A project was established with a view to putting in place systems and controls to address the issues identified during the audit. As part of that project Information Governance was added to the Terms of Reference for Audit and Governance Committee and it was agreed that an annual report on the Information Governance arrangements would be provided for the Committee. An action plan was approved to address the identified issues.

In October 2016 Veritau published reports in relation to Information Governance and Freedom of Information indicating that overall improvements have been made. Although the opinion given was one of "reasonable assurance" it also identified areas of weakness to be addressed.

This is the annual report for 2016.

Recommendations:

  i.   **That Audit and Governance Committee note the contents of this report.**

Reasons for recommendation

To meet the requirement within the Audit and Governance Committee Terms of Reference and the 2014 audit action plan.

1. **Introduction and background**

1.1 In March 2014 the Council's internal auditors (Veritau) published a final report into their review of the Information Governance and Data Protection arrangements at Selby District Council. It was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment would be in operation. Their overall opinion of the controls within the system at the time of the audit was that they provided limited assurance. A project was established with a view to putting in place systems and controls to address the issues identified during the audit.

1.2 In accordance with the Action Plan approved to address the identified issues the Executive Director (s151) was appointed to the post of Senior Information Risk Officer (SIRO) with overall responsibility for information governance (IG). Day to day oversight of the IG arrangements is the responsibility of the Solicitor to the Council and Lead Officers have been appointed as Information Asset Owners

1.3 An Information Governance Framework consisting of an Information Charter, Information Risk Management Policy, ICT Acceptable Usage Policy, Data Protection Breach Policy and a Document Retention Policy were approved.

1.4 All staff received briefings on the new IG Framework and further mandatory training was rolled out. IG is now included in induction briefings.

1.5 As reported in the Audit and Governance Committee annual report in January 2016 in December 2015 Veritau published a final report in relation to Information Security Checks 2015/16. The key finding of the report is that the Council is reasonably well protected against accidental disclosure of information.

1.6 In October 2016 Veritau reported in relation to Information Governance and Freedom of Information and gave an opinion of reasonable assurance. The key finding of the report in relation to Information Governance is that the Council has made significant progress since the audit of information governance in 2013-14, that gave an opinion of limited assurance. However, there do remain some weaknesses. In relation to information requests the key finding is that the Council has a well defined system in place to administer and respond to information requests, however, it is currently not meeting the 86% target for responding within 20 working days.

1.7 There are some items remaining to be completed from the Action Plan which will be actioned following the current organisational review. The new actions have also been added to the Action Plan. A copy of the updated action plan is attached at Appendix A.

2 **The Report**

2.1 This report sets out the information governance issues that have arisen during 2016.

2.2   Information sharing agreements

The Council completed two data sharing agreements in relation to the settlement of Syrian refugees in the District.

2.3   Information Security checks

As advised in last year's report Veritau carried out information security checks at the Civic Centre in September 2015. The purpose of the checks were to test the systems in place and assess the extent to which confidential, personal or sensitive data is stored securely and to ensure that data security is being given sufficient priority within council offices.

Overall, the checks established that the Council is reasonably well protected against accidental disclosure of information. However, weaknesses were identified which will be addressed following the organisational review and police re-location programme.

2.6   Data Protection Breaches

Within the Council one data security incident has been investigated since the last report to Committee in January 2016. The incident was that five letters relating to non-payment of council tax were found on a printer by the Solicitor to the Council. The incident was subject to a formal breach review by the relevant Lead Officer. Recommendations arising from the breach investigations were implemented locally.

2.7   Freedom of Information

Keys Findings of the report

The Council currently has a well-defined system in place to administer and respond to FOI requests, however, it is currently not meeting the 86% target for responding within 20 working days. The Council could improve its response rate by re-introducing a system for chasing responses from service areas before they are due and also introducing an escalation process to senior management if a response is at imminent risk of being classified late. In addition, responses are not always forwarded on to the relevant service area on the same or next day following the initial request, which reduces the amount of available time to compile the response. It is recognised however, that the Council has limited resources in which to co-ordinate and respond to requests.

Since the production of the above report further analysis has been carried out in relation to information requests and there has been some improvement.

The table below shows the number of FOI requests received and responded to in 2016.

Month	Received	Outstanding	Completed	% in time	% out of time
Jan-16	35	12	23	65.71%	34.29%
Feb-16	51	14	37	72.55%	27.45%
Mar-16	47	8	39	82.98%	17.02%
Apr-16	70	12	58	82.86%	17.14%
May-16	31	7	24	77.42%	22.58%
Jun-16	59	6	53	89.83%	10.17%
Jul-16	32	4	28	87.50%	12.50%
Aug-16	58	13	45	77.59%	22.41%
Sept-16	53	11	42	79.25%	20.75%
Oct-16	31	6	25	80.65%	19.35%
Nov-16	50	11	39	78.00%	22.00%
Dec-16	43	7	36	83.72%	16.28%
TOTAL	**560**	**111**	**449**	**80.18%**	**19.82%**

The Council's performance data for 2015 reported to the Audit Committee showed a response "in time" rate of 77.59%. The performance data for 2016 shows a response "in time" rate of 80.18%.

The target being worked to is 86% as the Information Commissioner will consider formal performance monitoring of an authority where it responds to 85% or fewer requests within the statutory time period. Performance during 2016 has been below target. Legal Services and Business Support continue to work with service areas to ensure that requests are responded to within statutory time limits and following the current re-organisation other options for improving management of the response rate will be considered.

2.8   Information Governance 2015/2016 report

Key Findings of report

The Council has made significant progress since the audit of information governance in 2013-14, that gave an opinion of limited assurance. It now has an appropriate information governance framework and policies in place, assigned appropriate responsible officers and has taken significant steps to ensure officers have received some training on information governance. It also provides an annual information governance report to members, reporting on information governance activity, plans for the coming year and on data breach incidents that have occurred during the year. Overall, Veritau's opinion was that very positive steps have been taken to improve information governance within the Council. However, there do remain some areas of weakness and many of these are about keeping up momentum and providing

reminders, refreshers and continual review of the arrangements that were put in place two years ago.

3   Legal/Financial Controls and other Policy matters

Legal Issues

3.1   The Information Commissioner has the power to fine the Council if there is a serious breach and he concludes that the Council does not have procedures in place that are sufficiently robust

Financial Issues

3.2   In relation to the resource required for a number of the points raised regarding improvements in the Veritau reports consideration will be given following the re-organisation as to how the resource is to be obtained and at what financial costs.

Impact Assessment

3.3   Residents, suppliers, customers and partners have a reasonable expectation that the Council will hold and safeguard their data appropriately. Failure to comply with recognised good practice will have a negative impact of the reputation of the organisation.

4.   Conclusion

4.1   The overall levels of control are within reasonable levels and the existing framework operates satisfactorily.

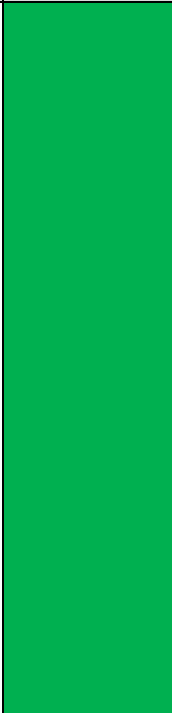**5.   Background Documents**

None

Contact Officer:

Gillian Marshall
Solicitor to the Council
Selby District Council
gmarshall@Selby.gov.uk

Appendices:
Appendix A - High Level Action Plan as at 01.01.2017

SDC HIGH LEVEL ACTION PLAN

AS AT 01.01.2017

Ref	Action	Target Date	Current Position/ Proposed Actions	Responsible Officer
1	Policy Framework To review the Council's existing information governance policy framework (including data protection, freedom of information and records management) and to amend as necessary to reflect best practice and/or current legislation. Develop a Communications plan to refresh awareness of existing policies and to give regular reminders to staff on information governance issues.	December 2017 June 2017	Policies are being reviewed in conjunction with NYCC This will be rolled out as part of the organisation development strategy and appraisal process	

2	Training			
	To provide a series of training sessions for Members and officers on information governance matters, including the updated policy framework, the maintenance of information asset registers and the application of the council's data sharing agreements.	By July 2017	Member briefing to be held	
	Review information governance induction requirements include this and refresher training in the organisational development plan.	18 January 2017	Senior Managers Data Protection training	
	Ensure employees complete mandatory training	July 2017	Reports to be provided to Heads of Service of employees still to complete mandatory training	
3	Appoint Information Asset Owners (IAOs) for each key group of information assets	Sept 2017	Consider amendment of appointed Lead Officers as IAOs following organisation review	
	Departments to review and maintain their information asset registers.	Dec 2017	Support IAOs to update Information Asset Registers - all current IAOs had a one-to-one meeting with Veritau and initial schedules produced. Following organisational review this will need to include newly appointed IAO and produce updated schedules and further work needs to be completed in relation to hard copy documents and drives. IAO assurance process agreed	

4	Carry out annual risk awareness training for those with access to personal data - Identify groups of staff and their training needs - Develop training packs for different groups - Deliver selected training - Monitor delivery of training - Carry out awareness campaign		Further training to be rolled out as part of the organisation development strategy	
5	Develop data sharing protocols with 3rd party suppliers & delivery partners - Identify groups, exposure and needs - Prepare required data sharing agreements with partner organisations - Check decisions to share are recorded and that data sharing arrangements are in place - Develop appropriate awareness information packs - Ensure requirement is included in contracts - Deliver training where appropriate	Ongoing	SDC now signed up to the overarching Info Sharing Arrangements county wide	

6	Information Risk Policy Review policy further to NYCC taking on IT support Information risks will be considered by all services and significant risks identified through this process will be included in the service bases risk registers.	Ongoing	
7	Develop Information Risk Register • Register monitored regularly • Highest risks fed into corporate risk register • IAOs identified in Information Risk Registers		To be considered alongside work on corporate and service based risk registers
8	Information Security • Develop Information Security Policy covering both IT and non IT based data • Communicate current system for IT Security to staff • Access to and use of sensitive data monitored • Managers to cascade messages to staff regarding the need to lock personal and confidential information away at the end of the day.	 Ongoing	Agree monitoring process Ensure that risk of Members IT provision is included as part of the IT Security Policy Most recent reminder October 2016

	• Arrangements to address any issues with availability of storage, broken locks or absence of keys and places to store keys that may prevent information being locked away. • Assigning responsibility for ensuring that shared archive rooms are locked at the end of the day and/or when not being used. • Whether to schedule further information security checks on a regular basis. • Checking on action taken to raise awareness of data security amongst staff and reporting of data breaches.	Ongoing Ongoing	To be reviewed following organisational review and movement of employees To be reviewed following organisational review and movement of staff	
9	Privacy Notices To review the Council's existing privacy notices to reflect best practice and/or legislation. Prepare a privacy notice that applies to information collected across a range of Council functions and make available on the Council website	Sept 2017	Work has commenced on a review of current arrangements. Guidance and template wording to be developed and rolled out.	

10	FOI Consider responsibility for the administration of requests to pass to the Customer Contact Centre and processes will be clearly defined and timescales agreed. This will include: Logging of requests immediately Differentiation of requests, FOI, EIR and SAR Process and agreed timescales for chasing requests and escalating them if they are delayed	February 2017	Considering arrangement for the administration through Extended Leadership Team	
11	Corporate records retention and disposal schedule Prepare a consolidated corporate records retention and disposal schedule in line with the document retention policy (this will apply to all records held and in all formats and will be made available throughout the organisation). Communicate to staff	Sept 2017	To be completed alongside Information Asset Registers	

This page is intentionally blank.

Public Session

Report Reference Number: A/16/16   **Agenda Item No: 9**

To:	**Audit and Governance Committee**
Date:	**18th January 2017**
Lead Officer:	**Gillian Marshall, Solicitor to the Council**

Title: Review of Standards Arrangements

Summary:

On 13 December 2016 full Council received a report from the Monitoring Officer on the operation of the current standards regime for Selby District Council and Parish Councils within Selby District. The report considered the complaints history and concluded that, whilst the arrangements are satisfactory and meet legal duties, there are areas for improvement and recommended a review be undertaken.

Council resolved to ask Audit and Governance Committee to review the Standards arrangements and to report back to Council if they consider any changes should be made.

This report presents draft arrangements and terms of reference for the review.

Recommendation:

That the Audit and Governance Committee agrees the arrangements and terms of reference for the review.

Reasons for recommendation

To meet the request by full Council that the Committee undertake a review of the current arrangements and report back.

1   Introduction and policies

1.1   In December 2016 the Monitoring Officer made a report to full Council on the operation of the current standards regime for Selby District Council and Parish Councils within Selby District. The report considered the complaints history and concluded that, whilst the arrangements are satisfactory and meet legal duties, there are areas for improvement and recommended a review be undertaken.

1.2   Under the Localism Act 2011 principal councils were required to adopt their own arrangements for dealing with complaints against councillors alleged to have breached their council's code of conduct.   The current standards arrangements adopted by Selby District Council came into force on 1 July 2012 and deal with complaints against Selby District Councillors and Town and Parish Councillors in the District of Selby.

1.3   Selby District Council does not have a Standards Committee. Instead, ethical matters are considered by full Council and the arrangements for dealing with complaints are delegated to the Monitoring Officer, advised by the Independent Persons. The arrangements have proved to be flexible and have provided sufficient discretion to deal appropriately with the complaints which have come forward. However it has become apparent that the new system is disconnected from Councillors and particularly from Parish Councils and Parish Councillors.

2   Arrangements for the Review and Terms of Reference

2.1   Draft Terms of Reference for the Review are attached at Appendix A. These look at the issues identified by the Monitoring Officer and Independent Persons as set out in the report to Council.

2.2   The next scheduled meeting of Audit and Governance Committee is in April 2017. The Committee could create a working group to undertake the review and report back to that meeting to agree any recommendations to Annual Council in May. Alternatively, the Committee may prefer to schedule an additional themed meeting of the full Committee to consider the issues.

2.3   Whichever arrangements are agreed it is recommended that the Committee or Working Group invites the Independent Persons and the Monitoring Officer to contribute to the review.

3   Legal/Financial Controls and other Policy matters

3.1   Legal issues

3.1.1   Under s 27 of the Localism Act the Council is under a duty to promote and maintain high standards of conduct by Councillors and co-optees. Primary responsibility for the discharge of this duty falls to the Monitoring Officer.

3.2   Financial Issues

3.2.1   None identified.

4   Conclusion

4.1   That the Committee has a number of options for undertaking the
        Review and should agree the process and Terms of Reference.

5   Background Documents/Contacts

Contact Officer: Gillian Marshall, Solicitor to the Council

Appendices:

Appendix A: Draft terms of Reference

DRAFT TERMS OF REFERENCE

Review of Standards Arrangements

1. Information on the current process

2. Views of the Independent Persons and Monitoring Officer

3. Assessment criteria for deciding when to investigate complaints

4. Hearings process

5. Councillor involvement in the process

6. Timescales for complaints

SELBY

DISTRICT COUNCIL

Public Session

Report Reference Number: A/16/17   **Agenda Item No: 10**

To:	**Audit and Governance Committee**
Date:	**18 January 2017**
Author:	**Daniel Maguire, Democratic Services Officer**
Lead Officer:	**Palbinder Mann, Democratic Services Manager**

Title: Annual Audit Letter

Summary:

The Annual Audit Letter from the external auditor, Mazars, is provided for the Audit and Governance Committee to consider.

Recommendations:

> **To consider the Annual Audit Letter 2015/16.**

Reasons for recommendation

The Audit and Governance Committee is required to receive and consider the Annual Audit Letter in accordance with legislation.

1.   Introduction and background

1.1   The Annual Audit Letter 2016 was submitted to the Council on 24 October 2016, by the external auditor.

1.2   It is a requirement of the Accounts and Audit Regulations 2015 (Regulation 20) that the letter is considered by a committee of the Council and that the letter is then published on the Council's website.

2   The Report

2.1   The letter is attached at appendix A and sets out a summary of the work and findings of the external audit for the 2015/16 audit period.

2.2   The detailed findings of the audit work was presented to the Committee at its meeting on 28 September 2016 and the key messages are summarised in the Audit Letter.

2.3   The letter confirms that the audit was conducted in accordance with Code of Audit Practice for Local Government bodies issued by the National Audit Office and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2015.

2.4   The letter notes that the auditor issued an unqualified opinion on the Council's financial statement and an unqualified Value for Money (VFM) conclusion.

2.5   The letter forms the basis for discussion at the Audit and Governance Committee meeting, and the Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3   Legal/Financial Controls and other Policy matters

3.1   None.

4.   Conclusion

4.1   The Committee is asked to consider the report.

5.   Background Documents
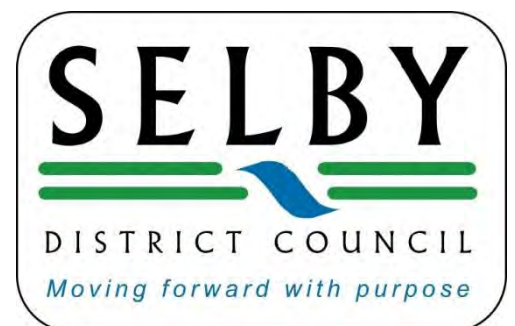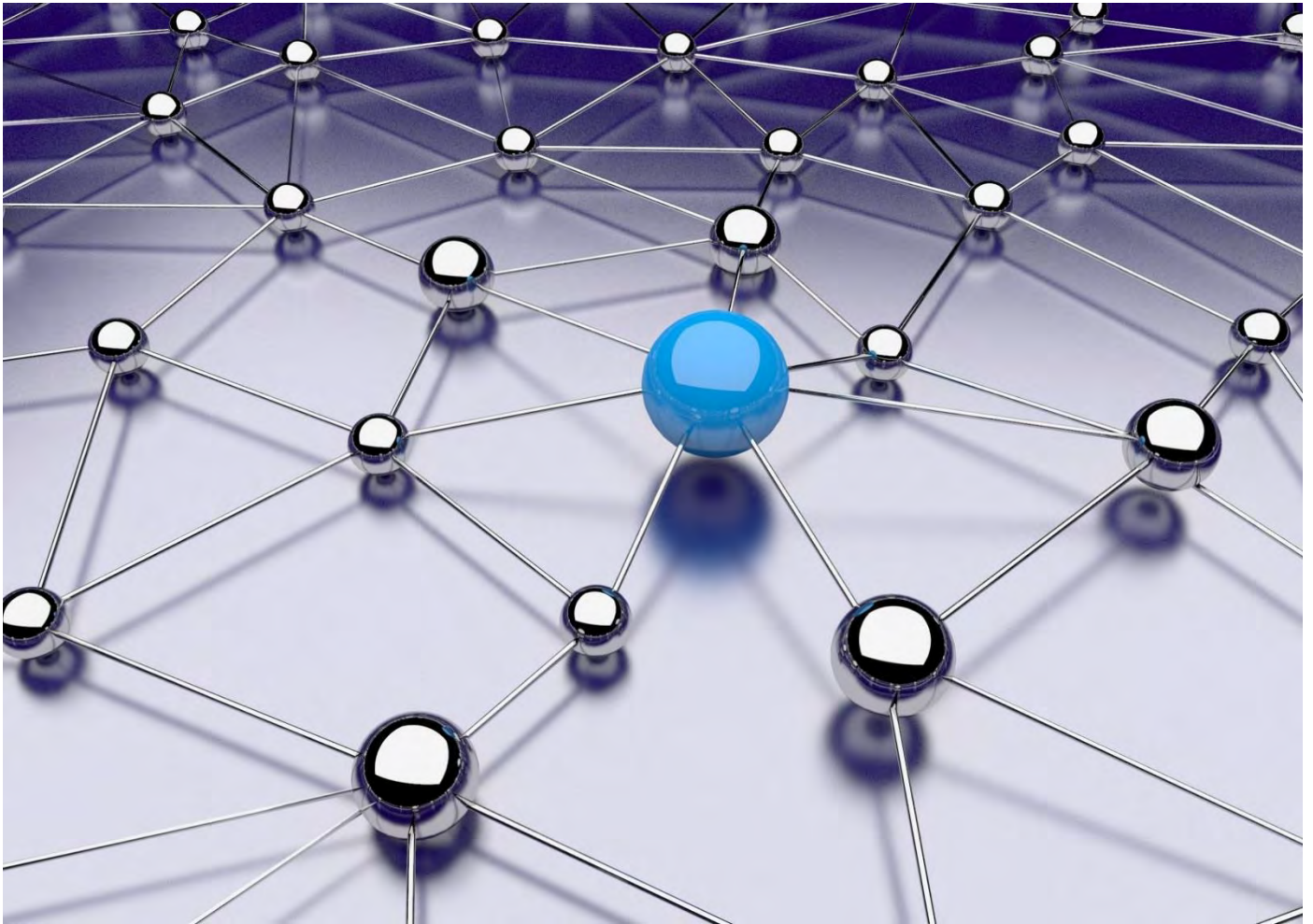
None.

Contact Officer:

Daniel Maguire, Democratic Services Officer
Ext: 42247
dmaguire@selby.gov.uk

Appendices:

A – Annual Audit Letter 2016

Annual Audit Letter 2015/16

Selby District Council

SELBY
DISTRICT COUNCIL
Moving forward with purpose

October 2016

Mazars LLP
Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

Members
Selby District Council
Civic Centre
Doncaster Road
Selby
YO8 9FT

24 October 2016

Dear Members

Annual Audit Letter 2016

I am delighted to present to you Selby District Council's (the Council's) Annual Audit Letter. The purpose of this document is to summarise the outcome of the audit of the Council's 2015/16 annual accounts and our work on the value for money conclusion.

We carried out the audit in accordance with the Code of Audit Practice for Local Government bodies issued by the National Audit Office and delivered all expected outputs in line with the timetable established by the Accounts and Audit Regulations 2015.

We were pleased to issue an unqualified opinion on the statement of accounts and an unqualified value for money conclusion.

I would also like to express my thanks for the assistance of the finance team, senior officers and the Audit and Governance Committee during the audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me or my senior manager Gavin Barker on 0191 383 6300.

Yours faithfully

Mark Kirkham
Partner
Mazars LLP

53

Contents

01 Key messages

Our Annual Audit Letter provides a summary of our work and findings for the 2015/16 audit period for Members and other interested parties.

We reported the detailed findings from our audit work in our Audit Completion Report for Selby District Council which was presented to the Audit and Governance Committee on 28 September 2016. The key conclusions for each element of our work are summarised below:

Our audit of the statement of accounts

We issued an audit report including an unqualified opinion on the Council's financial statements on 28 September 2016.

Our VFM conclusion

We carried out sufficient, relevant work, in line with the National Audit Office's guidance, so that we could conclude on whether you had in place, for 2015/16, proper arrangements to secure economy, efficiency and effectiveness in your use of resources.

We issued an unqualified VFM conclusion on 28 September 2016.

Whole of Government Accounts (WGA)

We reported to the National Audit Office (NAO), as the auditor of central government departments, that your activity was below the threshold set by the NAO meaning that we were not required to review the WGA return this year.

Our other responsibilities

As the Council's appointed external auditor, we have other powers and responsibilities as set out in the Local Audit and Accountability Act 2014. These include responding to questions on the accounts raised by local electors as well as a number of reporting powers such as reporting in the public interest. We did not receive any questions about the accounts or valid objections in relation to your 2015/16 accounts from local electors, nor did we exercise our wider reporting powers.

M A Z A R S

55

02 Financial statements

Audit of the financial statements

We audited your financial statements in line with auditing standards and we reported our detailed findings to the meeting of the Audit and Governance Committee on 28 September 2016. We issued an audit report, including an unqualified opinion, on the statement of accounts on 28 September 2016.

Risk and materiality

Our work on your financial statements aims to provide reasonable assurance that your accounts are free from material misstatement. The assessment of materiality is, therefore, a key part of our work and we specify an overall materiality threshold, based on your gross revenue expenditure, together with lower materiality values for accounting entries we consider to be more sensitive, such as officer remuneration and members' allowances.

We consider materiality when planning and performing our work and in assessing the results.

At the planning stage, we make a judgement about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures. We updated our materiality calculation when we received the draft accounts and set the overall level at £775k. We do not purely use a formula for our calculation of materiality and we look at any errors identified on their merits and can choose to report errors and uncertainties below our thresholds if we deem this to be appropriate.

In applying our view of materiality we identified the following two significant risks:

- management override of controls; and
- accounting entries for pensions.

We carried out a programme of work to address these risks which included the testing of journals, transactions and disclosures. Our work did not identify any issues to report.

In completing our work we assess the scale of errors and uncertainties using our materiality calculation to determine the impact on our audit reports. We did not identify any material errors in your statement of accounts.

Preparation of the accounts

The Council presented us with draft accounts in accordance with the national deadline. Working papers and other supporting evidence were produced on a timely basis throughout the audit. Your arrangements and the responsiveness of officers enabled us to complete our comprehensive procedures efficiently.

MAZARS

Issues arising from the audit of the accounts

We would like to highlight the following key points:

- officers prepared good quality draft financial statements and working papers;
- there were few errors identified; and
- the audit progressed well and there were no significant difficulties encountered. We received the full co-operation of officers.

Annual Governance Statement (AGS)

The AGS is drafted by the Council to provide assurance to the reader over how it is managed and how it has dealt with risks in the year. We reviewed the AGS to see whether it complied with relevant guidance and whether it was misleading or was inconsistent with what we know about the Council. We found no areas of concern to report.

03 VFM conclusion

For 2015/16, we were required to satisfy ourselves that the Authority had made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We performed our work in this area in accordance with guidance set out by the National Audit Office. This required us to consider one overall criterion as set out below.

Overall criterion: *in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

Our work in this area focused on the three sub-criteria specified by the National Audit Office namely:

Sub-criteria	Focus of the sub-criteria
Informed decision-making	- Acting in the public interest, through demonstrating and applying the principles and values of sound governance. - Understanding and using appropriate and reliable financial and performance information (including, where relevant, information from regulatory/monitoring bodies) to support informed decision making and performance management. - Reliable and timely financial reporting that supports the delivery of strategic priorities. - Managing risks effectively and maintaining a sound system of internal control.
Sustainable resource deployment	- Planning finances effectively to support the sustainable delivery of strategic priorities and maintain statutory functions. - Managing and utilising assets effectively to support the delivery of strategic priorities. - Planning, organising and developing the workforce effectively to deliver strategic priorities.
Working with partners and other third parties	- Working with third parties effectively to deliver strategic priorities. - Commissioning services effectively to support the delivery of strategic priorities. - Procuring supplies and services effectively to support the delivery of strategic priorities.

As part of our work, we also:

- reviewed your Annual Governance Statement;

- considered the work of other relevant regulatory bodies or inspectorates to the extent the results of the work have an impact on our responsibilities; and

- carried out risk-based work we determined to be appropriate. In Selby District Council's case, we did not identify any significant risks in respect of the value for money conclusion.

Financial standing

The Council has made good progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions. The 2015/16 revenue budget included savings proposals to address reduced funding and cost pressures. The Council achieved a better than expected outturn for both the General Fund and HRA in 2015/16.

2015/16	Original Budget	Funding	Net Budget position	Outturn Position	Comparison against Original Budget
General Fund - revenue expenditure	£10.807m	£10.774m	£33k deficit	£608k Surplus	£641K Improvement
Housing Revenue Account	£11.221m	£12.489m rents	£1.268m surplus	£1.672m Surplus	£404k Improvement

The main reasons for the better than expected General Fund Outturn included additional grant income and increased income from planning fees, along with a large number of smaller beneficial improvements in numerous areas. The main reason for the better than expected outturn on the HRA was lower than expected interest payments for not needing to borrow in year for new developments, plus numerus other beneficial impacts.

In addition, the Council has sustained a significant capital programme, with an outturn for 2015/16 of £9.9m.

Achievement of objectives

The Council set out its priorities in the Corporate Plan 2015/2020:

Key Priorities	Key focus
To do business	• Securing new investment in the district • Improving employment opportunities • Working with education providers to support people in accessing training and education that will skill them for work • Working with people and businesses to help Selby, Tadcaster and Sherburn in Elmet reach their potential
To enjoy life	• Improving the supply of housing • Improving healthy life choices
To make a difference	• Empowering and involving people in decisions about their area and their services • Enabling people to get involved, volunteer and contribute to delivering services locally • Facilitating people to access and use alternative service delivery channels
And this will be supported by Selby District Council delivering great value:	
Key focus:	• Working with others and co-developing the way in which services are delivered • Commissioning those best placed to deliver services on our behalf • Making sure we communicate with customers to help us understand what matters, to listen and learn and to enable us to offer the right support • Helping people to access services digitally

MAZARS

59

In July 2016, the Council's Annual Report for 2015/16 highlighted that:

- the Council has delivered over £4m of savings since 2010;
- a new organisational structure has been put in place to better align Council services to the Corporate Plan priorities;
- the partnership with North Yorkshire County Council through the 'Better Together' initiative has delivered savings and improvements in service delivery;
- the district dealt with a significant flooding event in the winter of 2015;
- the district hosted a stage start for the Tour de Yorkshire; and
- Selby's new leisure centre was opened and the development of the new leisure village, Summit Indoor Adventure.

Overall conclusion

We satisfied ourselves that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2016 and we issued an unqualified VFM conclusion.

MAZARS

60

04 Future challenges

The Council set its revenue budget for 2016/17, including a 1.99% council tax increase. The general fund budget has been set at £16.3m, benefitting from a windfall in business rates income of £5.4m largely arising from renewables at the Drax power station. The Council is uncertain how long this windfall will continue, but is setting it aside for the Council's Programme for Growth initiative. The Council are therefore in the unusual position of having, for the moment at least, significant additional resources for investment.

In the budget for the HRA a key factor in the next few years will be a requirement to reduce rents by 1% per annum. The Council has still been able to set a budget for 2016/17 for the HRA which predicts a £1.5m surplus, although this will be required to support capital spending plans.

The challenges for the future include:

- fully implementing the new management structure;
- making best use of the additional resources available for investment;
- delivering economic development objectives and enabling the supply of housing, including affordable housing; and
- positioning the district to best advantage in terms of the Better Together programme, devolution and the implications arising from Brexit.

We will focus our 2016/17 audit on the risks that these challenges present to your financial statements and your ability to maintain proper arrangements for securing value for money.

We will also share with you relevant insights that we have as a national and international accounting and advisory firm with experience of working with other public sector and commercial service providers.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise. A key focus in the coming year will be on working with officers to prepare for the bringing forward of the accounts and audit timetable which will take effect from the 2017/18 financial year.

05 Fees

As outlined in our Audit Strategy Memorandum for Selby District Council presented to the Audit and Governance Committee on 13 April 2016, Public Sector Audit Appointments Ltd (PSAA) sets a scale fee for our audit work. The fees applicable to our work in 2015/16 are summarised below.

Element of work	2014/15 Final Fee	2015/16 Scale fee (as previously reported)	2015/16 Final Fee
Code audit work	£59,610	£44,708	£44,708
Certification work	£14,170	£13,450	£13,450 *
Non-audit work	£0	£0	£0
Total	**£73,780**	**£58,158**	**£58,158**

All fees are shown excluding VAT

* The fee outlined above in relation to certification work is an estimate as we are yet to complete our work on certifying the Council's Housing Benefit claim. We will confirm the final fee charged for certification work when we issue our 2015/16 Certification Report.

We confirm that we did not undertake any non-audit work during the year.

Mazars also provides services to Selby & District Housing Trust, a related party to the Council. The fees for this work were £1,200 plus VAT in 2015/16 (also £1,200 plus VAT in the previous year).

MAZARS

Should you require any further information on this letter or on any other aspects of our work, please contact:

Mark Kirkham

Partner

T: 0113 387 8850

E: mark.kirkham@mazars.co.uk

Mazars LLP
Mazars House
Gelderd Road
Gildersome
Leeds
LS27 7JN

Public Session

Report Reference Number: A/16/18   **Agenda Item No: 11**

To:	**Audit and Governance Committee**
Date:	**18 January 2017**
Author:	**Daniel Maguire, Democratic Services Officer**
Lead Officer:	**Palbinder Mann, Democratic Services Manager**

Title: External Audit Progress Report

Summary:

The report from the external auditor, Mazars, is provided for comment and noting.

Recommendations:

> **To consider the External Audit Progress Report.**

Reasons for recommendation

The Audit and Governance Committee is required to receive and comment on reports from the external auditor.

1.   Introduction and background

1.1   The report has been submitted by the external Auditor, Mazars and updates the Committee on progress in delivering external audit.

2   The Report

2.1   The report is attached at appendix A and sets out a summary of external audit progress to date.

2.2   The report also sets out key emerging national issues and developments that may be of interest to the Committee in respect of external audit.

2.3   The Committee will have the opportunity to ask questions of officers and the external auditors at the meeting.

3   Legal/Financial Controls and other Policy matters

3.1   None.

4.   Conclusion

4.1   The Committee is asked to consider the report.

5.   Background Documents
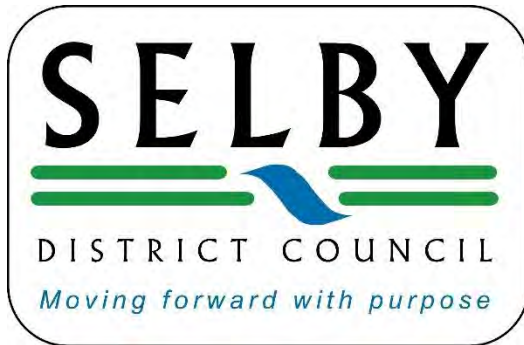
None.

Contact Officer:

Daniel Maguire, Democratic Services Officer
Ext: 42247
dmaguire@selby.gov.uk

Appendices:

A – External Audit Progress Report

Audit Progress Report

Selby District Council

![Selby District Council logo — Moving forward with purpose]

January 2017

MAZARS

Contents

Audit progress

Completion of the 2015/16 audit

At the meeting of the Audit and Governance Committee on 28 September 2016 we presented our Audit Completion Report, and following approval of the accounts, we were able to issue:

- an unqualified opinion on the Council's 2015/16 financial statements;
- an unqualified VFM conclusion for the year ended 31 March 2016; and
- a certificate formally closing and concluding the 2015/16 audit.

We finalised our Annual Audit Letter in October 2016 and we will be presenting it as a separate agenda item to this meeting. This summarises our work and findings as well as outlining future challenges.

Certification of claims and returns

Work on the 2015/16 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2016.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission. As the Council's appointed auditor, we acted as an agent of PSAA. Each year auditors must report the results of our certification work to those charged with governance. For 2015/16 the only claim or return within this regime was the Housing benefit subsidy return.

Results of certification work 2015/16

In 2015/16 the prescribed tests for our Housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by

PSAA. For the Housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

Selby District Council's 2015/16 Housing benefit subsidy return was submitted with amendment and a qualification letter as set out below.

Claim or return	Value of claim	Amended	Qualified
Housing benefit subsidy	£16,395,582	Original claim submitted for £16,398,615. Reduction of £3,033 mainly arising from reconciliation adjustments which had not been completed when the original claim was submitted.	Yes, two qualifications for errors relating to miscalculation of claimant's average weekly income for both rent rebates and rent allowances cases. If the error rate in the sample was extrapolated to the whole population, benefit entitlement would be reduced by £9,520 in total. An additional qualification related to an error in a prior year overpayment. This could not be extrapolated and has been referred to the Council's software supplier.

Although continued attention needs to be given to the accuracy of benefits processing, we did not make any formal recommendations or highlight any significant issues for improvement.

Certification fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the table below is in line with the indicative fee. The following fee was charged for the 2015/16 work.

Claim or return	2015/16 indicative fee	2015/16 final fee	2014/15 final fee
Housing benefit subsidy	£13,450	£13,450	£14,170

Changes in the audit team

Mark Kirkham, Partner, is the new Engagement Lead for the audit, following Suresh Patel's departure from the firm. Mark was District Auditor for the Council between 2002 and 2008. The remainder of the audit team is unchanged.

2016/17 audit planning

Planning of the 2016/17 audit will be the focus for the audit team in the first quarter of 2017.

Bringing forward the accounts and audit timetable

The accounts and audit timetable will be formally brought forward from the 2017/18 audit, with the draft accounts requiring certification by the end of May and the audit being completed by the end of July.

Following discussion with officers, we have agreed to trial the new timetable for the 2016/17 audit. Arrangements are being made to meet the new timetable.

North Yorkshire Governance Forum

The next meeting of our Governance Forum, targeted at Chairs and Vice Chairs of Audit Committees and officers, will take place on Friday 3 February 2017. At the time of writing the agenda is still to be finalised.

Final accounts workshop

As in previous years, we are running an annual final accounts workshop for local authorities, designed to help ensure the final accounts process goes as smoothly as possible. This workshop is being held in February 2017; we have invited officers to ensure that the Council is represented at this event, which is free of charge.

National publications and other updates

	National publications and other updates
1	Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016
2	Local Public Service Reform, NAO, September 2016
3	Understanding Local Authority Financial Statements, CIPFA, September 2016
4	Alternative Delivery Models, CIPFA, October 2016
5	2017/18 work programme and scale of fees, PSAA, October 2016
6	Procurement strategy, PSAA, December 2016
7	Report on the results of auditors' work 2015/16: Local government bodies, PSAA, December 2016

1.   Regularity, Compliance and Quality Report 2015-16, PSAA, August 2016

Public Sector Audit Appointments Ltd (PSAA) is responsible for appointing the Authority's auditor, and assessing the performance of all appointed auditors. This consists of monitoring both the quality of the work undertaken and the regulatory compliance of all firms appointed under the Local Audit and Accountability Act.

The audit quality and regulatory compliance monitoring for 2015/16 incorporated a range of measurements and checks comprising:

- a review of each firm's latest published annual transparency reports;
- the results of reviewing a sample of each firm's audit quality monitoring reviews (QMRs) of its financial statements, Value for Money (VFM) conclusion and housing benefit (HBCOUNT) work;
- an assessment as to whether PSAA could rely on the results of each firm's systems for quality control and monitoring;
- a review of the Financial Reporting Council's (FRC) published reports on the results of its inspection of audits in the private sector;
- the results of the inspection of each firm by the FRC's Audit Quality Review team (AQR) as part of PSAA's commissioned rolling inspection programme of financial statements and VFM work;
- the results of each firm's compliance with 15 key indicators relating to PSAA's Terms of Appointment requirements;
- a review of each firms' systems to ensure they comply with PSAA's regulatory and information assurance requirements; and
- a review of each firm's client satisfaction surveys for 2014/15 work.

PSAA has recently completed this process for 2015/16. A 'RAG' rating system is used, and we are delighted to inform you that Mazars is one of only two firms that have been consistently graded '*green*' in all areas, scoring joint-highest for quality of work undertaken, and highest for client satisfaction.

2016 Comparative performance for audit quality and regulatory compliance

BDO Green	Deloitte Green	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber

2015 Comparative performance for audit quality and regulatory compliance

BDO Amber	Deloitte Amber	EY Green	GT Amber	KPMG Amber	Mazars Green	PwC Amber

Areas for improvement were identified in the report, and we are committed to acting on the recommendations and further strengthening our audit approach for 2016/17.

The report can be found at: http://www.psaa.co.uk/audit-quality/

2.   Local Public Service Reform, NAO, September 2016

The NAO undertook research early in 2016 to ascertain:

- How local public service reform is being pursued in eight places in England;
- What the enablers and barriers are; and
- How the Government is supporting reform at a local level.

In September 2016 they published a report summarising their findings and identifying sources of help for public services needing to redesign services to be financially sustainable. The report concludes that by working together, and with service users and citizens, local public services can both improve outcomes and save money but a strategy is needed that:

- prevents or reduces demand for costly services;
- makes it easier for people to get access to the support they need; and
- re-designs services to meet people's needs in a more integrated and effective way.

The report is available on their website.

https://www.nao.org.uk/report/local-public-service-reform/

3. Understanding Local Authority Financial Statements, CIPFA, September 2016

This publication updates previous CIPFA guidance designed to make the complex financial statements required for local authorities more understandable. The 2016/17 Code includes a revised format that is closer to that used for management reporting during the year. The document describes the changes and identifies opportunities to simplify presentation and make the messages clearer regarding:

- Comparison with budgets;
- Reserves positions; and
- Cash Flow.

http://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board/simplification-and-streamlining-the-presentation-of-local-authority-financial-statements

4. Alternative Delivery Models, CIPFA, October 2016

Alternative service delivery models of various shapes and sizes are increasingly being used to deliver a growing number and range of public services in many locations in the UK.

An alternative delivery model can be a different way of managing, collaborating and contracting, or it can involve the establishment of a completely new organisation that could be wholly, or partly owned by the parent body or a completely independent enterprise.

They range from small community-based initiatives, employee led spin outs (large and small), local authority companies, to substantial multi-stakeholder partnerships involving private and public sector organisations.

At their best, these new models can provide greater flexibility and dynamism, while maintaining continued commitment to public service and wellbeing. This combination of innovation in public enterprise and public/social purpose can make them effective vehicles for improving service outcomes.

http://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-to-alternative-delivery-models-online

5. 2017/18 work programme and scale of fees, PSAA, October 2016

The consultation sets out the work that auditors will undertake at principal local government and related bodies for 2017/18, with the associated scale fees.

There are no changes to the overall work programme for 2017/18. PSAA therefore proposes that scale fees are set at the same level as the fees applicable for 2016/17. These fees reflect the significant reductions made to scale fees since 2012/13. The consultation ends on 12 January 2017.

http://www.psaa.co.uk/audit-and-certification-fees/201718-work-programme-and-scales-of-fees/

6.   Procurement strategy, PSAA, December 2016

As previously reported to the Audit and Governance Committee, from 2018/19 onwards, local authorities will be required to appoint their own auditor. A collective procurement option is available via PSAA who published their procurement strategy on 21 December 2016 as well as details of which bodies have signed-up to date.

http://www.psaa.co.uk/supporting-the-transition/appointing-person/procurement-strategy/

http://www.psaa.co.uk/wp-content/uploads/2017/01/2017-01-04-List-of-opted-in-authorities.xlsx

7.   Report on the results of auditors' work 2015/16: Local government bodies, PSAA, December 2016

Auditors of 96% of councils were able to issue the opinion on the accounts by the statutory deadline of 30 September 2016.

PSAA's conclusions in relation to local authorities included that "The timeliness and quality of financial reporting for 2015/16, as reported by auditors, remained broadly consistent with the previous year for both principal and small bodies. The number of principal bodies that received an early unqualified audit opinion (by 31 July) doubled compared with 2014/15. In spite of the challenges they are facing, principal local government bodies are working hard to maintain high standards of financial reporting. The latest results of auditors' work on the financial year to 31 March 2016 show a good position for the majority of organisations."

http://www.psaa.co.uk/appointing-auditors/terms-of-appointment/reports-on-the-results-of-auditors-work/

Contact details

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

www.mazars.co.uk

Mark Kirkham
Partner
0191 383 6300

mark.kirkham@mazars.co.uk

Gavin Barker
Senior Manager
0191 383 6300

gavin.barker@mazars.co.uk

Mazars LLP
Rivergreen Centre
Aykley Heads
Durham
DH1 5TS

This page is intentionally blank.

Report Reference Number: A/16/19   **Agenda Item No: 12**

To:	**Audit and Governance Committee**
Date:	**18th January 2017**
Author:	**Jonathan Dodsworth, Counter Fraud Manager, Veritau Ltd**
Lead Officer:	**Karen Iveson; Chief Finance Officer**

Title: Counter Fraud Update

Summary:

This report details performance and development of counter fraud arrangements within the Council. It also seeks comments on a new counter fraud and corruption policy and associated prosecution policy as well as a revised counter fraud strategy, before submitting to the Executive for approval.

Recommendation:

It is recommended that, subject to comments, the new counter fraud and corruption policy with associated prosecution policy and a counter fraud strategy for 2017-2019 be submitted to the Executive for approval.

Reasons for recommendation

The current counter fraud policy, counter fraud and corruption prosecution policy and counter fraud strategy are out of date and do not cover fraud occurring outside of the benefit arena.

1   Introduction and policies

1.1   In March 2016 the council's responsibility for investigating housing benefit fraud ended. This work transferred to the Department for Work and Pensions (DWP) as part of their Single Fraud Investigation Service (SFIS) project. However, the Council recognises that it faces significant fraud risks other than housing benefit fraud. In recognition of this the Council has strengthened existing arrangements by allocating some of the resource previously used for housing benefit fraud investigation to corporate counter fraud work, through Veritau Limited. The updated policy included at **Appendix A** reflects the move away from benefit fraud investigation to the new arrangements.

1.2   The proposed new counter fraud strategy covering 2017-2019 is
        attached in **Appendix B**. The strategy confirms the Council's
        commitment to tackling fraud and corruption and sets out actions to
        strengthen the council's arrangements, in line with recommended
        practice. The strategy reflects both CIPFA's Code of Practice on
        Managing the Risks of Fraud and Corruption and Fighting Fraud &
        Corruption Locally - The local government counter fraud and corruption
        strategy 2016-2019. The strategy is a working document and updates
        will be brought to the committee for review annually.

2   Development of Counter Fraud Service

2.1   Veritau are developing a 'corporate fraud' service within the Council
        which investigates all cases of fraud against the authority. In addition it
        provides a liaison service to meet requests for council information from
        the DWP.

2.2   Raising awareness of fraud both internally and externally is a key
        objective in the development of the service. A number of actions have
        been completed since the annual Counter Fraud Report in September,

        • An article on housing fraud was included in the Winter 2016
          edition of the council tenant's newsletter - Open Door.
        • In recognition of International Fraud Week (w/c 14th November)
          a series of articles addressing fraud were released to staff on
          the local intranet.
        • The fraud team is trialling fortnightly drop in sessions for staff at
          Council offices.
        • The Council website has been reviewed and changes are being
          implemented to reflect the new counter fraud arrangements.

2.3   The fraud team continues to investigate areas of fraud that have not
        been actively investigated in the past.

        • Right to Buy (RTB) fraud is an area of considerable potential
          loss to the Council. The fraud team has helped implement an
          information request form which is now being sent to all RTB
          applicants. All applications are then reviewed by the fraud team.
        • Tackling fraud and misuse surrounding Disabled Blue Badges in
          council car parks is an area of development for the Fraud Team.
          Discussions have been held with the Council's Parking
          Enforcement Team (outsourced to Harrogate Borough Council)
          and joint working arrangements have been agreed.

2.4   The Council continues to participate in regional and national data
        matching exercises. There is an ongoing exercise involving regional
        partners looking at cross boundary council tax discounts. The Council
        is participating in the Cabinet Office's 2016/17 National Fraud Initiative

(NFI) exercise. Data from a number of council departments was securely uploaded and results are expected in February 2017.

3   Performance

3.1   The fraud team has been referred 58 cases for investigation to date[1] in 2016/17. 16 investigations have been completed, 24 are currently under investigation and 27 are waiting to be assigned[2].

3.2   The team has cautioned one person for a housing fraud offence, stopped one Right to Buy application, warned one person about misuse of a disabled blue badge, seized another disabled badge that was being misused and uncovered loss to the Council in two council tax support cases. Investigations have produced £37,076 in actual savings[3] and overpayments of £3,200.

3.3   The team has processed 105 requests for information from the DWP in relation to housing benefit fraud. This work has lead to £6,106 in council tax support overpayments.

4   Legal/Financial Controls and other Policy matters

4.1   Legal issues

4.1.1 There are no legal issues.

4.2   Financial Issues

4.2.1 The Council has engaged Veritau Ltd to deliver a fraud service. This service will cost the authority £25k in 2016/17. The service while not designed to be self funding does attempt to maximise the levels of savings received by the council as a result of fraud work. Savings for 2016/17 currently stand at £37k.

5   Conclusion

5.1   The fraud team have made progress in terms of development within the Council and are starting to produce results as a result of investigations. Adoption of a new fraud policy and strategy will reflect the shift in work from benefit fraud to a new corporate fraud approach.

---

[1] As of 1/12/17.

[2] Veritau received, investigated and closed cases in 2015/16 which is why these figures do not reconcile.

[3] Actual savings are made up of money repaid to the authority, prevented future loss of council tax support or council tax exemptions and discounts from stopped right to buy applications.

6   Background Documents/Contacts

Contact Officer: Jonathan Dodsworth; Counter Fraud Manager; Veritau
Jonathan.Dodsworth@veritau.co.uk

Richard Smith; Deputy Head of Internal Audit; Veritau
Richard.Smith@veritau.co.uk

Appendices:

Appendix A: Counter Fraud and Corruption Policy

Appendix B: Counter Fraud and Corruption Strategy 2017-19

COUNTER FRAUD AND CORRUPTION POLICY

1   Introduction

1.1   All organisations are at increasing risk of fraud and corruption. Some commentators estimate that annual fraud losses to local government in the UK could be £7.3 billion. It is therefore a risk that the council cannot and should not ignore.

1.2   Any fraud committed against the council effectively constitutes a theft of taxpayer's money. It is unlawful and deprives the council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the council can reduce losses which impact on service delivery as a contribution to the achievement of overall council priorities.

1.3   This document sets out the council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It includes the fraud and corruption prosecution policy contained in Annex A. It forms part of the council's overall policy framework for combating fraud and corruption and should be read in conjunction with the counter fraud strategy, constitution, the financial regulations, contract procedure rules, the whistleblowing policy, anti-money laundering policy, codes of conduct, and disciplinary procedures.

2   Definitions and Scope

2.1   For the purpose of this policy, the term fraud is used broadly to encompass:

- acts which would fall under the definition in the Fraud Act (2006)
- anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
- any offences which fall under the Social Security Administration Act (1992), Council Tax Reduction Schemes Regulations (2013) and the Prevention of Social Housing Fraud Act (2013)
- any act of bribery or corruption including specific offences covered by the Bribery Act (2010)
- acts of theft
- any other irregularity which is to the detriment of the council whether financially or otherwise, or by which someone gains benefit they are not entitled to.

2.2   This policy does not cover fraud or corruption against third parties, except where there may be an impact on the service provided by the council. In addition, it does not cover other acts – for example offences involving

violence - which may affect the council, and which should in most cases be reported directly to the police.

3   Principles

3.1   The council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that members, employees, and contractors' staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the constitution, the council's policy framework, and all relevant professional and other codes of practice.

3.2   The council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.

3.3   The council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. The council may refer any incident of suspected fraud to the police or other agencies for investigation, if appropriate.

3.4   To act as a deterrent, the council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the fraud and corruption prosecution policy (Annex A).

3.5   As a further deterrent, and to minimise losses, the council will attempt to recover any losses incurred through civil or legal action. In addition, the council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.

4   Responsibilities

4.1   Overall responsibility for counter fraud arrangements rests with the council's Chief Finance Officer (CFO), on behalf of the council. The CFO has a professional responsibility for ensuring the council has appropriate

measures for the prevention and detection of fraud and corruption, which are reflected in legislation.

4.2   The Audit and Governance Committee has responsibility to consider the effectiveness of counter fraud and anti-corruption arrangements at the council. This includes monitoring of council policies on raising concerns at work and counter fraud and corruption.

4.3   The Extended Leadership Team (ELT) are collectively responsible for ensuring that the council has effective counter fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.

4.4   Veritau (who provide internal audit and counter fraud services to the council) is responsible for reviewing the council's counter fraud and corruption policies on a regular basis and recommending any required changes to those policies. In addition, Veritau leads on fraud prevention and detection issues for the council and is responsible for investigating suspected cases of fraud or corruption. The internal audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Head of Internal Audit is required to report their professional opinion on the council's control environment to members of the Audit & Governance Committee on an annual basis in accordance with proper practice.

4.5   All senior managers have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of internal audit or by other means are addressed promptly.

4.6   The Solicitor to the Council is the council's nominated officer for the purposes of the Money Laundering Regulations (2007), and is responsible for reporting any issues referred to them, in this capacity.

4.7   All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to Veritau. Where appropriate, staff may use the whistleblowing policy to raise concerns anonymously.

4.8   Officers within human resources have a responsibility to support service departments in undertaking any necessary pre-disciplinary investigation and disciplinary process.

5   Overall Counter Fraud Arrangements

Introduction

5.1   The purpose of this section is to set out the council's overall framework for countering the risk of fraud and corruption. While the council aims to follow best practice in relation to counter fraud activity[1], it recognises that new and emerging fraud risks will require a dynamic approach to fraud prevention and detection.

Measurement

5.2   The council will assess the potential risks and losses due to fraud and corruption, and will use these to prioritise counter fraud activity, and review the resources available to counter those risks. The review will include an assessment of actual levels of fraud[2] and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will be reported to the Audit & Governance Committee on an annual basis as part of the audit and fraud planning cycle.

Culture

5.3   The council will promote a culture whereby all staff, members, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:

- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, council members, partners, stakeholders, contractors or members of the public;

- investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the financial regulations, contract procedure rules, fraud and corruption prosecution policy, disciplinary procedures, members code of conduct, or any relevant legislation or guidance;

- ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

---

[1] For example the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.
[2] All suspected fraud should be reported to Veritau. A record of all such information will be maintained on a confidential basis.

Prevention and Detection

Controls

5.4   As part of its ongoing operating procedures, the council seeks to ensure that proper systems of internal control are in place. This includes controls to directly prevent and detect fraud, such as separation of duties and management review, along with other procedures such as vetting as part of recruitment processes and systems for declaration of interests and gifts and hospitality. The effectiveness of systems of control are monitored and a formal report is made as part of the process for preparing the annual governance statement. The council maintains a system of internal audit to provide independent review of control systems on an ongoing basis, in accordance with a risk assessment.

5.5   Services will be encouraged to consider the risk of fraud as part of the council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

Proactive Work

5.6   The council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk areas. This work will be carried out by Veritau as part of its annual workplan. Work will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other local councils.

5.7   The council will take part in projects led by other agencies such as the Cabinet Office and the DWP to identify potential fraud e.g. the National Fraud Initiative and HBMS Data Matching Service. Resources will be allocated to follow up all data matches, and will include support through the internal audit and counter fraud teams to review potential control issues and suspected fraud. Veritau will work with service departments to ensure that they are aware of the need to include notices to service users stating that any data held may be subject to use for data matching purposes.

Relationships

5.8   The council has established relationships with a number of other agencies. It will continue to develop these relationships and develop new ones to further the prevention and detection of fraud. Organisations which the council will work with include:

- the police

- the courts
- the Cabinet Office
- the Department for Communities and Local Government
- the Department for Works and Pensions
- other councils
- community groups

5.9   Veritau will work with council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust.
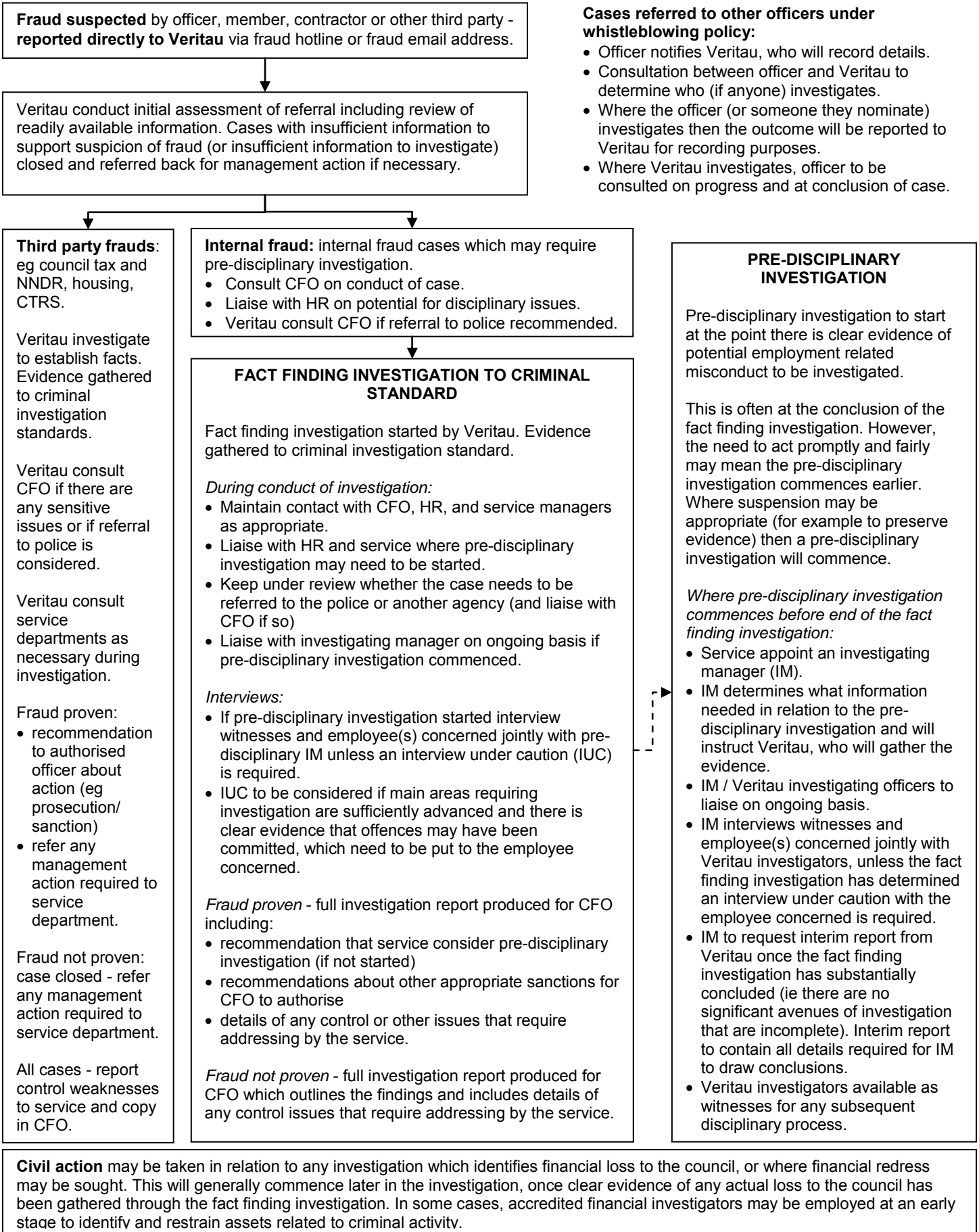
Fraud Awareness Training

5.10 As part of its annual workplan, Veritau will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

Investigation

5.11 All suspected cases of fraud, corruption, theft or other irregularity will be investigated. The nature of each investigation will depend on the circumstances of each case. Veritau will act as a first port of call for any suspected fraud and will provide advice on whether other agencies should be notified (eg the police). Veritau will determine the extent of the investigation to be carried out in consultation with the Chief Finance Officer, service departments and human resources. Where necessary, Veritau may refer cases to other agencies (for example the police) at the discretion of the Head of Internal Audit. Figure 1 overleaf outlines the fraud referral and investigation process.

5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation and codes of practice. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the Data Protection Act, and the Criminal Procedures Investigations Act (CPIA). Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).

5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.

Figure 1: Selby District Council Fraud Referral and Investigation Process

Fraud suspected by officer, member, contractor or other third party - **reported directly to Veritau** via fraud hotline or fraud email address.	**Cases referred to other officers under whistleblowing policy:** • Officer notifies Veritau, who will record details. • Consultation between officer and Veritau to determine who (if anyone) investigates. • Where the officer (or someone they nominate) investigates then the outcome will be reported to Veritau for recording purposes. • Where Veritau investigates, officer to be consulted on progress and at conclusion of case.

Veritau conduct initial assessment of referral including review of readily available information. Cases with insufficient information to support suspicion of fraud (or insufficient information to investigate) closed and referred back for management action if necessary.

Third party frauds: eg council tax and NNDR, housing, CTRS.

Veritau investigate to establish facts. Evidence gathered to criminal investigation standards.

Veritau consult CFO if there are any sensitive issues or if referral to police is considered.

Veritau consult service departments as necessary during investigation.

Fraud proven:
• recommendation to authorised officer about action (eg prosecution/ sanction)
• refer any management action required to service department.

Fraud not proven: case closed - refer any management action required to service department.

All cases - report control weaknesses to service and copy in CFO.

Internal fraud: internal fraud cases which may require pre-disciplinary investigation.
• Consult CFO on conduct of case.
• Liaise with HR on potential for disciplinary issues.
• Veritau consult CFO if referral to police recommended.

FACT FINDING INVESTIGATION TO CRIMINAL STANDARD

Fact finding investigation started by Veritau. Evidence gathered to criminal investigation standard.

During conduct of investigation:
• Maintain contact with CFO, HR, and service managers as appropriate.
• Liaise with HR and service where pre-disciplinary investigation may need to be started.
• Keep under review whether the case needs to be referred to the police or another agency (and liaise with CFO if so)
• Liaise with investigating manager on ongoing basis if pre-disciplinary investigation commenced.

Interviews:
• If pre-disciplinary investigation started interview witnesses and employee(s) concerned jointly with pre-disciplinary IM unless an interview under caution (IUC) is required.
• IUC to be considered if main areas requiring investigation are sufficiently advanced and there is clear evidence that offences may have been committed, which need to be put to the employee concerned.

Fraud proven - full investigation report produced for CFO including:
• recommendation that service consider pre-disciplinary investigation (if not started)
• recommendations about other appropriate sanctions for CFO to authorise
• details of any control or other issues that require addressing by the service.

Fraud not proven - full investigation report produced for CFO which outlines the findings and includes details of any control issues that require addressing by the service.

PRE-DISCIPLINARY INVESTIGATION

Pre-disciplinary investigation to start at the point there is clear evidence of potential employment related misconduct to be investigated.

This is often at the conclusion of the fact finding investigation. However, the need to act promptly and fairly may mean the pre-disciplinary investigation commences earlier. Where suspension may be appropriate (for example to preserve evidence) then a pre-disciplinary investigation will commence.

Where pre-disciplinary investigation commences before end of the fact finding investigation:
• Service appoint an investigating manager (IM).
• IM determines what information needed in relation to the pre-disciplinary investigation and will instruct Veritau, who will gather the evidence.
• IM / Veritau investigating officers to liaise on ongoing basis.
• IM interviews witnesses and employee(s) concerned jointly with Veritau investigators, unless the fact finding investigation has determined an interview under caution with the employee concerned is required.
• IM to request interim report from Veritau once the fact finding investigation has substantially concluded (ie there are no significant avenues of investigation that are incomplete). Interim report to contain all details required for IM to draw conclusions.
• Veritau investigators available as witnesses for any subsequent disciplinary process.

Civil action may be taken in relation to any investigation which identifies financial loss to the council, or where financial redress may be sought. This will generally commence later in the investigation, once clear evidence of any actual loss to the council has been gathered through the fact finding investigation. In some cases, accredited financial investigators may be employed at an early stage to identify and restrain assets related to criminal activity.

5.14 The Head of Internal Audit will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with good practice.

<u>Publicity</u>

5.15 The council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.

5.16 In addition, where appropriate, targeted publicity will be used to raise the awareness of fraud to staff, members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:

- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud;
- inform all stakeholders of the procedures to be followed if they have suspicions of fraud;
- ensure that all stakeholders are aware that the council will not tolerate fraud and the consequences of committing fraud against it.

<u>Recovery of Monies</u>

5.17 Where any loss has been incurred by the council or additional costs have been incurred as a result of fraud or corruption, the council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the council is minimised and act as a deterrent. As a further deterrent, the council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.

5.18 Methods of recovery may include (but are not limited to):

- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation);
- bankruptcy where appropriate;
- recovery from future salary payments if an individual remains an employee of the council;
- recovery of pension contributions from employees or members who are members of the North Yorkshire Pension Fund.

6   Monitoring & Review Arrangements

6.1 The arrangements set out in this policy document will be reviewed on an annual basis as part of the audit and fraud planning cycle and will include the fraud and corruption prosecution policy (Annex A) and other related guidance. Veritau will work with other departments to ensure that other related guidance and policy (such as the whistleblowing policy) are

reviewed on a regular basis and any amendments or necessary changes are reported to members for approval.

LAST REVIEWED AND UPDATED: 09 January 2017

FRAUD AND CORRUPTION PROSECUTION POLICY

1   Scope and Purpose

1.1   The fraud and corruption prosecution policy forms part of the council's overall counter fraud and corruption arrangements. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or members of the council, or committed by members of the public, or other organisations or their employees, against the council.

1.2   The policy sets out the circumstances in which the council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The policy does not cover internal disciplinary procedures which are the subject of the council's separate disciplinary policy and procedures.

1.3   This policy should be read in conjunction with the council's constitution, financial regulations, contract procedure rules, the counter fraud and corruption policy and the strategy, the whistleblowing policy and the council's disciplinary policy and procedures.

1.4   The policy contains specific guidelines for determining the most appropriate course of action when fraud has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.

2   Principles

2.1   The council is committed to deterring fraud and corruption. As part of its overall strategy to do this the council will seek to take appropriate action against anyone proven to have attempted and/or committed a fraudulent or corrupt act against it. The council considers that those guilty of serious fraud or corruption must take responsibility for their actions before the courts.

2.2   The policy is designed to ensure that the council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.

2.3   Staff and members who are found to have committed fraud or corruption may be prosecuted in addition to such other action(s) that the council may decide to take, including disciplinary proceedings in the case of staff and referral to the relevant officer or body in the case of members. Any decision not to prosecute a member of staff for fraud and corruption does not preclude remedial action being taken by the relevant director(s) in accordance with the council's disciplinary procedures or other

policies.

2.4   This Policy is also designed to be consistent with council policies on equalities. The council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.

2.5   The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.

2.6   Any decision taken by an authorised officer to prosecute an individual or to offer a formal sanction will be recorded in writing. The reason for the decision being taken will also be recorded.

2.7   Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

3   Prosecution

3.1   The policy is intended to ensure the successful prosecution of offenders in court. However, not every contravention of the law should be considered for prosecution. The council will weigh the seriousness of the offence (taking into account the harm done or the potential for harm arising from the offence) with other relevant factors, including the financial circumstances of the defendant, mitigating circumstances and other public interest criteria. All cases will be looked at individually and be considered on their own merit.

3.2   To consider a case for prosecution the council must be satisfied that two tests have been passed. Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **evidential test**. Secondly, it must be in the public interest to proceed – the **public interest test.**

3.3   To pass the evidential test, authorised officers must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).

3.4   To pass the public interest test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;

- the likely sentence (if convicted);

- any previous convictions and the conduct of the defendant;

- whether there are grounds for believing the offence is likely to be repeated;

- the prevalence of the offence in the area;

- whether the offence was committed as a result of a genuine mistake or misunderstanding;

- any undue delay between the offence taking place and/or being detected and the date of the trial;

- the likely effect that a prosecution will have on the defendant;

- whether the defendant has put right the loss or harm caused.

3.5   It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;

- the actual or potential loss to the council was substantial;

- the fraud has continued over a long period of time;

- the fraud was calculated and deliberate;

- the person has previously committed fraud against the council (even if prosecution did not result) and/or there has been a history of fraudulent activity;

- the person was in a position of trust (for example, a member of staff);

- there has been an abuse of position or privilege;

- the person has declined the offer of a caution or financial penalty;

- the case has involved the use of false identities and/or false or forged documents;

4   Mitigating Factors

4.1   The following mitigating factors will be taken into account when determining whether to prosecute;

Voluntary Disclosure

4.2   A voluntary disclosure occurs when an offender voluntarily reveals fraud about which the council is otherwise unaware. If this happens, then the fraud will be investigated but the offender will not be prosecuted unless

in exceptional circumstances. However, any person colluding in the crime will still be prosecuted. A disclosure is not voluntary if the:-

- admission is not a complete disclosure of the fraud;

- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the council is already undertaking an investigation in this area and/or other counter fraud activity);

- offender only admits the facts when challenged or questioned;

- offender supplies the correct facts when making a claim to Legal Aid.

Ill Health or Disability

4.3   Where the perpetrator (and/or their partner) is suffering from prolonged ill health or has a serious disability or other incapacity then the offender will not normally be prosecuted. Evidence from a GP or other doctor will be requested if the condition is claimed to exist, unless it is obvious to the investigator. It is also necessary to prove that the person understood the rules governing the type of fraud committed and was aware that their action is wrong. This may not be possible where, for instance, the offender has serious learning difficulties. However, simple ignorance of the law will not prevent prosecution.

Social Factors

4.4   A wide range of social factors may make a prosecution undesirable. The test is whether the court will consider the prosecution undesirable, and go on to reflect that in the sentence.

Exceptional Circumstances

4.5   In certain exceptional circumstances the council may decide not to prosecute an offender. Such circumstances include;

- the inability to complete the investigation within a reasonable period of time;

- the prosecution would not be in the interests of the council;

- circumstances beyond the control of the council make a prosecution unattainable.

5   Alternatives to Prosecution

5.1   If some cases are considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the council may consider the offer of a sanction instead. The two sanctions available are;

- a caution, or;
- financial penalty.

Simple Cautions

5.2   A simple caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. All cautions are recorded internally and kept for a period of six years. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.

5.3   For less serious offences a simple caution will normally be considered where all of the following apply;

- there is sufficient evidence to justify instituting criminal proceedings;
- the person has admitted the offence;
- there is no significant public requirement to prosecute;
- it was a first offence, and;
- a financial penalty is not considered to be appropriate.

Only in very exceptional circumstances will a further caution be offered for a second or subsequent offence of the same nature.

5.4   Cautions will be administered by the Head of Internal Audit (or deputy), Counter Fraud Manager, or a senior fraud investigator, on behalf of the council. If a caution is offered but not accepted then the council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

Financial Penalties

5.5   The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, permit a financial penalty to be offered to claimants as an alternative to prosecution. The penalty is

set at 50% of the amount of the excess reduction, subject to a minimum of £100 and a maximum of £1000. Once a penalty is accepted, the claimant has 14 days to change their mind.

5.6   Subject to the criteria set out in the guidelines below, a financial penalty will normally be offered by the council in the following circumstances;

- the council believes that there is sufficient evidence to prosecute;

- it was a first offence or a previous offence was dealt with by way of a caution, and;

- in the opinion of the council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;

- the claimant has the means to repay both the overpayment and the penalty, and;

- there is a strong likelihood that both the excess reduction and the penalty will be repaid.

5.7   It is important to note that the claimant does not need to have admitted the offence for a financial penalty to be offered. Financial penalties will be administered by the Head of Internal Audit (or deputy), Counter Fraud Manager or a senior investigation officer. If a financial penalty is not accepted or is withdrawn then the council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

6   Proceeds of Crime Act 2002 (POCA)

6.1   In addition to the actions set out in this policy, the council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order enables the council to recover its losses from assets which are found to be the proceeds of crime.

7   Implementation Date

7.1   This revised policy is effective from 02 February 2017 and covers all decisions relating to prosecutions and sanctions after this date.

POLICY LAST REVIEWED AND UPDATED 09 January 2017

COUNTER FRAUD & CORRUPTION STRATEGY

2017-19

Forward by the Chief Executive

The council is funded by public money, through council tax, business rates and other sources. Fraud against the council is essentially theft of this money and the council takes its role as a guardian of these public funds seriously.

We also provide essential services for customers. In the Corporate Plan we set out our key priorities and part of our mission is to provide value for money services to the people who live in, work in and visit the district. Any fraud against the council takes money away from services and undermines our ability to meet our aims.

For these reasons, the council will not tolerate any fraud or corruption against it.

This strategy sets out the measures the council will take to develop its arrangements to tackle fraud and corruption. We will seek to identify areas where fraud may occur and limit opportunities for fraudsters to exploit the council. Where fraud is suspected we will investigate robustly, and where it is proved will utilise all measures available to us to deal with criminals and recover any losses.

Janet Waggott
Chief Executive

Introduction

1   All organisations are at increasing risk of fraud and corruption. The illegal and hidden nature of fraud makes it hard to measure accurately. Some commentators suggest that annual fraud losses to local government in the UK could be £7.3 billion[1]. And the risks are growing as fraudsters become more aware of the possibilities for committing fraud against public sector bodies, new technology gives easy access to sophisticated fraud techniques, and council resources are stretched to maintain services with reduced levels of funding.

2   The council faces significant financial challenges in the next few years. It must make significant changes to the way it works to continue to provide effective services for its citizens and to achieve its overall aims. It is essential that the council minimises losses caused by fraud, to help it achieve those aims and to maximise the money it has available to provide services.

3   This strategy outlines how the council will assess the risks of fraud and corruption that it faces, strengthen its counter fraud arrangements, and tackle fraud where it occurs. It has been prepared to reflect the national collaborative counter fraud strategy for local government in the UK (Fighting Fraud & Corruption Locally - The local government counter fraud and corruption strategy 2016 - 2019). It also takes into account the principles set out in the Chartered Institute of Public Finance and Accountancy's (Cipfa's) Code of Practice on Managing the Risks of Fraud and Corruption (2014).

4   The strategy has been reviewed by the Audit and Governance Committee as part of its responsibility for considering the effectiveness of counter fraud and corruption at the council. The strategy will be reviewed annually.

Our aim

5   Fighting Fraud & Corruption Locally recommends councils consider the effectiveness of their counter fraud framework by considering performance against the six key themes set out below. The council's aim is that by 2019 it will have adequate and effective arrangements in each of these areas.

- **Culture**: – creating a culture in which beating fraud and corruption is part of daily business

- **Capability** – ensuring that the range of counter fraud measures deployed is appropriate to the range of fraud risks

- **Capacity** – deploying the right level of resources to deal with the level of fraud risk

- **Competence** – having the right skills and standards

---

[1] Annual Fraud Indicator 2016 - Experian/PKF Littlejohn/University of Portsmouth Centre for Counter Fraud Studies. The figure excludes benefit fraud.

- **Communication** – raising awareness, deterring fraudsters, sharing information, celebrating successes
- **Collaboration** – working together across internal and external boundaries: with colleagues, with other local authorities, and with other agencies; sharing resources, skills and learning, good practice and innovation, and information.

Current arrangements and action required

6   The council already has many of the components for a strong counter fraud framework in place. For example:

- control arrangements for key financial systems are robust, being underpinned by statutory requirements, council financial regulations and scrutiny through internal and external audit

- the policy framework incorporates many elements of counter fraud good practice (eg a counter fraud and corruption policy, codes of conduct and registers of interests) which have developed over the years in response to legislation and emerging issues

- participation in collaborative counter fraud work with other agencies, through the National Fraud Initiative.

7   However, with a growing awareness of new fraud risks in recent years there is now a need to review overall arrangements, taking into account the latest guidance available to assess whether the overall counter fraud framework is robust. To support this review, the council has allocated some of the resource previously used for benefit fraud investigation[2].

8   The themes listed in paragraph 5 are reflected by the good practice arrangements set out in Cipfa's Code of Practice on Managing the Risks of Fraud. A review of current arrangements against the code of practice has identified a number of areas for development, and these are included in the action plan at Appendix 1. The actions also address the recommendations directed at local authorities in the national Fighting Fraud Locally strategy.

The counter fraud policy framework

9   This strategy is part of the council's overall framework for countering the risks of fraud and corruption. Further detailed information can be found in other detailed policies and procedures including:

- Counter Fraud and Corruption Policy - this sets out responsibilities for counter fraud and investigation work, the actions the council will take in response to fraud, and its policy on sanctions

---

[2] In March 2016 the responsibility for benefit fraud investigation transferred from the council to the DWP.

- Counter Fraud Risk Assessment - a specific risk assessment undertaken to identify counter fraud risks and develop action to address those risks. This was undertaken for the first time in September 2016

- Anti Money Laundering Policy - defines council responsibilities in respect of the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007

- Whistleblowing Policy - arrangements for council staff to raise concerns; confidentially if required.

10   The strategy also links to, and is supported by, wider council policy and procedures covering areas such as:

- governance

- employee disciplinary arrangements

- codes of conduct

- registers of interest

- financial regulations

- electronic communications

- information security

- cyber security

Appendix 1: Counter Fraud and Corruption Strategy Action Plan

Ref	Action Required	Target Date	Responsibility	Notes / Further Action Required
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should link together existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	February 2017	Chief Finance Officer / Veritau	Progress against the strategy to be reviewed annually and reported to the Audit and Governance Committee For longer term to consider whether specific targets can be set under each of the FFL themes
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements following the transfer of benefit fraud investigation to the DWP.	February 2017	Chief Finance Officer / Veritau	Review annually
3	Review and update counter fraud risk assessment. (Note that separate actions are included within the risk assessment to address specific issues identified.)	September 2017	Chief Finance Officer / Veritau	To be reviewed at least annually. For the longer term: • consider whether counter fraud risk assessment can be integrated into service risk management arrangements, supported by counter fraud expertise (eg through risk workshops) • look to refine the risk assessment by developing techniques to evaluate potential fraud losses.

4	Participate in regional data matching and counter fraud exercises.	February 2016	Veritau	Cross boundary data matching work on council tax and NNDR discounts and exemptions is in progress. Investigative work to follow up matches will commence in February. Results will be reported through ongoing internal audit progress reports (see 7).
5	Regularly report to the Audit and Governance Committee on counter fraud activity.	January 2017	Veritau	To include an annual report timed to coincide with the Head of Internal Audit report and review of the counter fraud strategy. In year reporting to be included in internal audit progress reports.
6	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	October 2017	Veritau	To be undertaken on a rolling basis
7	Liaise with HR officers to incorporate general counter fraud awareness training into induction training for all new employees.	March 2017	Veritau / Head of HR	Veritau are developing an e-learning fraud awareness application which will be available from 2017/18
8	Review wider governance and other policies (eg employee related policies, gifts, interests, financial regulations) to ensure they: • cover all required areas • are consistent with the counter fraud strategy and policy.	March 2017	Chief Finance Officer / Veritau	The review will identify timescales for updates to individual policies.

Public Session

Report Reference Number: A/16/20   **Agenda Item No: 13**

To:	**Audit and Governance Committee**
Date:	**18 January 2017**
Author:	**Phil Jeffrey, Audit Manager (Veritau)**
Lead Officer:	**Karen Iveson – Executive Director**

Title: Review of the Risk Management Strategy

Summary:

The report presents to Councillors the reviewed Risk Management Strategy.

Recommendation:

Councillors endorse the actions of officers in furthering the progress of risk management.

Reasons for recommendation

The Audit Committee has responsibility for overseeing the implementation and management of risks that the Council, as a whole, faces.

1.   Introduction and background

1.1   This report and document sets out a strategy for managing risk within Selby District Council.

2.   The Report

2.1   The primary objectives of the strategy are to:-

- Ensure risk management is embedded through the ownership and management of risk as part of all decision-making processes, both at officer and Councillor level;
- Manage risk in accordance with best practice;
- Create effective processes that will allow the Council to give assurance on its risk management methodology.

2.2   Amendments have been made to the strategy following the review. These include the addition of sections on the Council's Risk Culture

(page 7, ref 8); Business Culture (page 7, ref 9); Risk Management in Decision Making (Page 9, ref 12) and the addition of the roles and responsibilities of the Executive (Page 15). There has also been an action added (page 8, ref 12) to ensure that there is integration between performance management and risk management. These have been highlighted in yellow in the appendix attached.

3.   Legal/Financial Controls and other Policy matters

3.1   Legal Issues

3.1.1   There are no legal implications as a direct result of this report.

3.2   Financial Issues

3.2.1   There are no financial implications as a direct result of this report – resources to manage risk in accordance with the proposed strategy are contained within existing budgets.

4.   Conclusion

4.1   Risk Management is embedded into the Council's processes and procedures but needs to be managed through the Risk Management Strategy.

5.   Background Documents

Risk Management Strategy – December 2015.

Contact Officer:
Phil Jeffrey
Audit Manager
Veritau Ltd
Phil.jeffrey@veritau.co.uk

Appendices:
Appendix A - Risk Management Strategy – January 2017.

Risk Management Strategy

2017

CONTENTS

1. Introduction

This document sets out a strategy for managing risk within Selby District Council. To ensure that the strategy remains focused and in keeping with the overall aims and objectives of the Council, there is a need to review it on an annual basis. As such this document has been reviewed in December 2016.

Sound risk management, when embedded, achieves many benefits. These include assisting in setting priorities (by focusing on key risks), service planning and demonstrating to stakeholders and inspectors that the Council is continuously improving by managing areas of key concern at all levels.

The challenge is to effectively manage risk without significantly increasing workloads. This is achieved by ensuring risk management is part of existing processes rather than treating it as a separate function.

The objectives of the strategy are to:-

- Ensure risk management is part of all decision-making processes and that it is embedded through ownership, both at officer and Councillor level;
- To integrate risk management into the day to day activities of the Council;
- Manage risk in accordance with best practice and in response to changes in the internal and external environment;
- Create and maintain effective processes that will allow the Council to produce risk management assurance statements annually.

As with all business activities, when practicing risk management it is essential that the council's corporate priorities are considered at all times. The council has ambitions to make the district a **great place to do business**, a **great place to enjoy life** and a **great place to make a make a difference**, while **delivering value**.

2. What is risk management?

Risk management can be defined as:

> **Risk management is the process by which risks are identified, evaluated and controlled. Risk is the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies.**

Risk management is a strategic tool and is an essential part of effective and efficient management and planning. As a strategic tool, risk management identifies those issues that will act as a barrier to the Council achieving its objectives. Appendix 2 to this document sets out the main areas of risk.

The organisation's approach is to be **risk aware** rather than **risk averse** and to manage risk rather than to seek to eliminate it in all cases.

There are two types of risk:-

- **Direct threats** (damaging events) which could lead to a failure to achieve objectives.
- **Opportunities** (constructive events) which, if exploited, could offer an improved way of achieving objectives but which are surrounded by threats.

3. Why do we need a Risk Management Strategy?

There are two reasons why risk management is undertaken and a strategy is put in place to ensure that risk management is embedded within the decision-making framework.

Firstly, risk management is about identifying those issues that will prevent organisations from being successful in achieving their corporate and service-based objectives, as well as successfully completing projects. If these issues are effectively managed then the organisation is more likely to achieve its objectives. Risk management is good management and should be

incorporated in all decision-making. However, risk management is not only about managing risk but also about identifying opportunities. By understanding the risks and rewards that those opportunities may create, the organisation is in a position to make informed decisions commensurate with its risk appetite. Should the organisation decide to accept a level of risk, where this cannot be fully mitigated, the organisation should be prepared for unfavourable outcomes.

The second reason is that risk management is also an essential part of the Annual Governance Statement. The Annual Governance Statement comments on the Council's position in relation to risk management, corporate governance and internal control. The strategy underpins the approach to risk management in the Council.

4. What are the benefits of risk management?

- Increased likelihood of achieving objectives by identifying the barriers to achievement – improved strategic management;
- Become less risk averse in innovation (because you understand) and hence are more innovative;
- Improved business planning and commercial awareness through a risk-based decision making process;
- Improved operational management;
- Improved customer service;
- Enhanced performance – feeds into performance management framework;
- Focus on doing what matters to make a difference. Demonstrable improvement and;
- Better governance and demonstration of it to stakeholders.
- Understanding and being prepared for incidents when they occur.

5. What is the Risk Management Process?

Implementing the strategy involves identifying, analysing, managing and monitoring risks. Risk management is a **continuous** process, which involves continual **identification, assessment and management** of the risks faced by the Council.

Figure 1: The Risk Management Process

RISK MANAGEMENT PROCESS

Risk Identification

Assess likelihood and impact of risks

Setting risk appetite

Action planning

Monitor/Manage action plans

Monitoring, manage and review

Define objectives
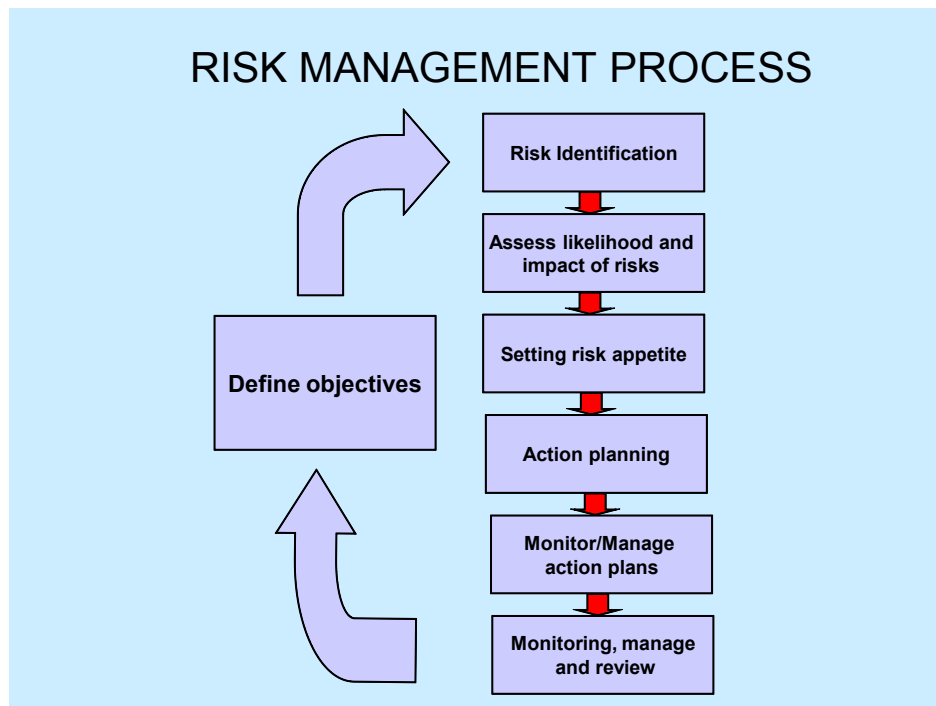
6. Risk Management linking into Corporate Planning

The information resulting from the risk management process acts as one of eight key pieces of information that feed into the priorities of the Council.

<u>Figure 2: Risk Management linking into priority setting</u>

```
                    ┌──────────────────┐
                    │  Strategic Plans │
                    │                  │
                    │     Council      │
                    └──────────────────┘
                             │
   ┌──────────────┐          │          ┌──────────────┐
   │  Opportunity │──────────┴──────────│  Government  │
   │   analysis   │                     │  Priorities  │
   └──────────────┘                     └──────────────┘
          │                                     │
   ┌──────────────┐                     ┌──────────────┐
   │     Risk     │                     │    Local     │
   │  assessment  │                     │  Priorities  │
   └──────────────┘                     └──────────────┘
          │                                     │
   ┌──────────────┐                     ┌──────────────┐
   │   Resources  │                     │  Community   │
   │   available  │                     │  Engagement  │
   └──────────────┘                     └──────────────┘
          │                                     │
   ┌──────────────┐                     ┌──────────────┐
   │   External   │                     │ *Performance │
   │    events    │                     │  Management  │
   └──────────────┘                     └──────────────┘
          │                                     │
          └─────────────────┬───────────────────┘
                            ▼
          ┌─────────────────────────────────────┐
          │  Priorities for improvement stated in│
          │  Service Plans and the Value for     │
          │  Money/Transformation Programme      │
          └─────────────────────────────────────┘
                            │
                            ▼
          ┌─────────────────────────────────────┐
          │         Improved Performance         │
          └─────────────────────────────────────┘
```
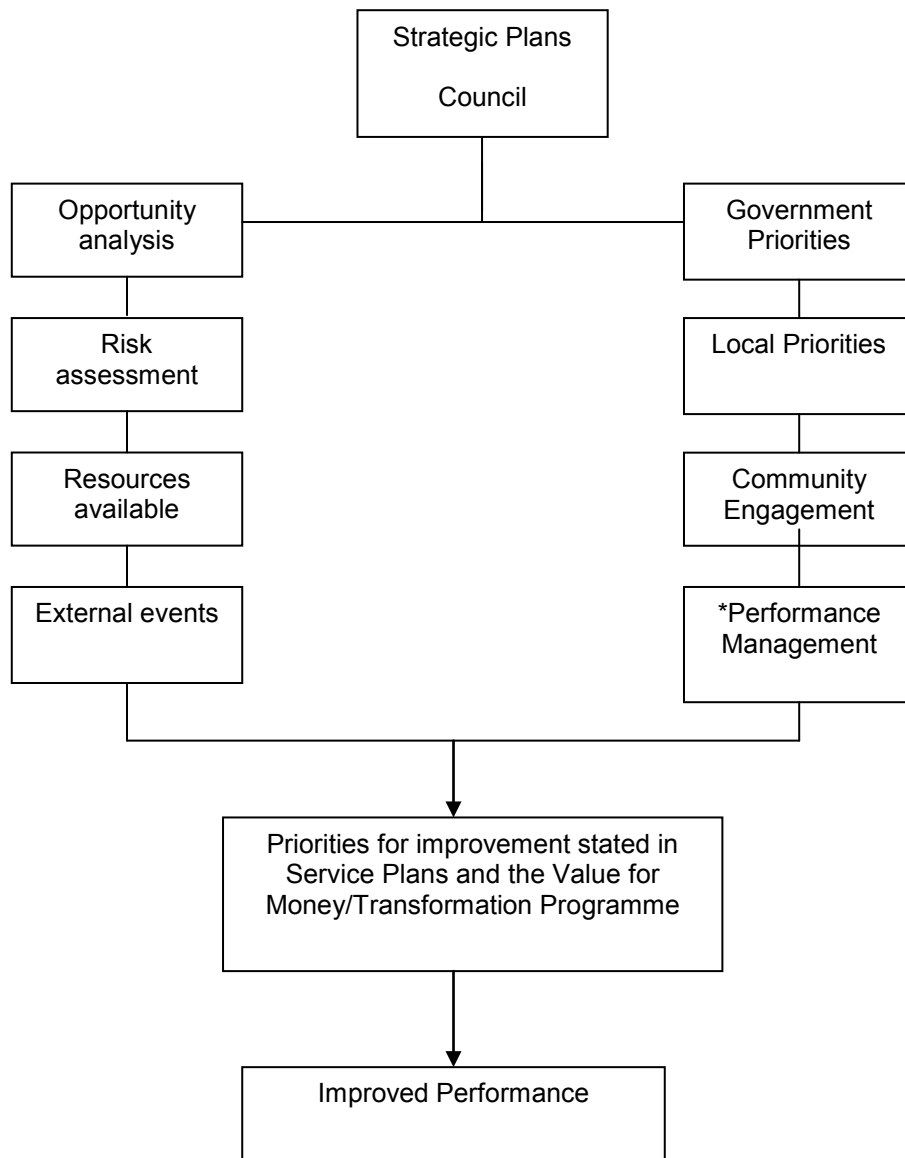
==*Risk management and performance management share similarities in process and purpose and should be integrated to ensure that the other is operating effectively. The information generated through the performance management process at both the corporate and service level should be considered when scoring and updating risks so that only the most up-to-date information is used.==

7. Risk Strategy for Selby

The success of risk management depends on how well it links into existing processes. This strategy recognises the three main types of risk management undertaken within local government, namely:-

- Corporate Risk Management: those risks that have major consequences for the Council in achieving its overall goals.
- Service-Based Risk Management: those risks which impact on delivery of services including welfare issues, health and safety and asset management issues.
- Partnership and Project-Based Risk Management: those risks that impact on the delivery of partnerships, projects and major items of change management.

8. Risk Culture

Selby District Council aims to be open in its approach to managing risk and will seek to avoid a blame culture. The organisation is willing to take a measured risk in order to promote innovation and to take advantage of operating in a more business like manner. Lessons from events that lead to loss or reputational damage will be shared as well as lessons from things that go well. Discussion on risk in any context will be conducted in an open and honest manner.

9. Business Culture (Commercial Development)

The Council is required to adopt a more business-like outlook in some service areas. This may mean taking measured risks in order to drive the business forward. These are undertaken with a full understanding of the potential consequences and an alternative plan having been developed, should undesirable consequences occur. The Council therefore is clear to identify and measure risks associated with business decisions and to eliminate or control risks associated with business decisions.

The objectives will be achieved by:-

Ref	Action	Lead
1	Maintaining an up to date Risk Strategy.	Internal Audit/s151 officer (Officer Risk Champion)
2	Providing practical guidance to staff and Councillors.	Internal Audit
3	Including risk arrangement issues within Service Plans.	Directors/ Head of Service
4	Including risk management assessments in Committee reports.	Directors/ Head of Service
5	Including risk management within financial procedure rules.	s151 officer (Officer Risk Champion)
6	Allocating specific responsibilities for risk to officers throughout the organisation.	Directors/ Head of Service
7	Appointing a Councillor Risk 'Champion'.	Audit & Governance Committee - Chair
8	Supporting the work of the Councillor Risk Champion.	Internal Audit/ s151 officer (Officer Risk Champion)
9	Review of risk management arrangements as part of the review of internal controls.	Internal Audit
10	Annual report to the Audit & Governance Committee reviewing the risk management process. Bi-Annually to the Audit & Governance Committee on review of the Risk Registers	Internal Audit
11	Maintaining contingency plans in areas where there is potential for risk to the business capability.	Directors/ Head of Service
12	Improving the integration between performance management and risk management.	Directors/ Head of Service
13	Providing risk management awareness training for Councillors and officers.	Internal Audit
14	Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council.	Internal Audit
15	Challenging the progress being made on the action plans relating to risk.	Audit & Governance Committee

10. Partnership Working

The Council recognises both the benefits and the risks of partnership/joint working. It seeks to manage these risks through agreeing partnership objectives, procurement arrangements, contracts and other agreements that identify and allocate risks to the relevant partners. To minimise the likelihood and impact of a significant failure in its partnerships, the Council encourages its partners to demonstrate that they have effective risk management arrangements in place and to disclose those arrangements when entering into partnership.

11. The movement of risks between Service Based Risk Registers and the Corporate Risk Register.

The Council acknowledges that the review of Service Based Risk Registers may identify a risk that has a significant likelihood or impact for the Council. When identified, there needs to be a clear process by which the risk is assessed to ensure that it meets the criteria for inclusion onto the Corporate Risk Register. This process is carried out by the Extended Leadership Team (ELT). Reviews of the Service Based Risk Registers are timetabled to ensure that any emerging risks are taken into account when the Corporate Risk Registers are reviewed.

12. Risk Management in our Decision Making

For risk management to be effective it needs to be considered in the decision making activities of the Council. Risks are articulated within the officer reports including an assessment of risks associated with any recommendation to be made. Formal consideration of risks is recorded within the Council's reporting templates.

13. Annual review of Risk Management Strategy

The Leadership Team (LT) will annually review the Council's risk management strategy in light of changing legislation, government initiatives, best practice and experience gained in adopting the strategy. Any amendments will be recommended by LT for approval by Councillors.

This strategy has critical links to the Council's:-

- strategic objectives;

- governance arrangements;

- community focus;

- organisational structures and processes;

- standards of conduct;

- service delivery arrangements;

- medium term financial strategy;

- Annual Governance Statement

Risk management methodology   **Appendix 1**

Implementing the strategy involves identifying, analysing, managing and monitoring risks.

Stage 1 – Identification, analysis, profiling and prioritisation of risks

Identifying the risks

There are different methods to identify risks.   Workshops and drop in sessions have been facilitated for managers which encourage officers to share their concerns, problems and potential risks that they foresee. It is also recommended that a review of published information such as service plans, strategies, financial accounts, media mentions, professional periodicals and inspectorate and audit reports are a useful source of information in the identification process.

When identifying risks it is suggested that the categories of possible risk areas presented in Appendix 2 are used. They will act as a prompt and as a trigger for officers involved in the process. They will also ensure that a holistic approach to risk identification is taken and that the risk process does not just concentrate on operational, financial or legal risks.

Analysis, risk profiling and prioritisation

Following identification, the risks need to be entered onto the Risk Register(s) on the performance management system (Covalent) and evaluated. Risk Owners will review the risks identified and decide their ranking according to the likelihood of the risk occurring and its impact, should it occur. A matrix is used to plot the risks and, once completed, this risk profile clearly illustrates the priority.

Although the risk profile produces a priority for addressing each risk, determining the group's appetite for risk can enhance this. All risks above the risk appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by management. The risk profile used and risk scoring key are shown below:
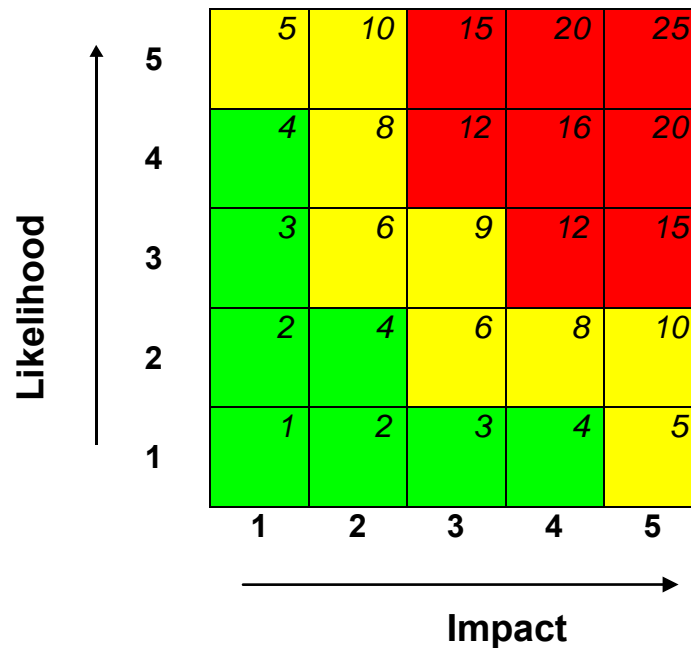
Score	Likelihood	Score	Impact
1	Very Low	1	Negligible
2	Low	2	Marginal
3	Significant	3	Medium
4	High	4	Critical
5	Very High	5	Catastrophic

Using Covalent to manage and monitor risk allows the risks to be linked to projects, service plan actions and performance indicators.

Risks are then categorised as 'high (12-25)', 'medium (5-10)' or 'low (1-4).
Risks falling within the high category require mitigating action.

Stage 2 - Action Planning

The potential for controlling the risks identified will be addressed through the management action plans. Most risks are capable of being managed – either through mitigation planning (managing down the likelihood), contingency planning (managing the impact) or a mixture of both. Relatively few risks have to be avoided or transferred, although there will be a greater tendency to transfer (insure) risks that have a high impact, but a low likelihood. Action

plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/key performance indicators.

A formal action plan is required for all high risks identified (at the original risk stage). The action plan should clearly identify the mitigating actions and controls in place to reduce the original risk.

Action plans should not be seen as a separate initiative but should be incorporated into the business planning process and included and linked to service plans on Covalent. The plans should be appropriate to the level of risk identified.

When prioritising risks, those located in the top right hand side box of the risk profile are the priority risks to be managed. The risk scores can then guide the next level of priorities.

Stage 3 Management of risks

All risks are managed by the senior officers and managers. Each risk has an identified owner and it is their responsibility to ensure that the corporate system (Covalent) is updated at regular intervals and in line with reporting timetables. They should also ensure that the corresponding mitigating action plans and controls are revised on the system as and when required.

Categories of Risk

Appendix 2

Risk	Definition	Examples
Political	Associated with the failure to deliver either local or central government policy or meet the local administration's manifesto commitment	New political arrangements, political personalities, political make-up
Economic	Affecting the ability of the council to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance cover, external macro level economic changes or consequences proposed investment decisions	Cost of living, changes in interest rates, inflation, poverty indicators
Social	Relating to the effects of changes in demographic, residential or socio-economic trends on the council's ability to meet its objectives	Staff levels from available workforce, ageing population, health statistics
Technological	Associated with the capacity of the Council to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures	E-Gov. agenda, IT infrastructure, Staff/client needs, security standards
Legislative	Associated with current or potential changes in national or European law	Human rights, TUPE regulations etc
Environmental	Relating to the environmental consequences of progressing the council's strategic objectives	Land use, recycling, pollution
Professional/ Managerial	Associated with the particular nature of each profession, internal protocols and managerial abilities	Staff restructure, key personalities, internal capacity
Financial	Associated with financial planning and control	Budgeting, level of council tax & reserves
Legal	Related to possible breaches of legislation	Client brings legal challenge
Physical	Related to fire, security, accident prevention and health and safety	Office issues, stress, equipment use etc
Partnership/ Contractual	Associated with failure of contractors and partnership arrangements to deliver services or products to the agreed cost and specification	Contractor fails to deliver, partnership agencies do not have common goals
Competitive	Affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value	Position in league tables, accreditation
Customer/ Citizen	Associated with failure to meet the current and changing needs and expectations of customers and citizens	Managing expectations, extent of consultation

Roles and responsibilities   Appendix 3

The Executive

The Executive should understand risks as presented to them through officer reports when making decisions. They should ensure that there is an appropriate consideration of risk in relation to the decision making process and that any decisions made clearly articulate the Council's risk appetite.

Audit and Governance Committee

Councillors have the role of overseeing the effective management of risk by officers. In effect this means that they will agree the Strategy, framework and process put forward by officers – as well as the priorities for action. They will also review the effectiveness of risk management. They may also be involved in providing reports to stakeholders on the effectiveness of the risk management framework, strategy and process. Councillors are ultimately responsible for risk management because the risks threaten the achievement of policy objectives.

Leadership Team

The Leadership Team are pivotal to the risk management process as they set the risk appetite for the organisation through the projects, initiatives and cross cutting activities that they endorse and champion.

Officer Risk Champion

The Officer Risk Champion (s151 Officer) is responsible for the implementation of the integrated framework, strategy and process on behalf of the Council and its Leadership Team. The champion, assisted by Internal Audit, is essentially fulfilling a controlling and facilitation role – to ensure the processes are implemented and to offer guidance and advice.

Supporting Services

Other support functions, e.g. finance, human resources, health and safety, legal, IT, will also have a role in providing support and advice.

Senior Officers

Heads of Service and Lead Officers are responsible for managing Business Plan (Strategic) Risks, Service Plan Risks, Partnership and Project Risk and ensuring that risk activity and targets are achieved and updated on a timely basis.

The Council - Partners

The Council works with a wide range of partners in delivering its services. It is important that those partners are brought into the risk management framework. At times it will be appropriate for partnerships/shared services to be undertaken. However, it is essential that accountabilities are adequately determined and that the Council does not overlook any risks that may fall on it arising from its part in a joint venture. Even where there is transfer of operational risks, for example under a PFI, there will undoubtedly be some residual risks falling on the authority. It is **not** possible to outsource the risk management process.

Internal Audit

As well as providing the Risk Management Facilitation service documented above, the Internal Audit function provides independent assurance on the effectiveness of controls within the Council. As part of the production and presentation of the annual 'audit opinion' on the risk and internal control framework to the Audit & Governance Committee, Internal Audit comments on the appropriateness of the risk management process within the Council; as well as identifying areas of low assurance and associated actions required.

All employees and Councillors

The management of risk should be regarded by employees (at all levels) and Councillors as one of their fundamental duties. All employees and Councillors have a responsibility to understand the Council's strategy and appetite to risk management, as well as reporting any actions that the Council should take to mitigate any adverse consequences.

The Importance of an Integrated Approach

In essence, the framework detailed above should provide a consistent, integrated top-down meets bottom-up approach to risk management – embedding it into strategy and operations. Risk management must continue to be integrated and play a key role in the decision making process in the future.

SELBY
DISTRICT COUNCIL

Public Session

Report Reference Number: A/16/21   **Agenda Item No: 14**

To:	**Audit and Governance Committee**
Date:	**18 January 2017**
Author:	**Phil Jeffrey, Audit Manager (Veritau)**
Lead Officer:	**Karen Iveson – Chief Finance Officer**

Title: Review of the Corporate Risk Register 2016-17

Summary:

The report updates Councillors on movements within the Corporate Risk Register (**Appendix A**) for the Council, which was last reported to this committee in September 2016.

Recommendation:

That Councillors endorse the actions of officers in furthering the progress of risk management.

Reasons for recommendation

The Audit and Governance Committee has responsibility for overseeing the implementation and management of risks that the Council, as a whole, faces.

1.   Introduction and background

1.1   This report updates Councillors on the actions taken by the Council to manage the corporate risks it faces.

2.   The Report

2.1   Risks are recorded and reported through the Covalent system. Appendix A shows details of current corporate risks included in the system. It includes the following information:

- Code and title of the risk
- Individual risk score
- Risk description.
- Previous reported risk rating (September 2016).
- Consequence of the risk identified.

- Current risk rating – identifies the level at which the risk has currently been assessed, based on the likelihood and impact.
- Target Risk rating – identifies the risk level the Council is working towards.
- Risk owner – identifies the officer responsible for monitoring the risk.
- Controls and Mitigating Actions in place – identifies the required management action and controls which have been put in place to manage the risk. In line with the Risk Management Strategy only risks with a score of 12 or over require a formal action plan.
- Latest update – identifies the most recent update on managing the risk. This highlights any significant changes.

2.2   The responsibility for reviewing and updating the risk register lies with council officers. Whilst Veritau facilitates the risk management process it retains its independence and objectivity as it is not part of the risk management process.

2.3   The Council's risk register currently has 6 risks with a score of 12 or more on its risk register. There are controls or mitigating actions in place to manage these risks, which are and need to be, closely monitored on an ongoing basis.

3.   Legal/Financial Controls and other Policy matters

3.1   Legal Issues

3.1.1 There are no legal implications as a direct result of this report.

3.2   Financial Issues

3.2.1 There are no financial implications as a direct result of this report.

4.   Conclusion

4.1   The risks on the register continue to be closely monitored and action plans have been developed or are in the process of being developed, for all risks requiring active management.

5.   Background Documents

Risk Management Strategy.

Contact Officer:

Phil Jeffrey, Audit Manager (Veritau)
Phil.jeffrey@veritau.co.uk

Appendices:
Appendix A – Corporate Risk Register

Selby District Council Corporate Risk Register 2016 – 2017
Overview

Risk Status	
🛑	High
⚠️	Medium
✅	Low
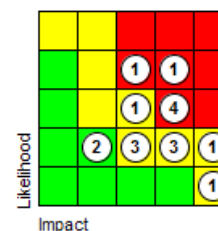
Status	Code	Previous Risk Score (September 2016)	Current Risk Score	Title
🛑	1617CRR_003	16	16	Financial Risk
🛑	1617CRR_001	12	12	Governance
🛑	1617CRR_004	12	12	Organisational Capacity
🛑	1617CRR_008	12	12	Economy
🛑	1617CRR_014	12	12	Technology
🛑	1617CRR_017	12	12	Strategic Partnerships
⚠️	1617CRR_002	10	10	Health and Safety
⚠️	1617CRR_005	9	9	Performance

Status	Code	Previous Risk Score (September 2016)	Current Risk Score	Title
⚠	1617CRR_006	8	8	Managing Customer Expectations
⚠	1617CRR_007	8	8	Fraud & Corruption
⚠	1617CRR_010	8	8	Partnership Outcomes
⚠	1617CRR_009	6	6	Business Continuity
⚠	1617CRR_013	6	6	Information Governance/Data Protection
⚠	1617CRR_015	6	6	Assets
⚠	1617CRR_016	5	5	Failure to adequately respond to Civil Emergencies.
✅	1617CRR_011	4	4	Communications
✅	1617CRR_012	4	4	Policy Change

127

Selby District Council Corporate Risk Register 2016 - 2017
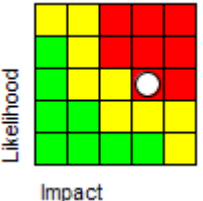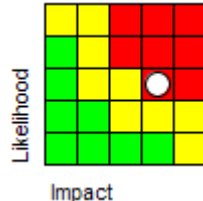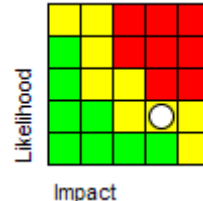
January 2017
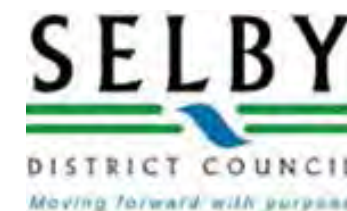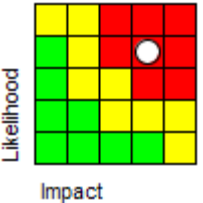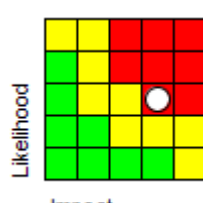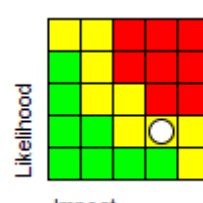
Risk Score 16
Risk Code & Title 1617CRR_003 Financial Risk

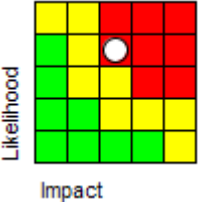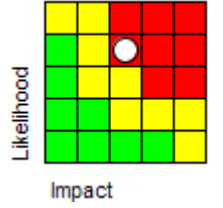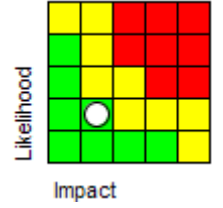| Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
The Council's financial position is not sustainable.		The Council is unable to deliver its corporate plan. The Council is unable to meet its financial commitments (long/medium/short term). Unplanned service cuts.			Karen Iveson	Long term financial strategies (GF & HRA) setting out high level resources and commitments. 3 year budget underpinned by reasonable assumptions (inflation, interest rates etc). Effective in year budget management arrangements in place. Savings plan approved with supporting delivery plans for each saving. Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases.	Risk rating remains unchanged as further reductions in core funding expected to 2019/20 and savings still to be delivered. MTFS approved September 2016. Draft budget including proposals for 3 year savings plan out to consultation in December 2016. Provisional Finance Settlement announced 15 December 2016 in line with multi-year offer. Proposals for New Homes Bonus include 0.4% 'dead weight' which impacts on resources. High level proposals for Programme for Growth included within draft budget – subject to approval, business cases will be prepared.
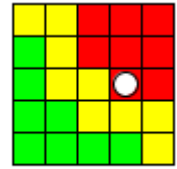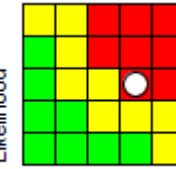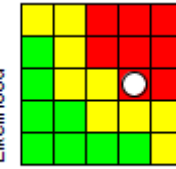
Risk Score 12
Risk Code & Title 1617CRR_001 Governance

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
The Council's governance and transparency of decision making is not effective.		Councillors and managers may make decisions outside their accountability. The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage. Budgets may be overspent and outcomes may not improve.			Gillian Marshall	Constitution reviewed and updated in 2015 including rules on decision making, access to information rules, contract procedure rules and financial procedure rules. Governance training programme underway for new management team	Further programmes of training to be rolled out in 2017.

129
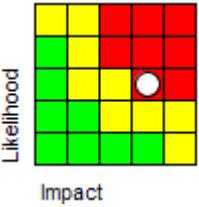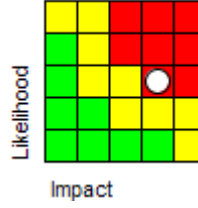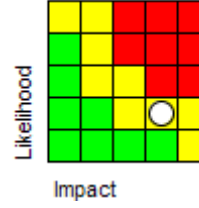
Risk Score 12							
Risk Code & Title 1617CRR_004 Organisational Capacity							

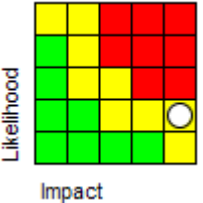| Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Lack of organisational capacity and resilience to deliver Corporate Plan objectives.		Detrimental impact on performance and delivery of Corporate objectives. Missed opportunities. Detrimental impact on the reputation of the Council. Poor staff morale. Detrimental impact on retention and recruitment.			Stuart Robinson	Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing. Work with partners to lever capacity and expertise. Utilise Programme for Growth to secure short/medium term capacity to deliver Council priorities. Organisational Development Strategy in place and aligned to Council priorities. Organisational Development work programme being delivered.	Significant progress on organisational restructure. Extensive consultation has taken place on draft structure proposals and final proposals published which will see significant investment in priority functions. Recruitment to new structure to commence in January and new structure to formally be in place for 1 April 2017. Discussions with Executive around draft budget proposals should ensure resources in place for 2017/18 and beyond to deliver priorities.

Risk Score 12
Risk Code & Title 1617CRR_008 Economy

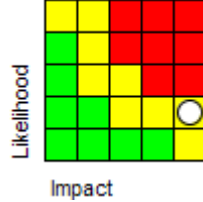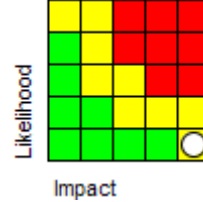| Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Poor net economic growth.		Potential negative impact on income. Increased demand for services. Increased demand for interventions to stimulate economic growth.			James Cokeham	Engagement with LEP's to influence economic growth programmes. Engagement with key businesses to understand future plans. Engagement with key partners to influence investment programmes and decisions.	The 'Selby District Economic Development Strategy 2016-20' was consulted upon with partners, developers, investors and lead businesses over September-November 2016. The document will now be finalised and will provide the council's first adopted Economic Development Strategy for a significant period and a blue print for sustainable growth throughout the district. Resources have been identified through the Council's 'Programme for Growth' to invest in the specialist resources and expertise necessary to deliver the strategy through the ongoing corporate restructure. Engagement is also continuing with both our constituent LEP's to ensure beneficial linkages to sub-regional economic policies, programmes and initiatives are made.

131

Risk Score 12
Risk Code & Title 1617CRR_014 Technology

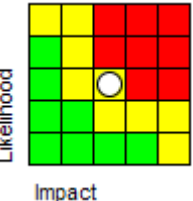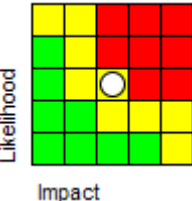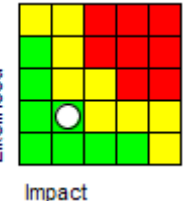| Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
ICT not fit for purpose.		Missed opportunities for driving the business forward. Missed opportunities for efficiencies and innovation. Value from investment not maximised.			Stuart Robinson	ICT Strategy is fit for purpose (including move to self-service) - allowing appropriate investment and prioritisation of business needs. Align IT investment to business needs and requirements. Clear business cases and benefit realisation reports drive ICT investment. Seizing opportunities for partnership working which will deliver on shared ICT resources. ICT functionality maximised and organisational skills developed.	Some delays on developing ICT Strategy - progress hindered by lack of capacity. However, new structure proposals will significantly improve capacity to move the ICT agenda forward. Significant progress made in collaboration with NYCC in ICT infrastructure - governance strengthened and performance improving. ICT working group in place to improve internal working arrangements. PSN improvement plan being implemented - only three outstanding actions at year end and plans in place to address them early in the new year. Procurement underway for new housing management system.

Risk Score 12
Risk Code & Title 1617CRR_017 Strategic Partnerships

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc).		Opportunities to lever investment/capacity missed. Value from partnerships not achieved. Selby's profile not raised. Selby's asks not reflected in a devolution deal. Corporate Plan objectives not delivered.			Dave Caulfield	Targeted work with key developers and investors. Close working with the LEP's to identify potential investment opportunities. Close involvement in shaping the asks within any Devolution deal. Re-structure to increase capacity in economic development, regeneration and partnerships.	New Corporate structure in place to deliver on Council ambitions includes Head of Service covering Customer, Community & Partnerships. Stage 2 of organisational review now being finalised to put extra capacity into these areas. Programme for Growth includes projects to develop strategic partnerships.

133

8

Risk Score 10
Risk Code & Title 1617CRR_002 Health and Safety

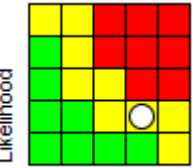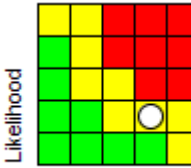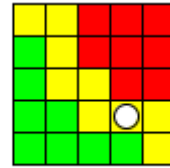| Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Failure to comply with Health and safety legislation.		Actual or potential injury or loss of life. Environmental degradation. Financial loss / impact on value of assets. Reputational damage.			June Rothwell	Health and Safety Policy and Plan in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous. Health and safety due diligence assessment on service areas and contractors. Public liability and property insurance. Risk management system in place to manage equipment, contractors, property and environmental and health and safety risks. Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance. Risk assessing, and then managing accordingly, every property and asset. Statutory checks to ensure regulatory HS&E Compliance. Event Safety Plan for all events managed by external consultants.	Arrangements for reporting accidents and work based ill health are now in place.

Risk Score 9
Risk Code & Title 1617CRR_005 Performance

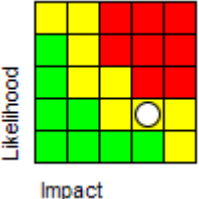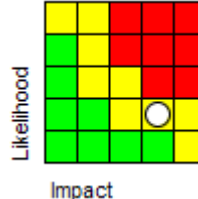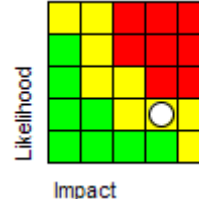| Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Ineffective performance management.		Council priorities are not delivered.			Stuart Robinson	Performance management framework in place, embedded and well understood, including: . Corporate plan/agreed corporate priorities . KPIs . Performance reporting . Performance system . Business planning . Appraisals Sufficient resources to support effective implementation	Corporate performance reporting now embedded - Q3 report now being progressed. Q2 performance being considered by Scrutiny in January. Next step is to develop the Council's approach to service planning in advance of 2017/18 - this will be a priority for January.

135

Risk Score 8
Risk Code & Title 1617CRR_006 Managing Customer Expectations

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Inability to meet customers' demand for services.		Poor customer satisfaction. Quality and timeliness of service suffers. Sustainability of service. Increased customer complaints. Impact on Elected Members.			Keith Cadman	Increase community delivery. Channel shift to self-service. Re-design services using quality data. Develop structured multi-agency partnerships. Right first time services to remove avoidable work.	New Head of Community, Partnerships and Customers has started and is tasked to review the community engagement strategy and the customer strategy. Community management groups in place with good progress made with the community hubs in Sherburn in Elmet. The Policy team is currently reviewing the corporate complaints policy and process.

136

Risk Score 8
Risk Code & Title 1617CRR_007 Fraud & Corruption

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Incident of fraud and/or corruption occurs within the Council.		Financial and reputational loss.			Karen Iveson	Counter fraud arrangements reviewed through annual self-assessment.\n\nCounter Fraud and Corruption Strategy and Policy to be reviewed in 2016/17.	Counter Fraud and Corruption Strategy and Policy scheduled for consideration by Audit and Governance Committee in January 2017 – Executive to consider in February 2017

Risk Score 8
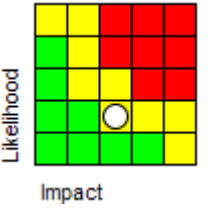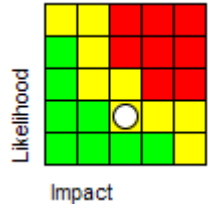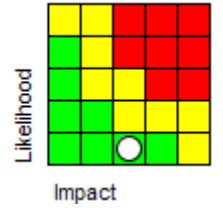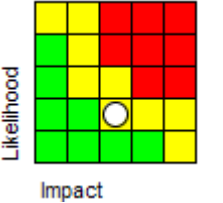**Risk Code & Title 1617CRR_010 Partnership Outcomes**

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Service delivery partnerships do not deliver outcomes to support the Council's strategic objectives.		Service performance falls short of expectations. Resources wasted due to requirement of additional management input. Strategic drift.			Keith Cadman	Identify all key partnerships. Clear objectives and outcomes specified and agreed for all key partnerships. Delivery plans in place and monitored. Remedial action taken promptly if there are signs of underperformance. Arrangements reviewed at appropriate intervals to ensure partnerships continue to support the Council's strategic objectives.	Partnership toolkit published on intranet. Review of significant partnerships being progressed for assessment against good practice within toolkit by end January 2017.

Risk Score 6
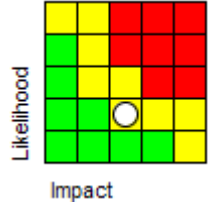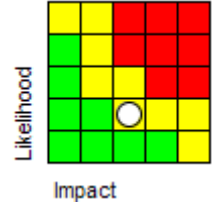**Risk Code & Title 1617CRR_009 Business Continuity**

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Capacity & resilience of our limited resources to maintain service delivery.		Delivery of services not owned by those responsible for leadership and management. Failure to deliver services in exceptional circumstances.			Stuart Robinson	Draft corporate Business Continuity Plan complete. Corporate service prioritisation schedule complete. Business Impact Assessments for all Business Areas.	Key officers attended training workshop in November. Work being progressed in collaboration with NYCC through Better Together to develop more robust arrangements around ICT business continuity planning. Need to review BCP arrangements in line with new structures post April 2017.
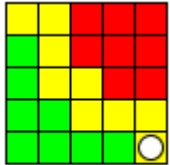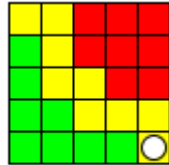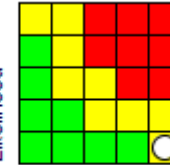
Risk Score 6
Risk Code & Title 1617CRR_013 Information Governance/Data Protection

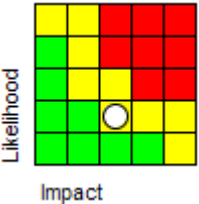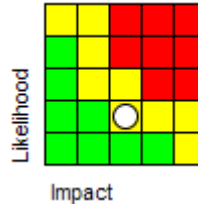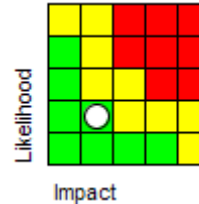| Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Non-compliance with the Freedom of Information and Data Protection acts.	Likelihood / Impact	Loss or inappropriate use of personal data and information. Damaged reputation. Financial penalty.	Likelihood / Impact	Likelihood / Impact	Karen Iveson	Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members. Breaches recorded, monitored and followed up.	No change to risk rating – annual report to be considered by Audit and Governance Committee in January 2017.

Risk Score 6
Risk Code & Title 1617CRR_015 Assets

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Lack of a strategic use of assets.		Assets not used to implement Council's vision.			Dave Caulfield; Julie Slatter	Develop clear Council vision. Align asset management strategy to Council's vision. Joint Strategic Asset review being undertaken with NYCC as part of the Better Together Collaboration.	Risk remains unchanged from previous update when the risk was lowered on both axis due to new Asset Management Plan and joint work with NYCC Better Together. The Council restructure will enhance and further develop its Asset Management Strategy.

141

16

Risk Score 5
Risk Code & Title 1617CRR_016 Failure to adequately respond to Civil Emergencies.

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Failure to fulfil statutory duties under civil contingencies legislation.	Likelihood / Impact	Failure to fulfil statutory duties under civil contingencies legislation.	Likelihood / Impact	Likelihood / Impact	June Rothwell	Established partnership with NYLRF - North Yorkshire Local Resilience Forum) & sub regional arrangements. Service Level Agreement in place with North Yorkshire County Council specialist Emergency Planning service. Plans embedded and successfully implemented for a number of civil emergencies and supported by regular review (formal review every 3 years). Training and testing of key elements of the plans is in place. Training and testing of staff response regally reviewed. SDC Command / response protocol structure reviewed quarterly providing a 24 hour, 7 day callout service.	New management team in place. Training and testing of processes and protocols ongoing and reviewed. Live Emergency Planning exercise undertaken to test the activation procedures of the council to ensure that they are able to establish effective command, control and communications systems to assist them to respond to a major incident. Increase the Council's resilience by testing colleagues within the council who have not had much exposure to real incidents.

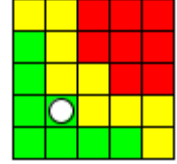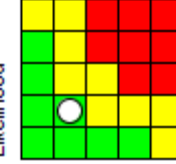| Risk Score 4 |
| --- |
| Risk Code & Title 1617CRR_011 Communications |

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Ineffective Communications internally and externally.		Lack of understanding of/buy in to corporate priorities.			Stuart Robinson	Resources in place – with the right skills. Agreed approach. Alignment to corporate priorities and decision making.	Current resources secured until March and restructure proposals to extend beyond to March 2019. Additional capacity secured through Customers & Communities Programme. New Head of Service providing stronger links with ELT. Work with Ryedale commenced in autumn to improve collective resilience/sustainability. Significant work on the Intranet undertaken in the autumn to improve staff communication - used to support restructure communications.

143

Risk Score 4
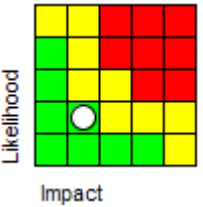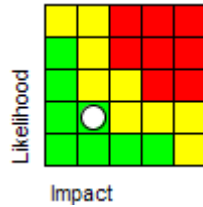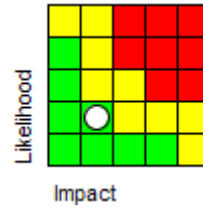**Risk Code & Title 1617CRR_012 Policy Change**

Risk Description	Previous Rating (September 2016)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	January 2017 Update
Inability to respond to policy change from a national and/or local level.		Mismatch emerges between statutory obligations and service delivery. Non-compliance with law or national policy. Inability to react quickly to changing local strategy, objectives or priorities. Inability to adequately resource changing local strategy, objectives or priorities. Impact of Brexit not fully understood. Impact on community cohesion. Opportunity of devolution deal not maximised.			James Cokeham; Stuart Robinson	Regular horizon scanning reports are considered by Leadership Team and dialogue is maintained with political groups to understand political aspirations and intentions. Corporate Plans are refreshed annually (and/or as the need arises) to enable flexibility to cope with national and local political change.	New corporate policy function in place from September to ensure focus on wider national/local policy issues that may impact on the council. Monthly horizon scanning now in place and embedded to ensure senior management aware of implications of national policy changes. Stronger links in place with regional policy networks. Working group established to fully comprehend the policy implications of the Housing & Planning Act, and respond accordingly. Restructure proposals (to be formally implemented April 2017) will secure capacity going forward.

144

This page is intentionally blank.

Public Session

Report Reference Number: A/16/22   **Agenda Item No: 15**

To:	**Audit and Governance Committee**
Date:	**18 January 2017**
Author:	**Phil Jeffrey; Audit Manager (Veritau)**
Lead Officer:	**Karen Iveson; Chief Finance Officer**

Title: Internal Audit Progress Report 2016/17

Summary:

The purpose of the report is to provide an update on progress made in delivering the internal audit workplan for 2016/17, and to summarise the findings of recent internal audit work.

Recommendations:

That the Committee note the report and endorse the actions of officers in furthering the progress of risk management.

Reasons for recommendation

To support the work of the Committee in monitoring internal audit and scrutinising and monitoring control systems.

1.   Introduction and background

1.1.   The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).

1.2   The Audit Committee approved the internal audit plan for 2016/17 at its meeting held on the 13 April 2016. The purpose of this report is to inform Members of the progress made to date in delivering the 2016/17 internal audit plan and to summarise the outcomes of internal audit reviews.

2.   The Report

2.1   Details of internal audit work completed in 2016/17 are included in the report attached at Appendix A.

2.2   Veritau carries out its work in accordance with the Public Sector Internal Audit Standards (PSIAS).

2.3   There are currently twelve 2016/17 audits in progress. Three reports are currently in draft and four 2015/16 reports have been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2017 (the cut off point for 2016/17 audits).

3.   Legal/Financial Controls and other Policy matters

3.1.   Legal Issues

3.1.1   There are no legal issues.

3.2.   Financial Issues

3.2.1   There are no financial issues.

4.   Conclusion

4.1   It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2017 (the cut off point for 2016/17 audits).

5.   Background Documents

Contact Officer: Phil Jeffrey Audit Manager; Veritau
Phil.jeffrey@veritau.co.uk
01904 552926/01757 292281

Richard Smith; Deputy Head of Internal Audit; Veritau
Richard.smith@veritau.co.uk

Appendices: -   Appendix A – Internal Audit Progress Report

Selby District Council

Internal Audit Progress Report 2016-17

Audit Manager: Phil Jeffrey
Deputy Head of Internal Audit: Richard Smith
Head of Internal Audit: Max Thomas
Date: 18th January 2017

Background

1   The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit Committee and to identify any emerging issues which need to be brought to the attention of the Committee.

2   Members approved the Annual Internal Audit Plan 2016/17 at their meeting on the 13 April 2016. The total number of planned audit days for 2016/17 is 355. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2016/17

3   A summary of the audit work completed in the year to date is attached at **Annex A**.

4   Veritau officers are involved in a number of other areas relevant to corporate matters:

- *Support to the Audit Committee*; this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.

- *Contractor Assessment*; this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.

- *Risk Management;* Veritau facilitate the Council's risk management process and provide support, advice and training in relation to risk management.

- *Systems Development;* Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.

- *Investigations;* Special investigations into specific sensitive issues.

5   An overall opinion is given for each of the specific systems under review.

6   The opinions used by Veritau are provided below:

High Assurance   Overall, very good management of risk. An effective control environment appears to be in operation.

Substantial Assurance Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.

Reasonable Assurance Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made.

Limited Assurance Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.

No Assurance Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

7   The following priorities are applied to individual actions agreed with management:

Priority 1 (P1) – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

Priority 2 (P2) – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

Priority 3 (P3) – The system objectives are not exposed to significant risk, but the issue merits attention by management.

8   A total of 53 agreed actions from 2014/15 audits have been followed up with the responsible officers. 50 had been satisfactorily implemented. In a further 2 cases, the actions had not been implemented by the target date but a revised date was agreed. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date. The remaining action agreed in 2014/15 audits has not yet been followed up because follow up work is still in progress. A summary of this follow up work is included below:

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	50	0	14	36
Revised date agreed	2	0	2	0
Follow up in progress	1	0	0	1
Not yet followed up	0	0	0	0
Total agreed actions	**53**	**0**	**16**	**37**

9   A total of 77 agreed actions from 2015/16 audits have been followed up with the responsible officer. 30 had been satisfactorily implemented. In a further 30 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date. The remaining 17 actions agreed in 2015/16 audits have not yet been followed up because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

150

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	32	0	13	19
Revised date agreed	30	0	25	5
Follow up in progress	10	0	1	9
Not yet followed up	5	0	4	1
Total agreed actions	**77**	**0**	**43**	**34**

10   There are currently twelve 2016/17 audits in progress. Three reports are currently in draft and four 2015/16 reports have been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2017 (the cut off point for 2016/17 audits).

Annex A

2016/17 audit assignments status

Audit	Status	Audit Committee
Corporate Risk Register		
Savings Delivery	Not started	
Organisational Development	Not started	
Income Generation	In progress	
Programme for Growth	Not started	
Partnership Arrangements	In progress	
CEF Governance	In progress	
Financial Systems		
Council Tax/NNDR	Not started	
Sundry Debtors	Draft report issued	
Benefits	In progress	
Benefits - Overpayments	Cancelled[1]	
Council House Repairs	In progress	
Creditors	Draft report issued	
General Ledger (budgetary control & reconciliations)	Not started	
Capital Accounting	In progress	
Regularity / Operational Audits		
Absence Management	Draft report issued	
Data Quality	In progress	
Development Management	In progress	
Housing Development	Cancelled[2]	
Technical / Project Audits		
Better Together	Not started	
Business Transformation	Not started	
Contract Management	Not started	
ICT	In progress	
Information Security	In progress	
PCI DSS	In progress	
Project Management	In progress	

---

[1] Cancelled due to similar work being carried out by the DWP.
[2] Deferred until 2017/18. The time has been re-allocated to additional work carried out on the Creditors and Absence Management audits.

Audit	Status	Audit Committee
Follow Ups:	Updates provided to Audit Committee	
		153

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Freedom of Information	13th October 2016	Reasonable Assurance	0	2	0
Information Governance	13th October 2016	Reasonable Assurance	0	8	0
Housing Rents	19th October 2016	Substantial Assurance	0	0	0
Procurement	19th December 2016	Reasonable Assurance	0	4	1

Summary of progress against key actions; audits previously reported to this committee

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
Partnerships (2014/15)	Reasonable Assurance	**Strengths** The two partnerships that were reviewed were found to have adequate governance arrangements in place **Weaknesses** Reviews are not regularly undertaken to confirm whether it is appropriate for a partnership mandate to be in place or whether the partnership was delivering the desired outcomes for the council.	31 July 2015	A reference to the review of partnering arrangements (at least every five years) will be included within the Partnership Toolkit – with the extent and frequency of that review to be determined by reference to the nature/scale/risk associated with each individual partnership. The partnership toolkit will be attached to the council's shared filing area to ensure it can be accessed by council officers.	Completed - The toolkit references the requirement to review partnership arrangements under section 3 (Robust management and decision making) and has now been made available to staff via the Intranet.
PCI DSS	No Opinion	**Strengths**	5 August 2015	This was a memo report. A	Due 31 Oct 2015

---

[3] Priority 2 or above

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
Compliance (2014/15)	Given.	Initial steps have been taken towards achieving compliance, such as the implementation of the Northgate PARIS web-based system in particular. **Weaknesses** The council has weaknesses to address including a lack of documented responsibility for compliance, a definition of the cardholder data environment, a lack of policies and procedures and compliance assurance from third parties along with non-completion of annual self-assessment		full audit was planned; however weaknesses were identified at an early stage. Advice has been provided and a follow up audit is currently taking place to establish progress made in implementing the agreed actions from the 2014/15 audit.	An independent consultant carried out a review of PCI DSS compliance in May 2016. All payment channels were reviewed and documented as part of this. Alongside NYCC, Lead Officer – Data and Systems will work through the recommendations from the consultant's report to establish where changes can be made the current network configuration in order to make it more robust to

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		questionnaires.			PCI-DSS challenges. This will involve trying to de-scope the network as much as possible.
Corporate Complaints	Reasonable Assurance	**Strengths** The system in place accurately reflects the guidance provided by the ombudsmen. Systems in place outline responsibilities: ensuring complaints are handled by independent staff with relevant authority, with a timely initial response and resolution. The process is readily accessible to customers.	12 November 2015	Policy & procedure notes will be updated to reflect working practices. A review schedule will be established to keep P&P notes up to date.	Due 30 June 2016 The review is being led by the Policy team. The team has produced a communications plan that will guide the implementation of the new complaints system. A key milestone is to present progress to date to ELT on 23 January 2017. Final confirmation of working practices will not be possible until

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		Weaknesses Policy/ procedure notes do not reflect working practices / are out of date. The complaints process is not sufficiently publicised. Deadlines for the acknowledgement of, and response to, complaints are not always accurate, or met. Recording of performance data could be improved.		During policy review, stage 1 and 2 acknowledgement and response times will be clarified, particularly "first working day".	after the restructure. Completed – the revised Corporate Complaints Policy clarifies that the first working day for receipt of complaints.
Access Controls: Windows	Reasonable Assurance	**Strengths** The introduction of a	3 December 2015	Network permissions will be reviewed and revalidated at	Due 1 Feb 2016 Reports are being

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
Network and Finance System (2014/15)		new user request form in November 2014 was a positive step towards better control of network user accounts. We also found that network and COA password settings are in practice good. **Weaknesses** There is still an informal process for COA user management. There is a lack of a formal policy to govern the council's required standards for passwords, and there are issues with some		the point of changing IT provision. We will arrange for a list of non-SDC users to be cross-checked to staff records. Any additional non-SDC	prepared by NYCC for review by SDC. These reports form the basis work for a large piece of housekeeping work that needs to be undertaken in the new year. Network permissions are likely to change as the restructure settles into place. Revised date of 31 Mar 17. Due 1 Jan 2016 Reports being prepared by NYCC for review by SDC.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		aspects of user account management, particularly regarding changes to network permissions and control of users who have access to SDC networks but are not directly employed by the council itself.		users to be queried and added to list or removed as necessary.	A leavers' IT policy is to be written to set out the process for deleting accounts no longer required. Revised date of 31 Mar 17.
				User permissions will be reviewed when the council changes to a new system in conjunction with its prospective partner. How to manage user permissions will also be considered at this point. The council hopes to have a better understanding of how this will develop in the timescale indicated.	Due 1 Feb 2016 Completed - Following an options appraisal and software demonstrations it was decided to upgrade the current software with the existing supplier in partnership with RDC. The Software was

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
					upgraded and rolled out to users in Oct 2016.
Information Security Checks	Reasonable Assurance	**Strengths** Overall, the council is reasonably well protected against accidental disclosure of information. The Civic Centre office areas are not accessible without a staff security pass and within the offices most information is stored in cupboards. **Weaknesses** Lockable storage is being left unlocked throughout the offices, the clear desk policy is not being followed by all staff and a	16 December 2015	An action plan will be produced to address the information security weaknesses identified in the report. This will include reminders to staff on maintaining information security and arrangements to ensure sufficient secure storage is available where needed within the Civic Centre.	Due 31 Jan 2016. Implementation has been delayed due to the organisational review. Information governance audits were discussed at ELT on 30 Nov 2016 and an update will be provided as part of the annual Information Governance report presented to the Audit & Governance Committee in

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		significant number of council assets are unsecured In addition, some service areas that hold sensitive personal information should have security measures that protect this information from all staff that do not need access to it; this includes other council staff, cleaning staff and partners that share the office space.			January 2017.
Counter Fraud Arrangements	Reasonable Assurance	**Strengths** Overall, it was found that the council does have systems in place that do, in part at least, meet the principles	22 December 2015	The Anti-Fraud, Theft and Corruption Policy and Strategy will be reviewed, revised and re-launched. This will be done alongside other actions and	Due 31 Aug 2016 The policies are now being reviewed by Veritau and are being taken to the

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		within the Cipfa Counter Fraud Code of Practice **Weaknesses** Following the assessment against each of the 5 cipfa principles it is felt that the council could take further action to increase the degree to which it meets best practice for adhering to these principles.		communications to raise awareness of fraud risks and to promote a fraud aware culture. The council will decide whether a councillor will be explicitly given portfolio responsibility for fraud. The re-launched counter fraud strategy will set out arrangements for annual reporting and this report will be written as a report on delivery against the strategy in the preceding year and include details of action to be taken in the year ahead and assessment of resource availability to deliver the strategy. Plans will be developed to raise awareness of fraud	Audit & Governance Committee in January 2017. Due 31 Aug 2016 The policies are now scheduled for

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				risks, the council's revised policy and strategy and whistleblowing procedures. This could include specific training sessions, e-learning (e.g. whistleblowing), corporate communications (posters, team brief email, OMG/BMG/Directors meeting agenda items) as well as the existing annual reporting mechanisms. Management job descriptions will be reviewed for areas where fraud risks have been identified and these job descriptions will explicitly include counter fraud responsibilities.

A process of reviewing risk registers has recently been | Audit & Governance Committee in January 2017 prior to consideration by the Executive in February. These will be communicated to staff following review and plans to raise awareness of fraud risks will be developed.

Due 31 Aug 2016 Fraud and |

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				started. This will include treating fraud and corruption risks as a corporate risk, which will be assessed by all services (as happens with areas like health and safety risk). It will also ensure there are mechanisms to escalate service risks to the corporate risk register.	Corruption is included as a risk on the Corporate Risk Register and it is possible to escalate risks from Service Based Risk Registers. Action completed.
Recruitment	Reasonable Assurance	**Strengths** The recruitment process was found to be generally working well. Employment references and manager approval had been routinely obtained from the most suitable referees, often on the council's well designed reference request pro forma, and were timely.	5 February 2016	The council's Recruitment and Selection Manual is already in the process of being updated. Once this is finalised, it will be circulated via email to all employees involved in recruitment. The email will also draw attention to important changes to the manual and remind officers that HR will not allow successful candidates to commence	Due 29 Jan 2016 Updates have been made to the manual and it is currently undergoing final review before being circulated to staff. It is the intention of HR to distribute the updated manual by the end of

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		Weaknesses It was not possible to confirm that all pre-employment clearances had been obtained. Additionally, where clearances had been obtained, these were not always timely or certified where appropriate. The Recruitment and Selection Manual was reviewed and found to be outdated both in terms of current practices and the wider legislative context surrounding recruitment. Authorisation to Recruit forms are not providing		employment with the council until all necessary clearances have been obtained. [this action applies to two findings] In the body of the email to which the revised Recruitment and Selection Manual will be attached, text will be included to remind officers of the importance of completing an Authorisation to Recruit form before recruitment begins.	November. This action is currently being followed up with the responsible officer.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		the control over the recruitment process as intended, with some being completed only after recruitment has started.			
Payroll	Reasonable Assurance	**Strengths** Payments are generally made in accordance with employees' contracts of service and agreed rates of pay. **Weaknesses** The audit highlighted that the payroll audit files have not been signed off by an appropriate officer since March 2015.	29 April 2016	An ongoing honorarium with limited paperwork to support it will be reviewed following the restructure when lead officers and their responsibilities are agreed.	Due 30 Sep 16 The post to which the honorarium relates is proposed to be deleted under the new structure. Following consultation and approval of the structure, recruitment should be complete by Mar 17. Revised date of 31

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
					Mar 17.
				Clarity is required as to who the responsible officer is who has the authority to authorise the monthly payroll payment, and who has the delegated authority within ESS to make an approximate payment of £380,000 on behalf of SDC. The necessary amendments and inclusions will be made to the appropriate documents.	Due 31 Aug 16 A revised draft of the SLA with NYCC has been produced and now needs to be updated to reflect the new management arrangements before being signed off by SDC and NYCC. The SLA sets out that the Head of Business Development & Improvement (or a SDC Director in their absence) can authorise the SDC

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
					payroll prior to the BACS release. ESS are acting on behalf of SDC under the terms of the SLA and advice from Legal is that there is, therefore, no requirement for further delegation. Revised date of 31 Jan 17.
				The SLA agreement [with NYCC] is in the process of being reviewed; points raised in relation to it will be taken forward with NYCC.	Due 31 Aug 16 As above, the SLA is currently being reviewed. Revised date of 31 Jan 17.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
Savings Delivery	Reasonable Assurance	**Weaknesses** Four of five savings reviewed were either delayed or not going to be achieved in full in 2015/16 mainly due to the fact that action plans were not in place or were not being followed. No contingency plans were found to be in place to achieve savings elsewhere in service area budgets.	28 June 2016	Ownership of savings is crucial to delivery and monthly reports will be discussed at ELT to ensure that savings are owned, supported by appropriate action plans, actively managed, and that risks are fully understood and mitigating actions undertaken to minimise risk of non-delivery. A fundamental review of the savings plan is being undertaken in advance of the next budget round. As has been done in the past – a level of headroom will be built into the plan to provide some risk mitigation. As is	Due 31 July 2016 Completed – the council has undertaken a review of its savings delivery approach which ensures ownership of savings, requires the creation of action plans and aligns monitoring with reporting to the Executive Committee. Due 31 July 2016 Completed – the review of the savings delivery approach has introduced structures that enable ownership,

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				the case for previous plans, proposals will be formulated through engagement with the Leadership Team and Heads of Service and savings will be owned by a senior responsible officer. Each Red/Amber savings proposal will be supported by a project brief with key delivery milestones and risks and progress for each saving reported through ELT as part of the Council's wider performance management arrangements. Where savings prove to be unachievable, alternative proposals will be brought forward unless there is a clear and approved business case not to do so. In addition, opportunities	monitoring, reporting and oversight.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				will be added to the plan as they arise in order to achieve continual headroom	
ICT Server Room	Reasonable Assurance	**Strengths** Physical and environmental security arrangements for the Civic Centre server room are generally good. All servers are housed in locked cabinets, and the room is spacious, and has dual power supplies. **Weaknesses** Measures to detect and control some environmental hazards are not in place or have not been tested; The back-up generator	3 June 2016	Fire suppression system and air-conditioning testing record information to be requested from NHS Facilities Management and retained on file. Review of cost / benefit with regard to environmental threat to be undertaken.	Due 31 Aug 2016 Completed - Revised Disaster Recovery Plan negates the need for this. However, a risk assessment is to be conducted based on communications equipment and cabling remaining in server room. NHS facilities have the certificates for the six-monthly fire suppression and yearly containment check in electronic

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		and air conditioning units are the responsibility of the NHS. ICT does not receive any information to confirm that they are being appropriately tested and maintained. Overall responsibility for the access control system, which holds personal data, has not been assigned. Whilst access to the server room is in theory restricted, it is not monitored and access controls can be bypassed.		To undertake a review of the current system and identify management ownership and implement appropriate system backup, password improvements and rigorous access control of passes. This review will also address other issues addressed by the audit, including access control and standards for use of the server room. [this action covers two findings]	format on their system Completed - Door access system is supported via NHS facilities contractors G2 and BLE Laptops complete a daily local database backup. Laptop requires securelock cable to attach to desk Laptops must be connected to corporate network so users can use normal network login to increase

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
					security.
					Additional Net2 operators to be configured with suitable permissions rather than overall system engineers
					Copy of NET2 installation software held securely in case of hardware failure.
					A process has been implemented that IT support badges, which allow access to the server room, have to be signed out at reception on

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
					request of onsite IT staff.
Programme for Growth	Reasonable Assurance	**Strengths** A project brief is produced at the outset which requires the project managers to complete a business case for the project. This brief is very detailed and requires the project manager to complete all details relevant for the project such as objectives, timescale, cost and risks to the project. **Weaknesses** Due to the complexity or the re-active nature of the projects it was not always possible to accurately profile when	11 August 2016	Monitoring report format and content will be reviewed and where possible variations against budgets will be highlighted in the reports from 2016/17 but formal carry forwards will continue to be done as part of the year-end procedures.	Due 30 Sep 2016 Completed as per agreed action.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		expenditure will occur. This has meant that variations to the projects are not being formally declared even when it is known with reasonable certainty that money is being re-profiled into the following financial years due to delays in the project.			
ICT – Disaster Recovery	Limited Assurance	**Strengths** The council had previously put good practical disaster recovery arrangements in place with Craven District Council. However these are now transitional and both councils are seeking other partners for replication.	17 August 2016	NYCC will develop a new ICT Disaster Recovery Plan based on the NYCC Disaster Recovery plan, with significant input from SDC. The plan will be formally approved by SDC senior management.	Due 30 Nov 16 A revised timescale for relocation of the servers and recovery location has been set as February 2017. The plan is likely to be finalised in advance of this but will be followed up on completion of

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		Weaknesses The council's new service level agreement (SLA) with North Yorkshire County Council (NYCC) does not yet include the provision of DR services and a number of issues have been identified. These include a lack of formal plans, agreements and responsibilities, very limited testing of arrangements and non-consideration of dependencies on staff and third parties.		The new ICT Disaster Recovery Plan will include responsibilities, invocation procedures and responsibilities for actions etc. SDC and NYCC will identify officers for each role as appropriate. The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests	the transfer. Due 30 Nov 16 A revised timescale for relocation of the servers and recovery location has been set as February 2017. The plan is likely to be finalised in advance of this but will be followed up on completion of the transfer. Due 31 Dec 16 A revised timescale for relocation of the servers and

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				over the period of the agreement. SDC will determine and document the degree of testing of wider contingency arrangements which it deems sufficient, such as replacement premises, equipment etc. The new ICT Disaster Recovery agreement will provide a framework for prioritising system restoration agreed with the business. NYCC will carry out a Business Impact Analysis (BIA) in conjunction with SDC, to categorise and document the order of restoration.	recovery location has been set as February 2017. The plan is likely to be finalised in advance of this but will be followed up on completion of the transfer. Due 30 Nov 16 A revised timescale for relocation of the servers and recovery location has been set as February 2017. The plan is likely to be finalised in advance of this but will be followed up on completion of the transfer.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				The new ICT Disaster Recovery agreement will include a programme of backup tests to be put in place. Current arrangements of data replication mitigate some of the risk as backup tapes would only be required if both Selby and Craven experience a disaster at the same time. Another member of staff has been trained for the current arrangement. Once the DR moves to the NYCC infrastructure it will come under the NYCC processes which are centrally managed. The tapes which would possibly be required in a DR situation have been moved from the Vivars site	Due 28 Feb 17 A revised timescale for relocation of the servers and recovery location has been set as February 2017. The plan is likely to be finalised in advance of this but will be followed up on completion of the transfer.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				to County Hall. The replicated copy of data is up to date and would be used to restore. Tapes are currently being reviewed and those which are no longer required will be destroyed. SDC will investigate how Anite can be replicated. SDC will investigate if tape encryption can be enabled.	 Completed - Back up tapes are now held at NYCC – Northallerton. Encryption of tapes is currently cost prohibitive.
				The current replication arrangement will be replaced by a new arrangement with NYCC covered by a formal	Due 31 Dec 16 A revised timescale for relocation of the servers and recovery location

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
				agreement in relation to DR provision. SDC will confirm arrangements for restoring hosted systems in a DR situation.	has been set as February 2017. The plan is likely to be finalised in advance of this but will be followed up on completion of the transfer.
General Ledger	Reasonable Assurance	**Strengths** Overall, adequate controls were found to be in place for the management of the general ledger. In particular, processes for the authorisation and uploading of journals were robust, with sufficient supporting documentation being held or available and posting permissions suitably restricted.	17 August 2016	Following the implementation of the Collaborative Planning upgrade in October, Finance will roll out a programme of training to budget holders. This training programme will address how to use the new system and will also provide more fundamental guidance on the budget management process. Finance will ensure that system reconciliations are	Due 31 Dec 16 System training has been delivered following the Collaborative Planning upgrade. Budget manager training is in development and will be completed by 31 March 2017.

Audit	Opinion	Comments	Date Issued	Key Agreed Actions[3]	Progress against key actions
		Authorisation for all virements tested was able to be confirmed and these had been made in accordance with the council's Financial Procedure Rules. **Weaknesses** With regards to budget monitoring, there appears to have been little or no improvement since the previous audit. The majority of significant variances do not have accompanying commentary and this is further compounded by the low response rate to monthly budget returns.		discussed during team meetings at least once a month. The reconciliation monitoring spreadsheet will be taken to these meetings so that any issues with timeliness can be identified and addressed. Business Support will ensure that adequate resource is put in place within the team to complete the reconciliations on a monthly basis.	Due 31 Aug 16 These are now discussed regularly at team meetings. Action completed. Completed – Interim arrangements are in place to ensure that timely reconciliations are completed. Arrangements will continue to be monitored as the new organisational structure is implemented.

Summary of audits completed to 30 December 2016; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	**2**	**3**		
Information Governance	Reasonable assurance	**Strengths** Significant progress has been made since the previous audit (2013/14) with the implementation of appropriate information governance and reporting frameworks, policies and training. **Weaknesses** Areas of weakness mainly related to keeping up momentum and	13 October 2016	0	8	0	A policy review schedule will be drawn up for all information governance policies to be reviewed and, where required, updated. The data protection policy will be reviewed as a priority. A communications plan will be developed to refresh awareness of existing policies and to give regular reminders to staff on information governance issues. The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to	Due 30 Nov 2016 Information governance audits were discussed at ELT on 30 Nov 2016 and an update will be provided as part of the annual Information Governance report presented to the Audit & Governance Committee in January 2017.

---

[4] Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	2	3		
		providing reminders, refreshers and continual review of the arrangements that were put in place two years ago. Other weaknesses identified related to awareness of information sharing with external organisations and compliance with the ICO code of practice for privacy notices.					reflect the new organisational structure. Job descriptions will be reviewed and responsibilities will be included for all roles who act as IAOs, as well as the Senior Information Risk Owner (SIRO) and Solicitor to the Council. In reviewing and refreshing the information asset register (action 3.1), IAOs will refer to the information risk management policy. Information risks will be considered by all services and significant risks identified through this process will be included in the service based risk registers. Information governance induction requirements will be reviewed and included	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	2	3		
							in the organisational development plan and refresher training in information governance will also be included in the plan. Consideration will be given to buying in additional training and support, for all staff and/or specifically for Information Asset Owners. A privacy notice will be written that applies to information collected across a range of council functions and this will be made available on the council website. The review of the information asset register (action 3.1) will identify the types of information held and how it is used. This will be used to determine which areas need specific privacy notices covering	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	**2**	**3**		
							the information they hold and in which areas it is sufficient to refer to the privacy notice available on the website.

The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all decisions to share information are recorded and that data sharing agreements are in place. Data sharing agreements will be drawn up under the MAISP where required.

A consolidated corporate records retention and disposal schedule will be drawn up in line with the document retention policy. This will apply to all | |

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	**2**	**3**		
							records held and in all formats and will be made available throughout the organisation.	
Freedom of Information	Reasonable assurance	**Strengths** A well designed system is in place to administer and respond to FoI requests and exemptions were found to have been handled correctly. **Weaknesses** Target response times are not being met due to the absence of a system to chase service areas for responses, the	13 October 2016	0	2	0	Responsibility for the administration of requests will pass over to the Customer Contact Centre and processes will be clearly defined and timescales agreed. This will include: • Logging of requests immediately • Differentiation of requests (FoI, EIR and SAR) • Process and agreed timescales for chasing requests and escalating them if they are delayed Responsibility for the administration of requests will pass over to the Customer Contact Centre	Due 30 Nov 2016 Information governance audits were discussed at ELT on 30 Nov 2016 and an update will be provided as part of the annual Information Governance report presented to the Audit & Governance Committee in January 2017.

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	**2**	**3**		
		lack of an escalation process and the failure to forward requests to the relevant service areas within an acceptable time from receipt. Improvements could also be made to the system for documenting exemptions and to the level of detail provided by the performance information.					and processes will be clearly defined and timescales agreed. This will include: • Logging of requests immediately • Differentiation of requests (FoI, EIR and SAR) • Process and agreed timescales for chasing requests and escalating them if they are late	
Housing Rents	Substantial Assurance	**Strengths** Rents are correctly calculated,	19 October 2016	0	0	0[5]		

---

[5] Two Priority 3 findings were raised; however the council has accepted the risk and provided a management response which was agreed with Veritau.

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	**2**	**3**		
		reconciled and applied to the correct accounts. Tenants are encouraged to pay via Direct Debit. **Weaknesses** The rents system is not regularly reconciled to the main accounting system, however compensating controls are in place.						
Procurement	Reasonable assurance	**Strengths** The recent organisational review has clearly defined procurement	19 December 2016	0	4	1	A tender/quotation tracker system will be introduced. This will require all procurements above £5K to have an approved reference number to	Due 31 Jan 2017

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	**2**	**3**		
		responsibilities. The contract register and access to the electronic procurement system are well managed. **Weaknesses** Contract Procedure Rules are not always being followed with respect to high value procurements. Processes for reporting breaches and recording waivers were not well defined.					ensure that the council captures all procurements at source and that it is able to track all activity through the entire process. By having a more coordinated and centralised approach to procurement monitoring, compliance with the Contract Procedure Rules is more likely to be achieved and forward planning should be more effective. The council has put temporary arrangements in place with Procure North Yorkshire for procurement services to be provided until the end of the 2016-17 financial year. This extended arrangement will allow for contracts negotiated by the partnership to continue to be managed by the	Due 31 Jan 2017

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions[4]	Progress against key actions
				1	2	3		
							partnership. By the end of the calendar year an options appraisal will have been completed as to how procurement will be delivered over the longer term so that arrangements can be confirmed and the necessary handover completed before the expiration of the arrangement with the partnership.	
							A tender/quotation tracker system will be introduced that will allow for better procurement monitoring and which should, therefore, prevent breaches to the Contract Procedure Rules before they occur. The new system will also make provision for the recording and reporting of any breaches that do occur.	Due 31 Jan 2017