



Meeting: **AUDIT AND GOVERNANCE COMMITTEE**
Date: **WEDNESDAY 19 APRIL 2017**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors M Jordan (Chair), I Reynolds (Vice Chair),
K Arthur, Mrs J Chilvers, Mrs M McCartney, R Packham,
B Sage.**

**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 18 January 2017 and the Working Group held on 2 March 2017 (pages 1 to 11 attached).

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

5. Audit Action Log

To review the Audit Action Log (pages 12 to 13 attached).

6. External Audit Progress Report

To consider report A/16/25 which presents the External Audit Progress Report to update the Committee on progress in delivering the external audit plan (pages 14 to 25 attached).

7. Audit Strategy Memorandum

To consider report A/16/26 which presents the Audit Strategy Memorandum and sets out the external audit plan in respect of the year ending 31 March 2017 (pages 26 to 43 attached).

8. Review of Standards Arrangements

To receive report A/16/27 which presents the recommendations of the Audit and Governance Working Group in respect of standards arrangements. The report asks the Committee to approve the recommendations to Council, including the establishing of a Standards Sub-Committee (pages 44 to 63 attached).

9. Updates to the Constitution

To receive report A/16/28 which asks the Committee to endorse a number of changes to the Constitution which will be considered at Annual Council (pages 64 to 87 attached).

10. Internal Audit Progress Report

To consider report A/16/29 which updates the Committee on progress made in delivering the internal audit plan for 2016/17, and summarises the findings of recent internal audit work (pages 88 to 117 attached).

11. Internal Audit and Counter Fraud Plan 2017/18

To receive report A/16/30 which presents the proposed Internal Audit and Counter Fraud Plan for 2017/18. The report asks the Committee to approve the Plan (pages 118 to 129 attached).

12. Annual Governance Statement – Action Plan Review

To consider report A/16/31 which updates the Committee on progress on the Annual Governance Statement Action Plan (pages 130 to 135 attached)

13. Audit and Governance Committee Annual Report

To consider report A/16/32 which presents the draft Audit and Governance Committee Annual Report for 2016/17. The Committee is asked to approve the Annual Report (pages 136 to 147 attached)

14. Audit and Governance Committee Work Programme 2017/18

To consider report A/16/33 which asks the Committee to approve the Audit and Governance Work Programme for the 2017/18 municipal year (pages 148 to 153 attached)

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.

Minutes

Audit and Governance Committee

Venue:	Committee Room
Date:	Wednesday 18 January 2017
Time:	5.00 pm
Present:	Councillors M Jordan (Chair), I Reynolds (Vice Chair), B Sage, P Welch and Mrs D White (sub for K Arthur).
Apologies:	Councillors K Arthur and A Thurlow.
Officers present:	Karen Iveson, Chief Finance Officer (s151); Gillian Marshall, Solicitor to the Council; June Rothwell, Head of Operational Services (left after consideration of item 1), Stuart Robinson, Head of Business Development and Improvement, Phil Jeffrey, Audit Manager, Veritau; Jonathan Dodsworth, Counter Fraud Manager, Veritau; Mark Kirkham, Partner, Mazars LLP; and Janine Jenkinson, Democratic Services Officer
Public:	0
Press:	0

24. DISCLOSURES OF INTEREST

There were no disclosures of interest.

25. MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 28 September 2016.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 28 September 2016.

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

The Chair reported that an internal audit report had been circulated prior to the meeting for consideration. He explained that as Chair he received internal audit reports where the opinion of the auditor was 'Limited Assurance' or 'No Assurance', the report circulated had concluded that the controls within a system provided 'Limited Assurance'. The Chair requested that the report be considered as the first item on the agenda. Due to the sensitive nature of the information contained within the report, the Chair requested that the report be considered in private session.

27. PRIVATE SESSION

RESOLVED:

That, under Section 100(A)(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Part 1 of Schedule 12 A of the Act as amended by the Local Government (Access to Information) (Variation) Order 2006 by virtue of paragraph 3 - Information relating to the financial or business affairs of any particular person (including the authority holding that information).

It is in the public interest to exempt this information as it includes information about how the Council manages risk and specifically the risks that are being actively managed (including their likelihood, impact and mitigating actions) which, if disclosed, could allow third parties to use this information against the Council.

28. CONSIDERATION OF INTERNAL AUDIT REPORTS (REPORT A/16/23)

The Committee considered the information provided in the report.

RESOLVED:

- i. To note the report.**
- ii. To request that the Internal Audit Manager provide an update report to the next Audit and Governance Committee meeting.**

29. RE-ADMISSION OF PRESS AND PUBLIC

The Committee voted to move back into public session.

RESOLVED:

That the press and public be re-admitted to the meeting.

30. REVIEW OF THE AUDIT ACTION LOG 2016-17

The Committee considered the Audit Action Log.

RESOLVED:

To note the Audit Action Log 2016-17.

31. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2016/17

The Chair requested that members forwarded any items they wished to be included on the Work Programme to him prior to the next meeting.

The Chief Finance Officer (s151) requested that an oral progress update regarding the Statement of Accounts be included in the Work Programme for the next meeting.

RESOLVED:

To consider the Statement of Accounts and an update in relation to the report - A/16/23 at the next Audit and Governance meeting.

32. PROGRESS UPDATE FOLLOWING THE ICT DISASTER RECOVERY AUDIT (REPORT A/16/14)

The Head of Business Development and Improvement presented a progress report in relation to the ICT Disaster Recovery systems at the Council. The Committee was informed that significant progress had been made since the matter was last reported to the Committee in September 2016.

Members were informed that along with the ICT infrastructure providers - North Yorkshire County Council (NYCC), the Council was working through an improvement plan. A copy of the Plan was provided in Appendix B of the report. The Head of Business Development and Improvement reported that significant progress had been made on collaborative arrangements with NYCC, particularly around strengthening governance and day-to-day joint working. A formal high level ICT Disaster Recovery Plan had been drafted and would be consulted on during January and February 2017, including a Business Continuity Workshop. The final detailed Plan would be agreed by April 2017.

RESOLVED:

- I. To ask the Head of Business Development and Improvement to circulate the final ICT Disaster Recovery Plan to Committee members once the document had been signed off in April 2017.**

33. INFORMATION GOVERNANCE ANNUAL REPORT 2016 (REPORT A/16/15)

The Solicitor to the Council presented a report outlining issues in relation to information governance that had arisen during 2016 and setting out a high level action plan for information governance.

Members were informed that in October 2016 the Council's internal auditors (Veritau) had published reports in relation to Information Governance and Freedom of Information indicating that the Council had made significant progress since the audit of information governance in 2013-14, which had given an opinion of 'limited assurance'. Internal audit had now given the opinion of 'reasonable assurance'; however areas of weakness to be addressed had been identified. The Solicitor to the Council explained that many of the areas of weakness related to the need to refresh and continue to review the arrangements that had been put in place.

The Committee noted the Action Plan set out in Appendix A of the report.

RESOLVED:

To note the report.

34. REVIEW OF STANDARDS ARRANGEMENTS (REPORT A/16/16)

The Solicitor to the Council presented a report that asked the Committee to review the standards arrangements and to provide a report back to Full Council if it considered any changes should be made.

Members were advised that currently ethical matters were considered by Full Council and the arrangements for dealing with complaints were delegated to the Monitoring Officer, advised by the Independent Persons. The Solicitor to the Council reported that the arrangements had proved to be flexible and had provided sufficient discretion to deal appropriately with the complaints that had come forward; however it had become apparent that the arrangements were disconnected from councillors, particularly parish councils and councillors.

It was suggested that a working group be established to undertake a review of the current arrangements and to report back at the next Audit and Governance meeting any recommendations to be made at the Annual Council meeting in May 2017.

It was agreed that the following members would form a working group:

- Councillor J Chilvers
- Councillor P Welch
- Councillor M Jordan

RESOLVED:

- I. **To establish a working group to review the current standards arrangements, involving the Councillors as set out above.**
- II. **To ask the working group to report back its findings and recommendations at the next Audit and Governance Committee meeting.**

35. ANNUAL AUDIT LETTER (REPORT A/16/17)

The Partner, (Mazars LLP) introduced the report and explained that the Annual Audit Letter set out a summary of work and findings of the external audit for the 2015/16 audit period.

The Committee noted that external audit had issued an unqualified opinion on the Council's financial statement and an unqualified Vale for Money conclusion.

RESOLVED:

To note the Annual Audit Letter 2015/16.

36. EXTERNAL AUDIT PROGRESS REPORT (REPORT A/16/18)

The Partner, (Mazars LLP) presented the report that provided an update on progress in delivering external audit.

The Committee was informed that the next North Yorkshire Governance Forum meeting would be held on Friday 3 February 2017 and members were invited to attend.

RESOLVED:

To note the report.

37. COUNTER FRAUD UPDATE (REPORT A/16/19)

The Counter Fraud Manager (Veritau) presented the report, which set out the performance and development of counter fraud arrangements within the Council. The report also sought members' comments on the new Counter Fraud and Corruption Policy and associated Prosecution Policy and revised Counter Fraud Strategy, before it was submitted to the Executive for approval.

Members were informed that the Council's responsibility for investigating housing benefit fraud had ended in March 2016. However, the Council recognised that it faced significant fraud risks other than housing benefit fraud; in recognition of this, the Council had strengthened its arrangements by allocating some of the resource previously used for housing benefit fraud investigation to corporate counter fraud work, through Veritau Limited.

The new policies reflected the shift in benefit fraud work to a new corporate fraud approach.

The Committee noted the following:

- Raising awareness of fraud internally and externally was a key objective in the development of the services and as such, actions including publication of an article on housing fraud in the Winter 2016 edition of the tenants newsletter – Open Door, and trialling fortnightly drop in sessions for staff within the Council had been undertaken.
- The fraud team had been actively investigating areas that had not been investigated in the past, including Right to Buy fraud and the misuse of Disabled Blue Badges in Council car parks.

RESOLVED:

To endorse the Council's actions in addressing fraud.

38. REVIEW OF RISK MANAGEMENT STRATEGY (REPORT A/16/20)

The Audit Manager (Veritau) provided a report which presented the revised Risk Management Strategy.

The revised Strategy was set out in Appendix A of the report.

Members were advised that amendments made to the Strategy included the following:

- The inclusion of additional sections in relation to the Council's Risk Culture (page 7, ref 8).
- Business Culture (page 7, ref 9).
- Risk Management in Decision Making (page 9, ref 12).
- The addition of the roles and responsibilities of the Executive (page 15).
- An additional action (page 8, ref 12) to ensure that there was integration between performance management and risk management.

The Chief Finance Officer (s151) explained that in future the Council would be required to adopt a more business-like outlook in some service areas, and as such this may mean taking measured risk in order to promote innovation and to take advantage of operating in a more business-like manner.

RESOLVED:

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

**39. REVIEW OF CORPORATE RISK REGISTER 2016-17
(REPORT A/16/21)**

The Audit Manager (Veritau) presented the report which updated the Committee on movements within the Corporate Risk Register and actions taken to manage the corporate risks the Council faced.

RESOLVED:

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

40. INTERNAL AUDIT PROGRESS REPORT 2016/17 (REPORT A/16/22)

The Committee considered a report that provided an update on progress made in delivering the internal audit work plan for 2016/17, and summarised the findings of recent internal audit work.

The Audit Manager (Veritau) highlighted that there were currently twelve 2016/17 audits in progress. Three reports were in draft and four 2015/16 reports had been finalised since the last report to the Committee. It was anticipated that the target to complete 93% of the audit plan would be exceeded by the end of April 2017.

RESOLVED:

To note the Internal Audit Progress Report and to endorse the actions of officers in furthering the progress of risk management.

The meeting closed at 7pm.

Minutes

Audit and Governance Committee (Working Group)

Venue:	Committee Room
Date:	Thursday 2 March 2017
Time:	10.30am
Present:	Councillors M Jordan (Chair), Mrs J Chilvers, and B Marshall (sub for R Packham).
Apologies:	Councillor R Packham.
Officers present:	Gillian Marshall, Solicitor to the Council; and Daniel Maguire, Democratic Services Officer.
Others present:	Hilary Putman and Wanda Stables, Independent Persons.
Public:	0
Press:	0

41. DISCLOSURES OF INTEREST

There were no disclosures of interest.

42. REVIEW OF STANDARDS ARRANGEMENTS

The Solicitor to the Council presented the report, which confirmed that the Audit and Governance Committee had asked the Working Group to review the standards arrangements at Selby District Council, and to make recommendations about any changes it considered necessary. It was confirmed that any recommendations would be considered by the Audit and Governance Committee at its meeting on 19 April 2017, and then by Full Council on 16 May 2017.

The Working Group noted the Terms of Reference.

The Solicitor to the Council explained that the Localism Act 2011 had introduced a new standards framework for councils which required councils to introduce their own Code of Conduct, rather than adopt a national Code. The changes also required Council's to introduce their own arrangements for dealing with standards issues. The Solicitor to the Council confirmed that District Councils would remain the responsible body for determining standards matters that relate to Parish Councils and Parish Councillors.

It was noted that the arrangements introduced by Selby District Council in response to the Localism Act 2011 did not include councillor involvement, and required that all matters were determined by the Monitoring Officer with advice from the Independent Persons.

The Working Group considered representations from the Independent Persons, both of whom supported changes to the standards arrangements to include councillor involvement. Both Independent Persons advised the Working Group that a hybrid-model that recognised the need for councillor involvement, but also recognised the merits of maintaining a stream-lined process would be a suitable arrangement.

The Solicitor to the Council advised that there were essentially two models that could include councillor involvement:

- Establish a separate Standards Committee, which would determine all standards matters; or
- A hybrid model, which would require the Monitoring Officer to determine if a complaint was valid, and a hearings sub-committee to consider valid complaints.

In response to questions from the Working Group it was confirmed that a hearings committee could be a sub-committee of the Audit and Governance Committee, and that the revised arrangements could include timescales for the various stages and assessment criteria to guide the Monitoring Officer in deciding which cases should progress to hearing. An example of such criteria from North Yorkshire County Council was provided. It was also noted that under such an arrangement the Monitoring Officer would be able to provide a quarterly report to summarise the volume and nature of complaints received.

The Working Group agreed that a hybrid model would ensure that there would be councillor involvement in standards matters, but would retain the benefits of having an efficient and stream-lined pre-hearing process. The Working Group agreed that a hearings committee should be a sub-committee of the Audit and Governance Committee and that it should be referred to as the Standards Sub-Committee.

The Working Group considered the involvement of Parish Councils, as the District Council is required to determine standards matters relating to parishes. The Working Group agreed that Parish Council involvement was important and recommended that the membership of the Standards Sub-Committee should include two Parish Councillors. The Solicitor to the Council

confirmed that a pool of Parish Councillors would be required, to ensure that at least two would be available and that they would not be from the same Council as the subject of the complaint.

The Solicitor to the Council confirmed that the role of the Monitoring Officer and the Independent Persons would be to advise the Standards Sub-Committee and that an Investigating Officer would be appointed to conduct any investigations.

The Working Group agreed to recommend changes to the arrangements for dealing with standards matters, and requested that the Solicitor to the Council prepared a report (to include Terms of Reference for a Standards Sub-Committee) to be considered by the Audit and Governance Committee at its next meeting on 19 April 2017.

RESOLVED:

- (i) To recommend that changes are made to the Selby District Council Constitution as follows:**
 - (a) to establish a Standards Sub-Committee as a sub-committee of the Audit and Governance Committee with appropriate Terms of Reference;**
 - (b) that the membership of the Standards Sub-Committee be 3 District Councillors from the Audit and Governance Committee and 2 Parish Councillors;**
 - (c) that the Standards Sub-Committee be required to consider the views of the monitoring Officer and an Independent Person before making a decision;**
 - (d) that the arrangements should include target timescales to ensure that investigations in complaints progressed expeditiously; and**
 - (e) that the arrangements include assessment criteria to guide the Monitoring Officer in deciding which cases be brought forward to hearing.**
- (ii) To ask the Monitoring Officer to prepare a report summarising the above, including draft Terms of Reference, to be considered by the Audit and Governance Committee at its next scheduled meeting; and**

- (iii) To request that quarterly standards reports are brought to the Audit and Governance Committee which would include a summary of standards matters considered by the Monitoring Officer.**

The meeting closed at 11.23 am.



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	Revised target date of 30 June 2016 for an updated Recruitment and Selection Manual	The revised Recruitment and Selection Manual is complete and has been shared with relevant officers. In addition, officers will continue to review and update the guidance on an ad-hoc basis.	SR	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	Completed
28 Sep 2016	22 - Internal Audit Progress Report	Request that future reports included a summary table showing the progress of audits and agreed actions.	Veritau will look at displaying the information in a convenient format.	KI / Veritau	In progress
18 Jan 2017	28 - Consideration of Internal Audit Report (PRIVATE SESSION)	Request that officers provide a progress update at the April meeting.	Officers will attend the April meeting with an oral update.	JR / KI	In progress
18 Jan 2017	32 - Progress update following the ICT disaster recovery report	Request that officers circulate the final ICT Disaster Recovery Plan to the Committee.	Officers will circulate final report at the end of April.	SR	In progress

Officers:

- KI - Karen Iveson, Chief Finance Officer
- GM - Gillian Marshall, Solicitor to the Council
- JR - June Rothwell, Head of Operational Services
- SR - Stuart Robinson, Head of Business Improvement and Development
- DSO - Democratic Services Officer

Last updated: 18-Jan-17

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Public Session

Report Reference Number: A/16/25

Agenda Item No: 6

To: Audit and Governance Committee
Date: 19 April 2017
Author: Daniel Maguire, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

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, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

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:

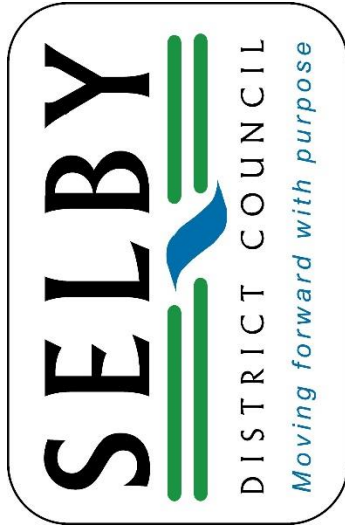
Daniel Maguire, Democratic Services Officer
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Appendices:

A – External Audit Progress Report

Audit Progress Report

Selby District Council



April 2017



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

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

Audit progress

2016/17 audit planning

We have now completed our 2016/17 planning and the results are reflected in the Audit Strategy Memorandum included as a separate agenda item for discussion at the Audit and Governance Committee on 16 April 2017.

Our planning included:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering financial performance;
- assessing internal controls, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- completing walkthrough tests on the key controls within the material financial systems.

As part of our work, we took into account the most recently published updated VFM guidance for local government bodies (in essence, no significant change). <https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

We held planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces. We also discussed the previous year's audit and considered any areas for continuous improvement.

As part of our commitment to quality, team members have already attended our annual audit training conference which included technical issues in the sector and feedback from quality reviews to take into account in the coming year, for example, the workshop covered the new format for the Comprehensive Income and Expenditure Statement to be used in 2016/17.

Bringing forward the accounts and audit timetable

We have continued to work with officers as they seek to streamline arrangements for preparing your statement of accounts. Officers plan to produce the draft accounts requiring certification by the end of May 2017 and we aim to complete the audit by the end of July 2017.

We have discussed emerging technical issues early and we have shared a list of working paper requirements. We have also carried out early substantive testing to reduce the volume of audit work that will be required in June and July 2017.

Issues arising

At this stage of our audit work, we have two areas to report to Members:

- issues to address in relation to payroll; and
- follow up on the duplicate payments issues reported to the Audit and Governance Committee in January 2017.

Issues to address in relation to payroll

Our payroll walkthrough testing highlighted the following issues that management have agreed will be addressed:

Expected key control	Findings and recommendations
<p>The monthly payroll should be authorised by the Head of Service before payroll is run by North Yorkshire County Council (NYCC)</p>	<p>To date in 2016/17, the only authorisation that has been provided is by the HR Officer, who also prepares the payroll. There is no official delegation of authority for the HR Officer to authorise NYCC to run the payroll. Management restructuring may have impacted on the operation of this control.</p> <p>Agreed Action A Director or Head of Service will provide the necessary oversight and authorisation for NYCC to perform the payroll run.</p>
<p>Payroll audit reports are produced by NYCC and signed by HR to evidence reasonableness checks</p>	<p>To date in 2016/17, none of the payroll audit reports have been signed off at the appropriate level. Management restructuring may have affected the operation of this control.</p> <p>Agreed Action A Director or Head of Service will review and sign payroll audit reports each month on a timely basis.</p>

Expected key control	Findings and recommendations
<p>Control account reconciliation prepared and suspense account cleared</p>	<p>The payroll reconciliation is currently showing a number of unreconciled items and discrepancies.</p> <p>Officers are satisfied that the correct amounts are being paid to employees and the correct deductions are being made for PAYE, NI, pensions, etc. However, there is a problem with the costing file which puts the payroll costs into the Council's general ledger.</p>
	<p>The discrepancies are not significant but we have reported this issue previously and it should have been addressed by now.</p>
	<p>We understand that management have now escalated this issue with NYCC to ensure it is resolved.</p> <p>Agreed Action The Council will ensure that the issues with the payroll reconciliation are resolved without further delay.</p>

Follow up on the duplicate payments

As part of our audit planning, we followed up on the issues with duplicate payments that were reported to the Audit and Governance Committee in January 2017.

We carried out an analysis of a download of payments data for 2016/17 to identify potential duplicates.

We did not identify any significant duplicate payments in addition to those that had already been identified, reported and addressed by management. This corroborates the view given by officers that the particular problems experienced in the summer of 2016 were isolated cases and that management has taken appropriate action to address the issues arising.

You should note that this analysis was carried out for the purposes of our audit risk assessment and should not be relied upon for any other purpose.

National publications and other updates

National publications and other updates	
1.	Health and Social Care Integration, National Audit Office, February 2017
2.	Housing in England: overview, National Audit Office, January 2017
3.	Auditor General Guidance Note AGN/01, National Audit Office, December 2016
4.	Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

1. **Health and Social Care Integration, National Audit Office, February 2017**

The NAO has recently published a report on health and social care integration. Although not a direct responsibility of the district council, health and social care is an area of direct relevance to the Council's communities.

The report highlights that progress with integration of health and social care has, to date, been slower and less successful than envisaged and has not delivered all of the expected benefits for patients, the NHS or local authorities. As a result, the government's plan for integrated health and social care services across England by 2020 is at significant risk.

In the face of increased demand for care and constrained finances, while the Better Care Fund, the principal integration initiative, has improved joint working, it has not yet achieved its potential. The Fund has not achieved the expected value for money, in terms of savings, outcomes for patients or reduced hospital activity, from the £5.3 billion spent through the Fund in 2015/16.

The Department of Health and the Department for Communities and Local Government have identified barriers to integration, such as misaligned financial incentives, workforce challenges and reticence over information sharing, but are not systematically addressing them. Research commissioned by the government in 2016 concluded that local areas are not on track to achieve the target of integrated health and social care by 2020.

The report also found that NHS England's ambition to save £900 million through introducing seven new care models may be optimistic. The new care models are as yet unproven and their impact is still being evaluated. While the Departments and their partners have set up an array of initiatives examining different ways to transform care and create a financially sustainable care system, their governance and oversight of the initiatives is poor.

In addition, no compelling evidence was found to show that integration in England is yet leading to sustainable financial savings or reduced acute hospital activity. While there are some good examples of integration at a local level, evaluations have been inhibited by a lack of comparable cost data across different care settings, and difficulty tracking patients through different care settings.

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

2. Housing in England: Overview, National Audit Office, January 2017

The NAO has recently published an overview of the housing market in England, the Department for Communities and Local Government's (DCLG) housing strategy and the overall housing policy landscape. The need for housing in England has in recent years grown faster than its supply.

Total estimated government spending on housing in England was approximately £28 billion in 2015/16. The most significant element of this is housing benefit. In 2015/16 there were 4.1 million claimants in England, costing around £20.9 billion. Two of DCLG's four strategic objectives for this Parliament are focused on housing: increasing home ownership, and increasing the supply of homes, with an ambition of delivering a million new homes in England by 2020.

The report finds that housebuilding has not kept pace with need, and this is particularly acute in London. It notes that DCLG is reliant on the market to achieve its housing objectives and it is not yet clear what impact the result of the referendum on Britain's membership of the European Union will have on the market. The report also finds that housing has become more affordable for existing homeowners, whereas by contrast housing has become less affordable for first-time buyers, and social housing rents have been increasing faster than earnings since 2001/02. Homelessness has also increased over the past five years. At the end of March 2016, 71,500 homeless households in England were in temporary accommodation, up from around 48,000 in 2010/11.

Various public bodies have responsibilities for housing, often using housing as a means of achieving other objectives. In addition, changes made in one area of housing policy can have impacts in other areas. In July 2015, for example, the government announced a reduction in the rents housing associations and local authorities could charge of 1% per year. This reduced the ability of housing associations to finance the construction of new housing.

<https://www.nao.org.uk/report/housing-in-england-overview/>

3. Auditor General Guidance Note AGN/01, National Audit Office, December 2016

The National Audit Office (NAO) issues guidance to auditors of public sector bodies. The main revision to the General Guidance note is to update explanatory and supplementary guidance on meeting the requirements in the Code of Audit Practice to safeguard integrity, objectivity and independence in the conduct of local audit. The Annex to the guidance also illustrates how the requirements of the Financial Reporting Council's (FRC) ethical standard on financial, business, employment and personal relationships apply to audits of local public bodies.

The guidance note and its Annex is addressed to local auditors however it is recommended that audit teams ensure that their audited bodies are aware of the need for auditors to comply with relevant ethical requirements and also that those charged with governance are briefed as appropriate on the requirements of the FRC's ethical standard.

We confirm that we have taken into account the updated guidance and fully comply with the FRC's ethical standard.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

- 4. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd**
The latest 2016/17 monitoring report (quarter 3) highlights full compliance with the Regulator's standards for Mazars LLP.
<http://www.psa.co.uk/audit-quality/principal-audits/mazars-audit-quality/>

Contact details

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

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Public Session

Report Reference Number: A/16/26

Agenda Item No: 7

To: Audit and Governance Committee
Date: 19 April 2017
Author: Daniel Maguire, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit Strategy Memorandum

Summary:

The Audit Strategy Memorandum from the external auditor, Mazars, is provided for comment and noting.

Recommendations:

To consider the Audit Strategy Memorandum.

Reasons for recommendation

The Audit and Governance Committee is required, in accordance with Part 3 of the Constitution, to consider reports of the external auditor and inspection agencies relating to the actions of the Council.

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and sets out the audit plan in respect of Selby District Council for the year ending 31 March 2017. The report forms the basis for discussion at the Audit and Governance Committee meeting.

2 The Report

2.1 The Audit Strategy Memorandum is attached at appendix A and sets out the proposed audit approach in respect of the year ending 31 March 2017.

2.2 The audit will be delivered in four main phases, as detailed in the report and is expected to be completed by 31 July 2017, ahead of the statutory deadlines

being brought forward from next year. The statutory deadline for 2016/17 remains 30 September 2017.

- 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:

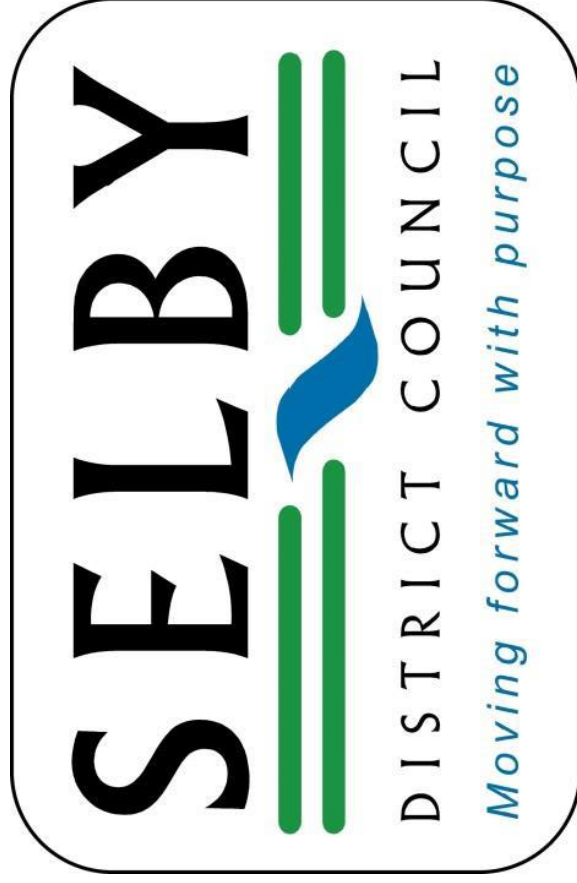
Daniel Maguire, Democratic Services Officer
Ext: 42247
dmaguire@selby.gov.uk

Appendices:

A – External Audit Progress Report

Audit Strategy Memorandum

Selby District Council



For the year ended 31 March 2017



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

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

Executive summary

Purpose of this report

The Audit Strategy Memorandum sets out our audit plan in respect of the audit of Selby District Council ('the Council') for the year ending 31 March 2017, and forms the basis for discussion at the Audit and Governance Committee meeting on 19 April 2017.

The plan sets out our proposed audit approach and is prepared to assist you in fulfilling your governance responsibilities. The responsibilities of those charged with governance are defined as overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the financial reporting process. We have determined that the Audit and Governance Committee is those charged with governance for the purpose of our audit.

<p>Timing of our work</p>	<p>Our audit will be delivered in four main phases as outlined in page 7 of this report. We are planning to complete the audit by 31 July 2017, ahead of the statutory deadlines being formally brought forward from next year. The statutory deadline for the completion of our audit work in 2016/17 is 30 September 2017.</p>
<p>Financial Statements audit</p>	<p>Significant risks</p> <p>We have identified the following areas on which we will carry out specific audit procedures to mitigate the risks of material misstatements in the Council's financial statements:</p> <ul style="list-style-type: none"> • management override of controls; and • valuation of the defined benefit pension scheme. <p>Materiality</p> <p>At the planning stage of the audit we have set materiality for the financial statements as a whole at £775k. In reporting the results of our work we do not report identified misstatements below a clearly trivial level. We have set this level at £23k.</p>
<p>Value for Money conclusion</p>	<p>The work we carry out to form a conclusion on whether the Council has proper arrangements in place for securing economy, efficiency and effectiveness in its use of resources is summarised on page 9. We have not identified any significant risks in respect of our VFM work.</p>
<p>Independence</p>	<p>We have considered any actual, potential or perceived threats to our independence on page 14. We have not identified any such threats at this stage of the audit.</p>

Audit scope and approach

The scope of our work

The detailed scope of our work as your appointed auditor for 2016/17 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 ('the 2014 Act') and are summarised below.

Opinion on the financial statements

We are responsible for forming and expressing an opinion on the financial statements. Our audit is planned and performed so as to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities.

Value for Money conclusion

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our Value for Money work in greater detail later in this report.

Whole of Government Accounts (WGA)

We report to the NAO on the consistency of the Council's financial statements with its WGA submission.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts by an elector. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our response to the risk of fraud

International Standards on Auditing (ISAs) require us to obtain reasonable assurance that the financial statements are free from material fraud and/or error. There are a range of ways in which fraud may arise in the context of your financial statements and we formally consider the risk of fraud as part of our planning work and design appropriate procedures to mitigate risks identified. We maintain an appropriate level of professional scepticism throughout the audit and are mindful that a material misstatement due to fraud is possible, however, our audit should not be relied upon to identify all such misstatements.

Management and the Audit and Governance Committee, as those charged with governance also have responsibilities in respect of fraud. They are responsible for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with laws and regulations.

Our enquiries will focus on:

- what role the Audit and Governance Committee has in relation to fraud and how it is kept informed of fraud related matters by management;
- what anti-fraud measures you have in place and how your policies and procedures are monitored; and
- whether you are aware of any actual, alleged or suspected fraud.

We will formally write to you, in your role as those charged with governance, making the enquiries above, during the audit.

Our approach to obtaining assurance over service organisations

There are material entries in your financial statements where the Council is dependent on an external organisation. We call these entities service organisations. In Appendix A, we outline our approach to understanding the services received from the organisation and the approach we intend to take to obtain sufficient appropriate evidence over items of account that derive from them.

Our use of experts and other auditors

Management and auditor experts

There are material entries in your financial statements which are provided by management experts. For some of these entries, we will use our own expert to provide us with the assurance we require in relation to the work of your expert.

In addition to setting out information in respect of service organisations, Appendix A also summarises management's experts and our planned audit approach to obtaining assurance over their work.

Other auditors

In previous years, we have sought to rely on assurances provided by the auditor of the North Yorkshire Pension Fund (KPMG) in relation to the Council's pension disclosures. Going forward we will be seeking to reduce or eliminate the need for such assurances, by performing additional procedures as part of our audit. However, we have identified that this year we will need to seek some assurances in relation to the data used in the recent triennial revaluation of the fund.

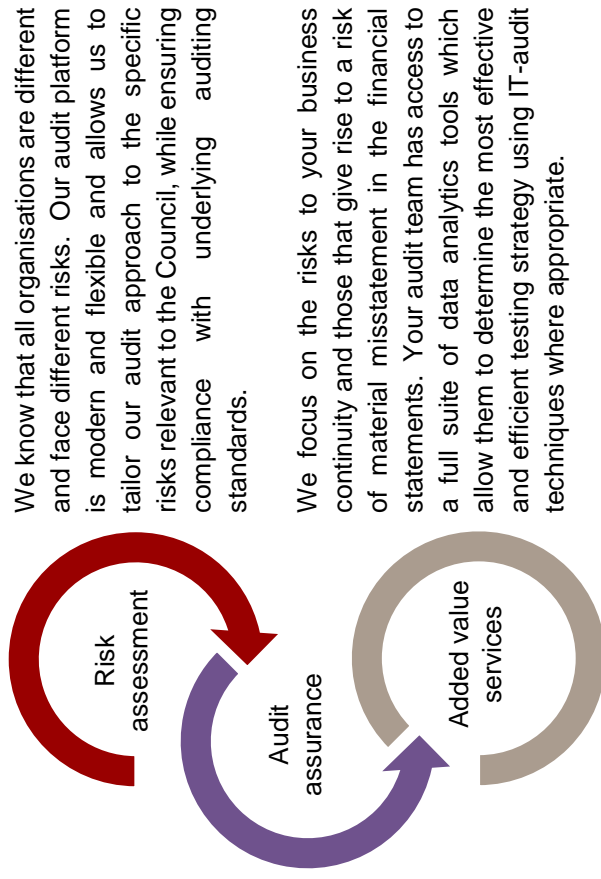
Internal audit

Where appropriate, we will seek to rely on work performed by internal audit where it provides us with the required assurance. We will meet with internal audit to discuss their work programme and findings, and factor this in when determining the most efficient testing strategy.

Where we intend to rely on the work of internal audit, we will evaluate their work and perform our own audit procedures to determine its adequacy for our audit.

Audit efficiency and our use of IT

Innovative and integrated use of IT drives the efficiency and effectiveness of our audit. Your audit team uses the latest IT-based audit solutions and is supported by a team of IT auditors each of who have extensive knowledge of the public sector and providing assurance and advisory services across the public sector.



Significant risks and key judgements

Identified significant risks

As part of our planning procedures we have considered whether there are risks of material misstatement in the Council's financial statements that require special audit consideration. Although we report identified significant risks at the planning stage of the audit, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to mitigate these risks. Where we identify any significant risks in addition to those set out below, we will report these to the Audit and Governance Committee as part of our Audit Completion Report.

Significant risk	How we will mitigate the risk
<p>Management override of control</p> <p>In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such overrides could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.</p>	<p>We will address this risk by performing the following audit work:</p> <ul style="list-style-type: none"> • consideration and review of accounting estimates impacting on amounts included in the financial statements; • consideration and review of any unusual or significant transactions outside the normal course of business; and • journals recorded in the general ledger and other adjustments made in preparation of the financial statements.
<p>Pension Entries</p> <p>The financial statements contain material pension entries in respect of retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and include estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with key contacts any significant changes to the pension estimates prior to the preparation of the financial statements. In addition to our standard programme of work in this area, we will:</p> <ul style="list-style-type: none"> • evaluate the management controls in place to assess the reasonableness of the figures provided by the Actuary; and • consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by the National Audit Office.

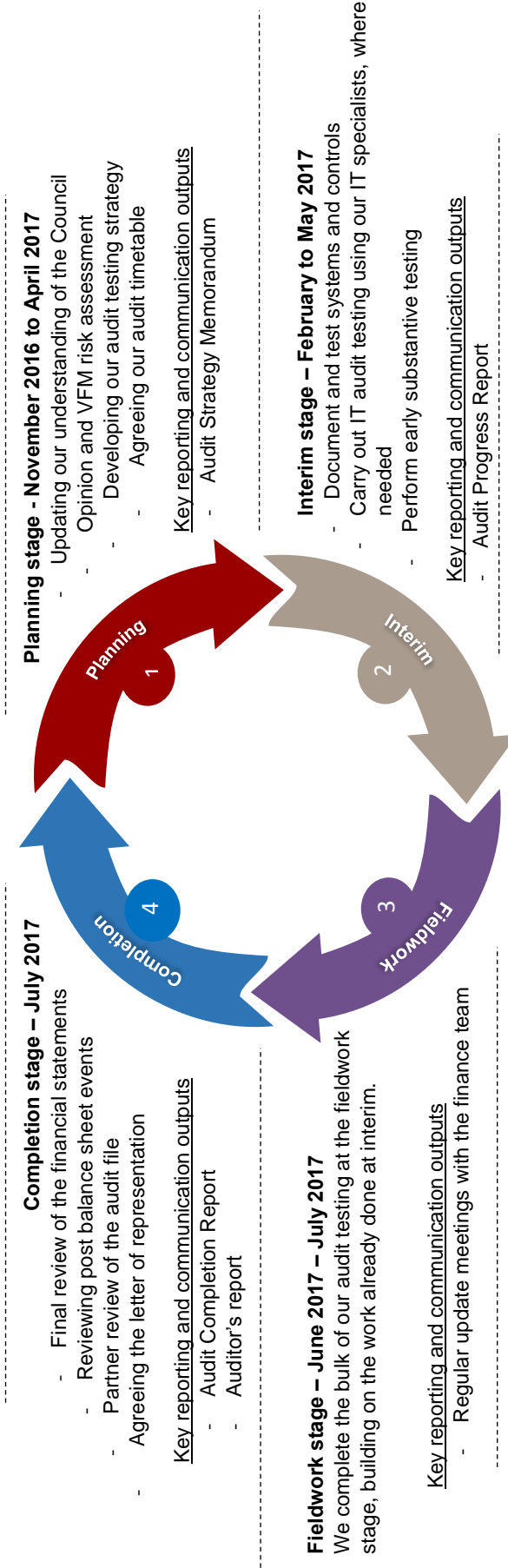
Timetable and communication

Our approach to communication

International Standards on Auditing require us to communicate a number of matters with you at various points during the audit cycle. Later in this section we outline exactly how we will communicate with the Audit and Governance Committee as those charged with governance. As well as being an integral part of our responsibilities under auditing standards, we see two-way communication with the Audit and Governance Committee and officers as being critical to building a robust knowledge of your business, the risks and challenges you face and the plans you have in place to meet those challenges.

Audit timetable

The diagram below outlines the main phases of your audit, when each will be carried out and the outputs that you will receive at each stage. This is underpinned by a 'no surprises' approach to communication that ensures management and the Audit and Governance Committee are kept aware of significant issues on a timely basis. We intend to issue our Audit Strategy Memorandum in April 2017, our Audit Completion Report in July 2017 and our Annual Audit Letter in September 2017.



Key communication points

ISA 260 'Communication with those charged with governance' and ISA 265 'Communicating deficiencies in internal control to those charged with governance and management', require us to communicate a number of matters to you. These matters are set out below.

Matter to be communicated	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Confirmation of our independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Conclusions on the significant audit risks and areas of management judgement		✓
Summary of unadjusted misstatements		✓
Management representation letter		✓
Our proposed audit report		✓

In addition to the matters outlined above which we are required to communicate under auditing standards, we also communicate regularly with the Audit and Governance Committee through our Audit Progress Reports, which are presented at each meeting. We also report to the Council on an annual basis to summarise our work and main conclusions through our Annual Audit Letter.

Value for Money Conclusion

Our approach to Value for Money work

We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out in order to form our conclusion, and sets out the criterion and sub-criteria that we are required to consider.

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.' To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake to reach our conclusion is provided below.



Significant Value for Money risks

The NAO's guidance requires us to carry out work at the planning stage to identify whether or not a risk to the VFM conclusion exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For 2016/17, we have not identified any significant risks for our VFM conclusion.

Fees

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by Public Sector Audit Appointments Ltd (PSAA) as communicated to you in our fee letter on 11 April 2016.

Area of work	2016/17 proposed fee	2015/16 final fee
Code audit work	£44,708	£44,708
Housing Benefit Subsidy certification	£10,628	£13,450

Fees for non-PSAA work

We do not expect to carry out any non-audit work for the Council. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in Appendix B.

Selby and District Housing Trust

In the interests of transparency, we are reporting that we have been separately engaged to carry out an independent examination of the charity, Selby and District Housing Trust. This is not part of the Council, but it is a related party of the Council and the Council is represented on the Board.

Area of work	2016/17 proposed fee	2015/16 final fee
Independent Examination of Selby and District Housing Trust	£1,200	£1,200

Our team



Partner name – Mark Kirkham
Email: Mark.Kirkham@Mazars.co.uk
Phone: +44 (0)113 387 8850

Bio: Mark has been a partner at Mazars since 2015 and prior to that he had been an engagement lead since 2002. Mark has extensive experience in a number of sectors and although this is his first year as the engagement lead for the Selby District Council audit, he had previously held the role over 7 years ago.



Manager name – Gavin Barker
Email: Gavin.Barker@Mazars.co.uk
Phone: +44 (0)191 383 6300

Bio: Gavin is a senior manager with 28 years public sector audit experience. He transferred to Mazars from the Audit Commission in 2012 and has been involved with the Selby District Council audit for over 4 years. His other clients include Sunderland City Council and Tyne & Wear Fire and Rescue Authority. On a voluntary basis, Gavin is also Treasurer and trustee of a Newcastle-based charity that supports people with carer responsibilities.



Team-leader name – Dan Spiller
Email: Dan.Spiller@Mazars.co.uk
Phone: +44 (0)7881 284 012

Bio: Dan gained his CIPFA qualification in 2014, joining Mazars 18 months later. He has led audit teams on a wide range of clients including large district and metropolitan borough councils. Dan also has experience in the housing, charity and education sectors.

Appendix A – Service organisations and experts

Service organisations

As we outline in the main body of this report, the Council makes use of service organisations. ISA 402 defines a service organisation as one that provides services to another entity that form part of that entity's information systems relevant to financial reporting. The table below sets out the service organisations that we have identified as part of our planning work together with a description of how we intend to obtain assurance over the entries in your financial statements that are derived from them.

Service organisation	Services provided	Planned audit approach
North Yorkshire County Council	Finance and IT services, payroll processing, and aspects of treasury management, including investment of the Council's cash balances	Although some staff are employed by NYCC, and some systems are maintained by them, we have sufficient access to staff on site, along with all of the relevant financial information we need to conduct our audit of Selby District Council.

Experts

The Council also uses experts to provide entries in its financial statements. The table below outlines the areas of the financial statements where we expect the Council to use experts and an explanation of the approach we will take to obtaining assurance over those entries.

Financial statement area	Management's expert	Planned audit approach
Property, Plant and Equipment – General Fund	Stephenson's	We will assess the reasonableness and consistency of the valuer's report, including comparison with our own (via NAO) appointed expert - Gerald Eve.
Property, Plant and Equipment – HRA	Kier	We shall assess the reasonableness and consistency of the valuer's report, including comparison with our own (via NAO) appointed expert - Gerald Eve.
Financial Instruments	Capita	We will evaluate the results and information provided by the expert, and consider the information provided in relation to Capita via NAO.

Financial statement area	Management's expert	Planned audit approach
<p>Disclosures relating to the North Yorkshire Pension Fund, which is a Local Government Pension Scheme (LGPS)</p>	<p>Aon Hewitt (actuary)</p>	<p>We will evaluate the results and information provided by the actuary and compare this with our own (via NAO) appointed expert – PWC, who carry out a specific review of the actuarial assumptions used by the main actuaries appointed to local government pension schemes, including Aon Hewitt. If needed, we will consult Mazars own in-house pension specialists for further advice</p>

Appendix B – Independence

We are required by the Financial Reporting Council to confirm to you at least annually in writing, that we comply with the Auditing Practices Board's Ethical Standards. In addition we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you, and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement, there are no relationships between us, and any of our related or subsidiary entities, and you, and your related entities, creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team who are required to rotate off a client after a set number of years; and
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We wish to confirm that in our professional judgement, as at the date of this document, we are independent and comply with UK regulatory and professional requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with either Mark Kirkham or Gavin Barker.

Prior to the provision of any non-audit services, Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence. No threats to our independence have been identified.

Appendix C - Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit.

Whilst planning our audit, we make judgements 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.

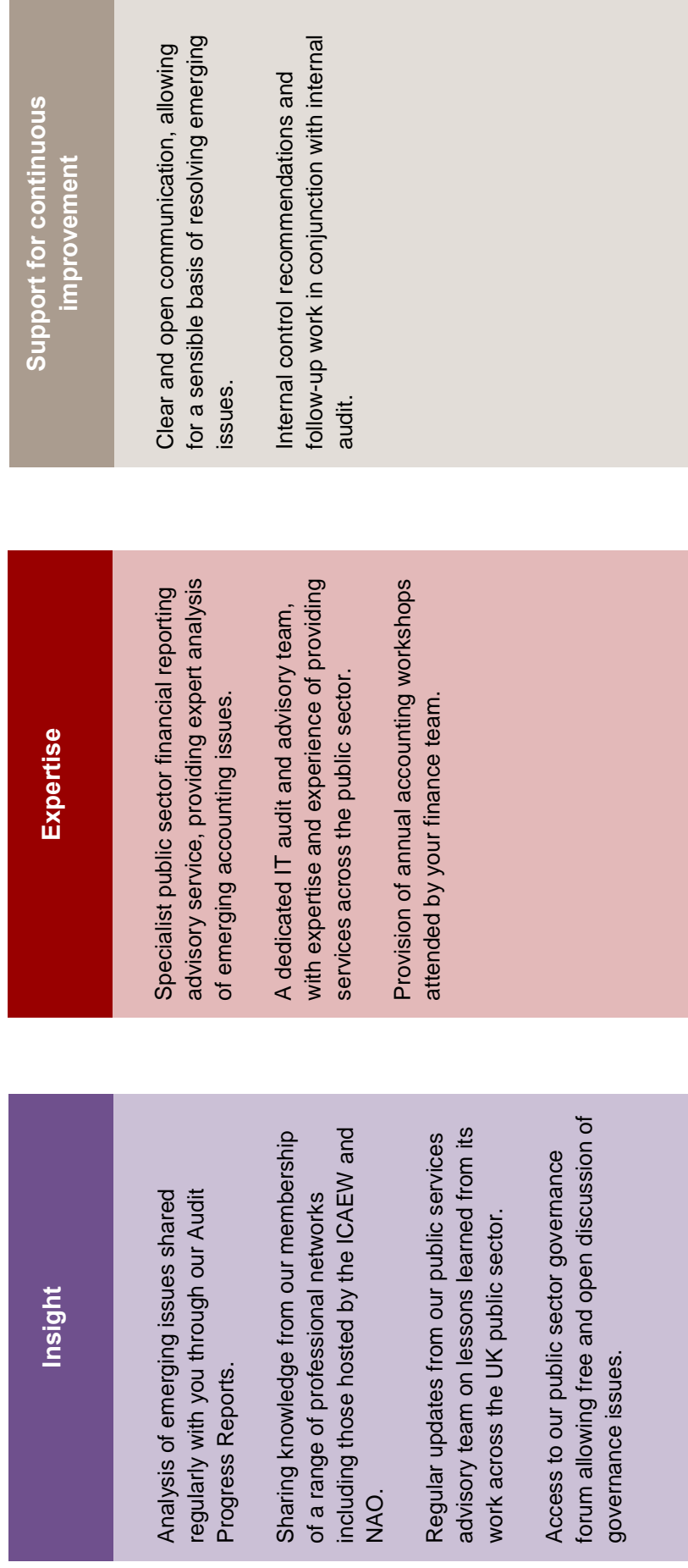
The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

We discuss with management any significant misstatements or anomalies that we identify during the course of the audit and we report in our Audit Completion Report all unadjusted misstatements we have identified other than those which are clearly trivial, and obtain written representation that explains why these remain unadjusted.

Appendix D – Our added value

Our primary responsibilities as the Council's external auditor are outlined in the main body of this report. As your external auditor we are ideally placed to provide added value in delivering those responsibilities and the diagram below provides a summary of how we do this.





Public Session

Report Reference Number: A/16/27

Agenda Item No: 8

To: Audit and Governance Committee
Date: 19 April 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.

Audit and Governance Committee considered the matter in January 2017, agreed Terms of Reference for the Review and set up a working group to look at the issues and report back. The Working Group met on 2 March and agreed various changes which it recommends to Audit and Governance Committee. Ultimately, if the Committee resolves to support the proposed changes, these will need to be considered and approved by full Council.

Recommendation:

That Audit and Governance Committee recommend to Council that changes are made to the Selby District Council Constitution as follows:

- (i) that the Council adopt the revised Standards Arrangements set out at Appendix A;**
- (ii) to establish a Standards Sub-Committee as a sub-committee of the Audit and Governance Committee with the Terms of Reference at Appendix B;**

- (iii) **that the membership of the Standards Sub-Committee be 3 District Councillors from the Audit and Governance Committee and two co-opted members from a Parish Council;**
- (iv) **that it be part of the arrangements that the Standards Sub-Committee be required to consider the views of the Monitoring Officer and an Independent Person before making a decision;**
- (v) **That consequential amendments be made to Article 9 as set out in Appendix C.**

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 background

- 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 since the arrangements were adopted in 2011 and concluded that, whilst the arrangements are satisfactory and meet legal duties, there were areas for improvement and recommended a review be undertaken.
- 1.2 Full Council resolved to ask Audit and Governance Committee to conduct a Review. The Committee appointed a working group consisting of Councillors Jordan, J Chilvers and Marshall which met on 2 March 2017. The draft minutes of the Working Group are attached at Appendix D.

2 Conclusions from the Review

- 2.1 It was noted that the arrangements introduced by Selby District Council in response to the Localism Act 2011 did not include councillor involvement, and required that all factual matters were determined by the Monitoring Officer with advice from the Independent Persons. The issue of sanctions was reserved to full Council. The Working Group considered representations from the Independent Persons, both of whom supported changes to the standards arrangements to include greater councillor involvement.
- 2.2 In response to questions from the Working Group it was confirmed that a hearings committee could be formed as a sub-committee of the Audit and Governance Committee. The revised arrangements could include timescales for the various stages and assessment criteria to guide the Monitoring Officer in deciding which cases should progress to hearing.

An example of such criteria from North Yorkshire County Council was provided. It was also noted that under such an arrangement the Monitoring Officer would be able to provide a quarterly report to the Committee to summarise the volume and nature of complaints received.

- 2.3 The Working Group considered the involvement of Parish Councils, as the District Council is required to determine standards matters relating to parishes. The Working Group agreed that Parish Council involvement was important and recommended that the membership of the Standards Sub-Committee should include two co-opted Parish Councillors. The Solicitor to the Council confirmed that a pool of Parish Councillors would be required, to ensure that at least one would be available and that they were not from the same Council as the subject of the complaint.
- 2.4 The Solicitor to the Council confirmed that that an Investigating Officer would be appointed to conduct any investigations and the role of the Monitoring Officer and the Independent Persons at any hearing would be to advise the Standards Sub-Committee.
- 2.5 The Working Group agreed to recommend changes to the arrangements for dealing with standards matters, and requested that the Solicitor to the Council prepared a report (to include Terms of Reference for a Standards Sub-Committee) to be considered by the Audit and Governance Committee at its next meeting on 13 April 2017. The proposed revised arrangements and Terms of Reference are attached as Appendix A and B.
- 2.6 As a result of these changes consequential amendments will be needed to Article 9. A draft revision is attached at Appendix C.

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 should consider the revised Arrangements and Terms of Reference and recommend their approval by Council.

5 Background Documents/Contacts

*Contact Officer
Gillian Marshall, Solicitor to the Council
gmarshall@selby.gov.uk*

Appendices:

Appendix A:	Draft revised Standards Arrangements
Appendix B:	Draft proposed Terms of Reference
Appendix C:	Draft revision to Article 9
Appendix D:	Draft Working Group minutes

Arrangements for dealing with standards allegations under the Localism Act 2011

These “Arrangements” set out how you may make a complaint that an elected or co-opted member of Selby District Council (or of a parish or town council within its area) has failed to comply with that Council’s Code of Conduct, and sets out how the Council will deal with allegations of a failure to comply with the Council’s Code of Conduct.

Under Section 28(6) and (7) of the Localism Act 2011, the Council must have in place “arrangements” under which allegations that a member or co-opted member of the Council (or of a parish or town council within the Council’s area), or of a Committee or Sub-Committee of the Council, has failed to comply with that Council’s Code of Conduct can be investigated and decisions made on such allegations.

Such arrangements must provide for the Council to appoint at least one Independent Person, whose views must be sought by the Council before it takes a decision on an allegation which it has decided shall be investigated, and whose views can be sought by the Council at any other stage, or by a member (or a member or co-opted member of a parish or town council) against whom an allegation has been made.

The Code of Conduct

Selby District Council has adopted a Code of Conduct for members, which is set out at Part 4 of this Constitution and available for inspection on the Council’s website and on request at Access Selby in Selby Town Centre.

Each parish or town council is also required to adopt a Code of Conduct. If you wish to inspect a Parish or Town Council’s Code of Conduct, you should inspect any website operated by the parish or town council or request the clerk to allow you to inspect that council’s Code of Conduct.

1 Making a complaint

If you wish to make a complaint, please write or email to –

The Monitoring Officer
Selby District Council
Civic Centre
Doncaster Road
Selby YO8 9FT

Or –

standards@selby.gov.uk

The Monitoring Officer is a senior officer of the Council who has statutory responsibility for maintaining the register of members’ interests and who is

responsible for administering the system in respect of complaints of Councillor misconduct.

2. Procedure for Dealing with Complaints

In order to ensure that we have all the information which we need to be able to process a complaint, complainants are asked to complete and send us the standard complaint form, which can be downloaded from the Council's website, next to the Code of Conduct, and is available on request from the Customer Contact Centre. Complainants who choose not to use the standard form must ensure that they provide us with all of the equivalent information; otherwise we may not be able to deal with their complaint.

The Council does not normally investigate anonymous complaints, unless there is a clear public interest in doing so.

The Monitoring Officer will acknowledge receipt of a complaint within 5 working days of receiving it. He/she will keep parties informed of the progress of a complaint.

The Monitoring officer will also normally inform the subject Councillor that a complaint has been made and send them a copy of it. If a complainant has a genuine reason why their details should be withheld from the subject Councillor they should advise the Monitoring Officer of this. The Monitoring Officer may decide to withhold the details or advise the complainant that in the interests of fairness the details will not be withheld. In that case the complainant may choose not to proceed with the complaint.

The following presumptions will apply to the procedure

- There will be a working assumption that details of the allegations made against a Councillor should not be made public until the end of the process and only if there is an investigation (subject to the rules on access to information).
- There will be recognition from the outset of any complaint that the action that can be recommended at the end of any process must be proportionate to the need to ensure effective administration of the Council, the welfare of its staff or the reputation of the Council.
- There will be an overriding presumption that complaints should be settled quickly, efficiently and informally and in a way that represents value for money and takes into account the limited action that can be taken against a Councillor.

Assessment stage

The Monitoring Officer will review every complaint received and apply the assessment criteria at Appendix 1. He/she will, after consultation with the Independent Person, take a decision as to whether it merits further formal action.

This decision will normally be taken within 14 days of receipt of a complaint. Where the Monitoring Officer has taken a decision, he/she will inform the complainant and the subject Councillor of his/her decision and the reasons for that decision.

Where he/she requires additional information in order to come to a decision, he/she may come back to the complainant for such information, and may request information from the member against whom the complaint is directed. Where a complaint relates to a Parish or Town Councillor, the Monitoring Officer may also inform the Parish or Town Council of the complaint and seek views before deciding whether the complaint merits formal investigation.

In appropriate cases, the Monitoring Officer may seek to resolve the complaint informally, without the need for further formal action. Such informal resolution may involve the Councillor against whom the complaint is made accepting that his/her conduct was unacceptable and offering an apology, or other remedial action by the Councillor.

Where the Councillor or the Council make a reasonable offer of local resolution, but the complainant is not willing to accept that offer, the Monitoring Officer will take account of this in deciding whether the complaint merits further formal action.

If a complaint identifies criminal conduct or breach of other regulation by any person, the Monitoring Officer has the power to call in the Police and other regulatory agencies.

The Investigation Stage

If the Monitoring Officer decides that a complaint merits further formal action he/she will appoint an Investigating Officer who will arrange for an investigation to take place.

There will be a presumption that any investigations will be completed quickly and where possible by correspondence.

Wherever possible the investigation will conclude and report within 6 weeks of the matter being referred for investigation.

The Hearings Stage

On receipt of the investigation report and where the report indicates that a breach of the Code has occurred the Monitoring Officer will arrange a Hearing. The Monitoring Officer will make reasonable efforts to ensure that the date for the hearing is suitable to all parties but will not tolerate unreasonable delay.

The Hearing will be before the Standards Sub-committee of the Audit and Governance Committee. The Sub-committee will consist of 3 District Councillors who will not all be from the same political party. Where a complaint is in relation to a Town or Parish Councillor the panel will also include one none voting co-opted Town or Parish Councillor. The co-opted Parish representative will not be from the same parish as the subject councillor.

The Complainant will be offered the opportunity to set out their complaint and comment on the investigation report.

The Subject Councillor will have an opportunity to respond to the Complaint and the investigation report.

The Sub-committee will then decide whether a breach has occurred and announce their findings. If the Hearing finds no breach of the Code of Conduct they will close the hearing and close the complaint.

If the hearing finds a breach of the Code of Conduct the Sub-committee may, after consulting the Independent Person, seek a local resolution. Such resolution may include the Councillor accepting that his/her conduct was unacceptable and offering an apology, and/or other remedial action by the Councillor. If the Councillor complies with the suggested resolution, the Monitoring Officer will report the matter to the Council (or the Parish or Town Council) for information, but will take no further action.

However, if no local resolution is possible or appropriate, the Monitoring Officer will refer the matter to the relevant Council and indicate the Sub-committee's views and recommendation on the appropriate sanction.

Recommended Action

The Sub-committee may recommend any sanction which is in accordance with the law and is proportionate to the findings. Examples of such sanctions include:

- 1.1 That Council pass a motion of censure against the Councillor concerned.
- 1.2 Publishing the findings in respect of the member's conduct;
- 1.3 Recommending to the Councillor's Group Leader (or in the case of ungrouped Councillors, recommend to Council or to Committees) that he/she be removed from any or all Committees or Sub-Committees of the Council;
- 1.4 Recommending to the Leader of the Council that the Councillor be removed from the Cabinet, or removed from particular Portfolio responsibilities;
- 1.5 Arranging training for the Councillor;
- 1.6 Removing (or recommend to the Parish or Town Council that the member be removed) from all outside appointments to which he/she has been appointed or nominated by the Council (or by the Parish or Town Council);

- 1.7 Withdrawing (or recommend to the Parish or Town Council that it withdraws) facilities provided to the member by the Council, such as a computer, website and/or email and Internet access; or
- 1.8 Excluding (or recommend that the Parish or Town Council exclude) the Councillor from the Council's offices or other premises, with the exception of meeting rooms necessary for attending Council, Committee and Sub-Committee meetings.

The Council has no power to suspend or disqualify the Councillor or to withdraw Councillors basic or special responsibility allowances.

Revision of these arrangements

These arrangements will be kept under review and may be amended by resolution of the Audit and Governance Committee.

Appeals

There is no right of appeal for complainants or for the Councillor against a decision of the Monitoring Officer or Sub-committee.

Appendix 1

Jurisdiction and Assessment Criteria

Jurisdiction

Before assessment of a complaint begins, the Monitoring Officer, in consultation with the Independent Person, should be satisfied that the complaint meets the following tests:

1. it is a complaint against one or more named Members/voting co-opted Members (“Members”) of the authority or of a Parish Council within the District;
2. the named Member was in office at the time of the alleged conduct and the Code of Conduct was in force at the time.
3. the complaint, if proven, would be a breach of the Code under which the Member was operating at the time of the alleged misconduct.

If the complaint fails one or more of these tests it cannot be investigated as a breach of the Code, and the complainant must be informed that no further action will be taken in respect of the complaint.

Assessment Criteria

All complaints falling within the jurisdiction of the standards regime will be assessed by the Monitoring Officer, in consultation with the Independent Person, in accordance with the criteria below.

More than one criteria may be applicable to a complaint.

1. Capacity

Was the Councillor acting in in the capacity of councillor at the time of the alleged conduct?

If the answer is **no**, the Code did not apply to the Councillor at the time of the alleged conduct and therefore there can be no breach of the Code.

2. Triviality

Is the complaint too trivial to warrant further action?

If the answer is **yes**: the Monitoring Officer may decide the matter does not warrant further investigation

3. Sufficient Information

Has the complainant submitted enough information to satisfy the Monitoring Officer assessing the complaint that the complaint should be referred for investigation or other action?

If the answer is **no**: the Monitoring Officer may decide the matter does not warrant further investigation

4. Prior Investigation/Action

Has the complaint already been the subject of an investigation or other action relating to the Code of Conduct? Similarly, has the complaint been the subject of an investigation by other regulatory authorities?

If the answer is **yes**: the Monitoring Officer may decide the matter does not warrant further investigation

5. Passage of Time

Is the complaint about something that happened so long ago that there would be little benefit in taking action now?

If the answer is **yes**: the Monitoring Officer may decide the matter does not warrant further investigation

6. Underlying Motivation

Does the complaint appear to be simply malicious, vexatious, politically motivated or tit-for-tat?

If the answer is **yes**: the Monitoring Officer may decide the matter does not warrant further investigation

8. Anonymous Complaints

Is the complaint under consideration anonymous?

If the answer is **yes**, the Monitoring Officer will only refer such a complaint for investigation or some other action if it includes documentary or photographic evidence indicating an exceptionally serious or significant matter and/or if there is a significant public interest in doing so.

9. Requests for Confidentiality

Has the complainant asked for his/her identity to be withheld?

If the answer is **yes**, the Monitoring Officer will need to consider the request by the complainant for confidentiality alongside the substance of the complaint itself.

As a matter of fairness and natural justice, Members will usually be told who has complained about them. Requests for confidentiality should only be granted in exceptional circumstances and at the discretion of the Monitoring Officer, in consultation with the Independent Person. The following considerations may assist the Monitoring Officer's deliberations in this respect:

(a) Whether the complainant has reasonable grounds for believing that they will be at risk of physical harm if their identity is disclosed;

(b) Whether the complainant is an officer who works closely with the subject Councillor and they are afraid of the consequences to their employment or of losing their job if their identity is disclosed (NB: this should be covered by the Council's Whistle-Blowing Policy);

(c) Whether the complainant suffers from a serious health condition and there are medical risks associated with his/her identity being disclosed. In such circumstances, the Monitoring Officer may wish to request medical evidence of the complainant's condition. In such cases, the Monitoring Officer may give the complainant the option of requesting a withdrawal of his/her complaint;

(d) Whether the disclosure of the complainant's identity is necessary for the investigation of the complaint; for example, this may be relevant in a bullying allegation. In such cases, the Monitoring Officer may give the complainant the option of requesting a withdrawal of his/her complaint;

(e) Whether it is possible to investigate the complaint without making the complainant's identity known;

(f) Whether the public interest in proceeding with an investigation outweighs the complainant's wish to have their identity withheld from the subject Member.

Where the Monitoring Officer decides to refuse a request by a complainant for confidentiality, s/he may, in the particular circumstances, decide to offer the complainant the option to withdraw the complaint, rather than proceed with their identity being disclosed.

10. Withdrawal of Complaints

Has the complainant indicated that s/he wishes to withdraw his/her complaint?

If the answer is **yes**, the Monitoring Officer will need to decide whether to grant the request.

The following considerations may assist the deliberations in this respect:

(a) Does the public interest in taking some action on the complaint outweigh the complainant's desire to withdraw it?

(b) Is the complaint such that action can be taken on it, for example an investigation, without the complainant's participation?

(c) Is there an identifiable underlying reason for the request to withdraw the complaint? For example, is there information to suggest that the complainant may have been pressured to withdraw the complaint?

Possible decisions

The Monitoring Officer assessing a complaint may decide to refer the complaint for investigation or seek local resolution (eg training, conciliation); or may decide that no action should be taken in respect of the complaint.

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3.5.3 Audit and Governance Committee

1. To monitor and report on the effectiveness of the Council's Constitution.
2. To receive reports from the Monitoring Officer on the effectiveness of the Standards Arrangements adopted by the Council.
3. To scrutinise and approve the Council's Annual Governance Statement, statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be).
4. To be satisfied that the Council's assurance statements, including the Annual Governance Statement, have been properly developed and considered by councillors.
5. To scrutinise and monitor the control systems, procedures and risk management systems operating at the Council.
- ~~5-6.~~ To receive, but not direct, internal audit service strategy and plan and monitor performance.
- ~~6-7.~~ To receive the annual report of the internal audit service
- ~~7-8.~~ To review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary
- ~~8-9.~~ To consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
- ~~9-10.~~ To seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
- ~~10-11.~~ To consider the reports of external audit and inspection agencies relating to the actions of the Council.
- ~~11-12.~~ To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- ~~12-13.~~ To review the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to issues raised by external audit.

13.14. To issue reports and make recommendations, where appropriate, and in relation to any matters listed above, for consideration by the Council, Executive or the relevant committee of the Council.

14.15. To monitor the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000 for the use and authorisation of surveillance.

Standards Sub-Committee

To include Independent Person and Parish Council representatives as co-opted but none voting members

1. Functions relating to standards of conduct of members under any relevant provision of, or regulations made under, the Localism Act 2011.

Article 9 - Standards Arrangements

9.1 Standards Arrangements

The Council has adopted a local Code of Conduct and Standards Arrangements ~~on 26 June 2012 to come into effect on 1 July 2012~~. A copy of the code of conduct and the Standards Arrangements are attached to this Constitution at Part 5

Minutes

Audit and Governance Committee (Working Group)

Venue:	Committee Room
Date:	Thursday 2 March 2017
Time:	10.30am
Present:	Councillors M Jordan (Chair), Mrs J Chilvers, and B Marshall (sub for R Packham).
Apologies:	Councillor R Packham.
Officers present:	Gillian Marshall, Solicitor to the Council; and Daniel Maguire, Democratic Services Officer.
Others present:	Hilary Putman and Wanda Stables, Independent Persons.
Public:	0
Press:	0

41. DISCLOSURES OF INTEREST

There were no disclosures of interest.

42. REVIEW OF STANDARDS ARRANGEMENTS

The Solicitor to the Council presented the report, which confirmed that the Audit and Governance Committee had asked the Working Group to review the standards arrangements at Selby District Council, and to make recommendations about any changes it considered necessary. It was confirmed that any recommendations would be considered by the Audit and Governance Committee at its meeting on 19 April 2017, and then by Full Council on 16 May 2017.

The Working Group noted the Terms of Reference.

The Solicitor to the Council explained that the Localism Act 2011 had introduced a new standards framework for councils which required councils to introduce their own Code of Conduct, rather than adopt a national Code. The changes also required Council's to introduce their own arrangements for dealing with standards issues. The Solicitor to the Council confirmed that District Councils would remain the responsible body for determining standards matters that relate to Parish Councils and Parish Councillors.

It was noted that the arrangements introduced by Selby District Council in response to the Localism Act 2011 did not include councillor involvement, and required that all matters were determined by the Monitoring Officer with advice from the Independent Persons.

The Working Group considered representations from the Independent Persons, both of whom supported changes to the standards arrangements to include councillor involvement. Both Independent Persons advised the Working Group that a hybrid-model that recognised the need for councillor involvement, but also recognised the merits of maintaining a stream-lined process would be a suitable arrangement.

The Solicitor to the Council advised that there were essentially two models that could include councillor involvement:

- Establish a separate Standards Committee, which would determine all standards matters; or
- A hybrid model, which would require the Monitoring Officer to determine if a complaint was valid, and a hearings sub-committee to consider valid complaints.

In response to questions from the Working Group it was confirmed that a hearings committee could be a sub-committee of the Audit and Governance Committee, and that the revised arrangements could include timescales for the various stages and assessment criteria to guide the Monitoring Officer in deciding which cases should progress to hearing. An example of such criteria from North Yorkshire County Council was provided. It was also noted that under such an arrangement the Monitoring Officer would be able to provide a quarterly report to summarise the volume and nature of complaints received.

The Working Group agreed that a hybrid model would ensure that there would be councillor involvement in standards matters, but would retain the benefits of having an efficient and stream-lined pre-hearing process. The Working Group agreed that a hearings committee should be a sub-committee of the Audit and Governance Committee and that it should be referred to as the Standards Sub-Committee.

The Working Group considered the involvement of Parish Councils, as the District Council is required to determine standards matters relating to parishes. The Working Group agreed that Parish Council involvement was important and recommended that the membership of the Standards Sub-Committee should include two Parish Councillors. The Solicitor to the Council

confirmed that a pool of Parish Councillors would be required, to ensure that at least two would be available and that they would not be from the same Council as the subject of the complaint.

The Solicitor to the Council confirmed that the role of the Monitoring Officer and the Independent Persons would be to advise the Standards Sub-Committee and that an Investigating Officer would be appointed to conduct any investigations.

The Working Group agreed to recommend changes to the arrangements for dealing with standards matters, and requested that the Solicitor to the Council prepared a report (to include Terms of Reference for a Standards Sub-Committee) to be considered by the Audit and Governance Committee at its next meeting on 19 April 2017.

RESOLVED:

- (i) To recommend that changes are made to the Selby District Council Constitution as follows:**
 - (a) to establish a Standards Sub-Committee as a sub-committee of the Audit and Governance Committee with appropriate Terms of Reference;**
 - (b) that the membership of the Standards Sub-Committee be 3 District Councillors from the Audit and Governance Committee and 2 Parish Councillors;**
 - (c) that the Standards Sub-Committee be required to consider the views of the monitoring Officer and an Independent Person before making a decision;**
 - (d) that the arrangements should include target timescales to ensure that investigations in complaints progressed expeditiously; and**
 - (e) that the arrangements include assessment criteria to guide the Monitoring Officer in deciding which cases be brought forward to hearing.**
- (ii) To ask the Monitoring Officer to prepare a report summarising the above, including draft Terms of Reference, to be considered by the Audit and Governance Committee at its next scheduled meeting; and**

- (iii) To request that quarterly standards reports are brought to the Audit and Governance Committee which would include a summary of standards matters considered by the Monitoring Officer.**

The meeting closed at 11.23 am.

Public Session

Report Reference Number: A/16/28

Agenda Item No: 9

To: Audit and Governance Committee
Date: 19 April 2017
Lead Officer: Gillian Marshall, Solicitor to the Council

Title: Updates to the Constitution

Summary:

As part of the preparations for Annual Council a review of the Constitution is undertaken to ensure it is up to date and fit for purpose. It is within the Terms of Reference of the Committee to consider proposed changes to the Constitution.

In the 2017 Review it has been identified that updates could be made to the Scheme of Delegation to deal with a Written Ministerial Statement on affordable housing contributions which has necessitated the creation of a Planning Sub Committee and to the Officer Code of Conduct. In addition there are recommendations to update the Standards Arrangements covered elsewhere on the Agenda.

This report highlights the proposed changes and asks the Committee to endorse them for consideration at Annual Council.

Recommendation:

That Audit and Governance Committee endorse the changes to the Scheme of Delegation at Part 3 of the Constitution as set out in Appendix A and recommend that the changes be approved by Council and the Leader, and recommend to Council that the Officer Code of Conduct at Appendix B be approved by Council and that delegated power be given to the Chief executive, in consultation with the Leader of Council to make future amendments to the Code.

Reasons for recommendation

To ensure the Constitution is up to date and fit for purpose.

1 Introduction and background

- 1.1 As part of the preparations for Annual Council a review of the Constitution is undertaken by the Council's Leadership Team to ensure it is up to date and fit for purpose. It is within the Terms of Reference of the Committee to consider proposed changes to the Constitution.

2 Conclusions from the Review

- 2.1 The 2017 Review highlighted that changes could be made to
- The Scheme of Delegation
 - The Officer Code of Conduct
- 2.2 In addition, the Committee will consider elsewhere on the Agenda a proposal to amend the Standards Arrangements.

Planning Delegations

- 2.3 As a result of a Written Ministerial Statement (WMS) dated 28 November 2014, proposals for an affordable housing contribution from sites of 1-9 dwellings which are required by policy SP9 of the Core Strategy are no longer being sought. Nor is on-site provision being sought for scheme of 10 units. The WMS is treated as a material consideration which justifies a departure from the adopted development plan. However the Scheme of Delegation requires that all applications which are a departure from the development plan be determined by Members and not Officers. As a result, a Planning Sub-Committee has been formed to consider these applications.
- 2.4 As a result of the Sub Committee there are a significant level of additional resources required in terms of increased planning officer time, support from other services including legal, democratic and business support services and Member time over and beyond what would be required to determine an application under delegated powers.
- 2.5 An amendment is therefore sought to the Scheme as follows :-

Current	Proposed
Any major or minor applications which are recommended to be approved contrary to the requirements of the Development Plan	Any major or minor applications which are recommended to be approved contrary to the requirements of the Development Plan with the exception of minor applications for residential development which are in accordance with the NPPF and the Written Ministerial Statement of 28 November 2014.

- 2.6 Officers consider that the benefits of not having the Sub Committee would bring significant benefits such as faster decision making with those applications contributing towards the 5 year housing supply, providing a more effective service for applicants by improving the speed of which decisions are made, more officer time will be available to put towards other case work and more time available for members who currently sit on the Sub Committee to deal with other matters. It is also considered that there would be financial savings in terms of reduction in the costs of administering the meetings.
- 2.7 Since the first Sub Committee was re-established on 26th July 2016 there have been 78 applications that have been presented to the Sub Committee (an average of 9 per Sub Committee) of which there have been 14 cases where third parties (applicant, agent or objector) have registered to speak. There have been no cases at the Sub Committee that have resulted in a decision to seek the affordable housing contributions.
- 2.8 Planning is a council function and therefore this change must be approved by full Council.

Other changes in Scheme of Delegation

- 2.9 Authority was previously granted to the Solicitor to the Council to make changes to the Scheme to reflect the new organisational structures. Some in year changes have been made and now that the full Structure is in place, the Scheme has been further updated. No changes of substance to the level of delegations have been made but the Scheme has been rewritten and clarified.
- 2.10 The full revised scheme is attached at Appendix A. Where the functions listed are council functions the ultimate decision maker is council. Where they are executive functions they are at the discretion of the Leader and are updated annually in his Leader's Report at the Annual meeting.

The Officer Code of Conduct

- 2.11 The Officer Code is incorporated into the Terms and Conditions of employment for officers and helps to set organisational culture as well as being referred to in disciplinary matters. The draft Code at Appendix B has been updated as shown in for clarity and reflecting experience of issues arising over the past few years.
- 2.12 Unison has been consulted and has raised no issues with the proposed changes.

- 2.13 As the Code is part of the Constitution it can only be changed by full Council. However as the document does need to be refreshed periodically in the light of experience and to reflect best practice it would be beneficially to give the Chief Executive delegated authority to make further changes in consultation with the Leader of Council.

3 Legal/Financial Controls and other Policy matters

3.1 Legal issues

- 3.1.1 A local authority is under a duty to prepare and keep up to date its constitution under s.9P Local Government Act 2000 as amended.

3.2 Financial Issues

- 3.2.1 None identified.

4 Conclusion

- 4.1 That the Committee should consider the proposed changes and recommend their approval by Council and the Leader.

5 Background Documents/Contacts

Contact Officer:
Gillian Marshall, Solicitor to the Council
gmarshall@selby.gov.uk

Appendices:

Appendix A - Draft revised Scheme of Delegation
Appendix B - Draft revised Code of Conduct

PART 3.9 - OFFICER DELEGATION SCHEME

3.9.1 General

- (a) Councillors set policy priorities and strategies to reflect local interests and needs and are also responsible for allocating funding between individual priority areas. The Chief Executive, Directors, the Solicitor to the Council, the Chief Finance Officer and Heads of Service and their staff implement these strategies and policies. It is officers therefore, who have responsibility for managing the Council's day to day operations, within a policy and budgetary framework laid down by Councillors.
- (b) Under the executive arrangements adopted by the Council, both full Council and the Executive have specific functions and many of these can be delegated to committees or officers. Where Council or the Executive have established a committee to discharge their respective functions then subject to any limitations imposed by the Council/Executive respectively, that committee can also delegate its functions to an officer.
- (c) The functions delegated to officers by the Executive and Council are set out in the delegations below

3.9.2 General conditions applying to all delegated powers:

- (a) Functions must be discharged by officers in the manner set out below and at all times in accordance with:
 - (i) the Constitution of the Council;
 - (ii) any relevant policies, directions, rules of procedure and codes of practice of the Council;
 - (iii) approved budgets; and
 - (iv) decisions of the Executive and Council and their committees.
- (b) The Council can, without prejudice to any action already taken, amend or revoke this scheme of delegation at any time (in accordance with the arrangements for amending this Constitution as set out in Article 15);
- (c) Named officers may arrange for functions to be discharged by others, but will remain accountable for those functions. Where such further delegation takes place the relevant authorisation shall be set out in writing.
- (d) An officer shall not incur, nor commit the Council to, any expenditure for which there is no budget provision, or for which specific approval is required and has not been received, except in an emergency. In such

circumstances, the agreement of the Leader of the Council and the Chief Finance Officer S151) will first be obtained, and the circumstances subsequently reported to the Executive.

- (e) Any matter which, in the judgement of the officer exercising powers under this Scheme, is likely to give rise to unusual difficulty, or the circumstances of which are likely to give rise to controversy or other extraordinary consideration, shall be dealt with only after consultation with the Leader of the Council, appropriate Executive Councillor or Committee Chair.
- (f) Notwithstanding the provisions of this Scheme, the officer may bring before the Executive or appropriate committee for determination any matter which, having regard to his or her knowledge and understanding of the circumstances, should more appropriately be decided by the Executive or decision making body or which involves questions of policy not yet determined by the Council.
- (g) An Executive Councillor may request that an officer refrains from exercising a delegated executive authority in respect of a particular matter and refer it instead to the Executive, for a decision. The Officer shall have regard to this request before deciding how to proceed.
- (h) Any reference within this Scheme to `Chair' shall be taken to apply to the Vice-Chair where contact with the Chair cannot be made.
- (i) Delegated powers shall include the carrying out of all duties and powers covered by the function including administrative and procedural acts, the exercising of discretion and the making of determinations.

3.9.3 Specific Functions delegated to the Chief Executive

- (a) To act as Head of Paid Service for the Council and in particular:
 - (i) to have authority over all other officers (except the Monitoring Officer and the Section 151 Officer when either act in that capacity) and to be able to approve sub delegation any of their functions in their absence;
 - (ii) to formulate employment practices and procedures; and
 - (iii) to deal with routine matters of day-to-day administration, management and control of matters which are necessary for the proper performance of the Chief Executive's terms of appointment.
- (b) To exercise all the functions of the Proper Officer of the Council under all legislation in relation to both executive and non-executive functions except where that legislation or this Scheme delegates

such functions to another named officer.

- (c) To formulate and co-ordinate professional advice to all parties in the decision-making process and, in particular, to advise on strategic and corporate policy and to ensure that appropriate arrangements are in place to give effect to the strategies, plans and policies of the Council.
- (d) To sign on behalf of the Council any document necessary to give effect to any decision of the Council in relation to both executive and non-executive functions.
- (e) To act as the authorised representative of the Council in respect of (1) its membership of any limited company to give effect to any decision of the Council in relation to executive functions or (2) any partnership or (3) any external bodies which are required by statute or the Council.
- (f) To act as the Returning Officer and undertake all functions relating to elections and electoral registration.
- (g) Under the Data Protection Act 1998 and Freedom of Information Act 2000, and guided by the Access to Information Procedure Rules, to decide appeals as to whether applications by councillors for access to material should be refused.
- (h) To amend the approved establishment and staffing structure, provided any changes are consistent with the budget and policy framework.
- (i) To approve (in consultation with the Leader) any matter, including funding agreements, necessary to give effect to any resolution of the West Yorkshire Combined Authority in respect of recommendations of the Leeds City Region LEP affecting the Selby District.¹
- (j) To discharge any function of the Council not otherwise delegated to Chief Officers, or other named officers.
- (k) Limits, controls and conditions
 - (i) After consultation with the Leader of the Council:
 - to exercise all the Council's functions in emergency or urgency situations which, in the Chief Executive's opinion, seriously affect the functions of the Council and/or the well-being of the Council's area; and
 - to receive and consider proposals for the Executive's

¹ This function has also been delegated concurrently by the Leader to the Director of Regeneration and Place

Forward Plan and annual work programmes of committees and make recommendations on those work programmes to the Council.

- (ii) After consultation with the relevant Group Leader to authorise any amendments or changes to the appointment of councillors and substitute councillors to committees or outside bodies.
- (iii) After consultation with the Chief Finance Officer (s151) to approve supplementary estimates up to and including £10,000 (up to an overall limit of £50,000 in any one year) and to report details of all such approvals to the Executive on a quarterly basis.

3.9.4 Specific Functions delegated to the Directors

- (a) To deputise for the Chief Executive when the Chief Executive is absent or unable to act in that capacity:

3.9.5 Specific Functions delegated to the Solicitor to the Council

- (a) To act as the Deputy Returning Officer
- (b) To act as the Monitoring Officer:
 - (i) To be the proper officer to receive complaints of failure to comply with the local Councillor Code of Conduct;
 - (ii) To take all of the actions necessary to implement and operate the arrangements adopted from time to time by the Council for dealing with complaints of failure to comply with the local Councillor Code of Conduct;
 - (iii) To prepare and maintain a register of councillors interests to comply with the requirements of the Localism Act 2011 and the Council's Code of Conduct, and ensure that it is available for inspection as required by the Act
 - (iv) To prepare and maintain registers of councillors' interests for each Town and Parish Council to comply with the Act and any Code of Conduct adopted by each Town or Parish Council and ensure that it is available for inspection as required by the Act;
 - (v) To grant dispensations from the rules concerning councillor interests
 - (vi) To determine requests for councillors' interests to be considered and dealt with as sensitive interests

- (vii) To make administrative changes to the Constitution or changes to names, titles or designations and changes consequential to legislative changes, where the Council does not have a discretion on how the changes should be implemented or which do not alter the purpose or intent of this Constitution.
- (viii) To deal with complaints (including complaints relating to maladministration) and to authorise without prejudice payments or other benefits up to a value of £1000
- (d) To undertake all of the Council's functions in connection with:
 - Local Authority Legal Services
 - Local Land Charges and Searches/Enquiries
 - Community Legal Service
 - Data Protection and Freedom of Information
 - National Assistance Act 1948 and subsequent legislation
- (e) To deal with routine matters of day-to-day administration, management and control within the remit of the Solicitor to the Council or matters which are necessary for the proper performance of the Solicitor to the Council's terms of appointment.
- (f) To institute, defend, participate in or settle any legal proceedings in any case where such action is necessary to give effect to decisions of the Council, ensure the implementation of Council policy or to protect the Council's interests, including issuing instructions to Counsel.
- (g) To authenticate any documents necessary for the exercise of any function of the Council.
- (h) To sign Statements of Truth in civil proceedings as required by the Civil Procedure Rules 1998
- (i) To have overall responsibility for information governance
- (j) To carry out the licensing functions of the Council relating to
 - (i) Taxi, food and miscellaneous licensing, health and safety and certain deposits on the highway as set out in Sections B, C and I(22) of Schedule 1 of the Local Authorities (Responsibilities for Functions) (England) Regulations 2000 as from time to time in force
 - (ii) Contaminated land, control of pollution and the management of air quality as set out in Schedule 2 of the Local Authorities (Responsibilities for Functions) (England) Regulations 2000 as from time to time in force
 - (iii) Decisions as to the revocation of HMO licences under the Housing

Act 2004

- (iv) Smoke free premises under the Health Act 2006.
- (v) Motor salvage and scrap metal
- (vi) Functions under the Licensing Act 2003 including applications for and variations to premises licences, club premises certificates and provisional statements where a relevant representation has been made and not withdrawn and imposing appropriate conditions*
- (vii) Licensing functions under the Gambling Act 2005
- (k) Limits and Controls

Licences and registrations may be issued, under delegated authority, but not refused.

3.9.5 Specific Functions delegated to the Chief Finance Officer (s151)

- (a) To have responsibility for the Council's financial affairs in accordance with s151 of the Local Government Act 1972 and to act as financial adviser to the Council, Executive and committees.
- (b) To have overall responsibility for the Council's finance functions, systems and controls either directly (where services are under the management of the s151 Officer) or indirectly (where the services are managed elsewhere within or external to the Council), including::
 - (i) Accountancy (including banking)
 - (ii) Investments, borrowing and financing
 - (iii) Insurances
 - (iv) Housing and Council Tax Benefits
 - (v) Council Tax, NNDR and other Revenues
 - (vi) Internal Audit (including matters arising from the Internal Audit Company)
 - (vii) Debtors and Creditors
 - (viii) The Collection Fund
 - (ix) Investigation of fraud and financial impropriety
 - (x) The control of funds and reserves
 - (xi) Risk Management
 - (xii) Financial governance
- (c) To deal with routine matters of day-to-day administration, management and control within the remit of the Chief Finance Officer (s151) or matters which are necessary for the proper performance of the Chief Finance Officer (s151) terms of appointment.

- (d) Limits, controls and conditions
- (i) Where satisfied that recovery is not economically possible, to write off as irrecoverable, any debt, charge, penalty or arrears owing to the Council up to an amount of £50,000 in each case and to write off amounts over £50,000 only after consultation with the Leader of the Council (or the Lead Member for Finance in the Leader's absence).
 - (ii) To authorise expenditure arising in the case of emergencies/ disasters of up to £20,000 under Section 38 of the Local Government Act 1972, subject to a report back to the Executive.
 - (iii) To grant ex gratia payments of up to £300 in appropriate circumstances to staff suffering loss in the course of their duties that is not covered by insurance.
 - (iv) After consultation with the Chief Executive, to administer the operation of the Car Loan Scheme, in accordance with Council Policy for all officers within the Scheme (except in the case of a car loan for the Chief Executive when there shall be prior consultation with the Leader of the Council).

3.9.6 General (executive and non-executive) Functions delegated to Directors

- (a) To deal with routine matters of day-to-day administration, management and control or matters which are necessary for the proper performance of their terms of appointment.
- (b) To undertake the day-to-day management of the services and functions for which they are responsible, including the deployment of personnel, premises, vehicles, plant, equipment and other resources under their control.
- (c) Within the budget and policy framework to recruit, manage and, where necessary, dismiss staff under their control and in particular:
 - (i) to authorise pay and conditions (including honoraria);
 - (ii) to undertake disciplinary proceedings;
 - (iii) to defend and, if necessary (and subject to the approval of the Executive Director with s.151 responsibilities if it involves claiming on the Council's insurance), settle any claims made against the Council following consultation with the Solicitor to the Council;
 - (iv) to be responsible for the health and safety at work of staff;
 - (v) to implement all employment policies, practices and procedures;

- (vi) to operate the Council's Grievance, Disciplinary and Competency Procedures;
 - (vii) to authorise appropriate changes to post titles; and
 - (viii) to issue and revise statutory authorities to officers.
- (e) To acquire, dispose of, grant and obtain rights in land, premises, vehicles and other equipment and property for the purposes of delivering the Council's functions on such terms and conditions as are considered appropriate.
 - (f) To provide, procure, and commission goods and services and to undertake, procure and commission works.
 - (g) After consultation with the Head of Service Contracts, Commissioning and Procurement, to accept a tender where delay could prevent a contractor commencing in accordance with the date of site possession.
 - (h) To provide grants and other financial assistance.
 - (i) After consultation with the Chief Executive, to authorise the issuing of an essential variation order which would increase the contract sum where delay would substantially increase the cost.

3.9.7 General (executive and non-executive) Functions delegated to Heads of Service

- (a) To deal with routine matters of day-to-day administration, management and control within the remit of the Head of Service or matters which are necessary for the proper performance of their terms of appointment.
- (b) To undertake the day-to-day management of the services and functions for which they are responsible, including the deployment of personnel, premises, vehicles, plant, equipment and other resources under their control.
- (c) Within the budget and policy framework to recruit, manage and, where necessary, dismiss staff under their control and in particular:
 - (i) to authorise pay and conditions (including honoraria);
 - (ii) to undertake disciplinary proceedings;
 - (iii) to defend and, if necessary (and subject to the approval of the Chief Finance Officer (S151) if it involves claiming on the Council's insurance), settle any claims made against the Council following consultation with the Solicitor to the Council;
 - (iv) to be responsible for the health and safety at work of staff;
 - (v) to implement all employment policies, practices and procedures;
 - (vi) to operate the Council's Grievance, Disciplinary and Competency Procedures;

- (d) To provide, procure, and commission goods and services and to undertake, procure and commission works.
- (e) After consultation with the Head of Service Contracts, Commissioning and Procurement, to accept a tender where delay could prevent a contractor commencing in accordance with the date of site possession.

3.9.9 **Specific Officer Delegations for Non Executive (council) functions**

Planning and Development Management

The Director of Economic Regeneration & Place and Head of Service Strategic Planning, Policy and Economic Development are authorised to carry out the following functions

- (a) All functions relating to Town and Country Planning and development management as specified in Section A of Schedule 1 of the Local Authorities (Responsibilities for Functions) (England) Regulations 2000 as from time to time in force including enforcement and all powers under planning legislation to obtain information as to interests and particulars of persons interested in land.

- (c) **Limits, controls and conditions**

This delegation is limited and shall not apply to:

- (i) Any application which is accompanied by an Environmental Impact Statement.
- (ii) Any application which is defined as a significant departure from the adopted development plan as identified in planning circular 02/09 or in any successor document (see definition below) and where officers wish to approve the development.
- (iii) Any major or minor applications which are recommended to be approved contrary to the requirements of the Development Plan with the exception of minor applications for residential development which are in accordance with the NPPF and the Written Ministerial Statement.
- (iii) Any application made by or on behalf of a District Councillor or his/her partner.
- (iv) Any application made by any employee within the planning service or any employee of the Council of Principal Officer grade or above (or the partner of any such employee).

- (v) Any major or minor application where 3 or more consultees object to a planning application and where officers would otherwise determine the application contrary to the specific representations raised by those consultees.
- (vi) Any major or minor application where 10 or more letters of representation are received which in the view of a Director raise material planning considerations and where officers would otherwise determine the application contrary to these representations.
- (vii) Any application which the ward councillor for the area where the proposal lies requests to be heard by the committee in writing within 21 days of the publication of the application in the weekly list and where the request gives valid material planning reasons for doing so. For the avoidance of doubt, matters such as the loss of a view, loss in value of a property or comments such as 'to allow this matter to be heard in the public arena' are not valid material planning considerations.
- (viii) Any proposed tree preservation order which is the subject of a valid objection.

(c) Definitions

Significant departures are defined as following in circular 02/09 where the Local Planning Authority wishes to approve the proposal in terms of the following:

- (i) Inappropriate development on land allocated as Greenbelt in an adopted plan or development plan document which consists of :
 - (a) The provision of a building or buildings where the floor space to be created by the development is 1,000 square metres or more:
 - OR
 - (b) Any other development which, by reason of its scale or nature or location, would have a significant impact on the openness of the Greenbelt.
- (ii) Development which includes or consists of retail, leisure or office use and which:
 - (a) Is to be carried out on land which is edge of centre, out of centre or out of town; **AND**

- (b) Is not in accordance with one or more provisions of the development plan in force in relation to the area in which the development is to be carried out; **AND**
- (c) Consists of or includes the provision of a building or buildings where the floor space to be created by the development is:
 - 5,000 square metres or more; **OR**
 - Extensions of new development of 2,500 square metres or more which when aggregated with existing floorspace, would exceed 5,000 square metres.
- (iii) Development having an adverse impact on the outstanding universal value, integrity, authenticity and significance of world heritage sites or their setting, including any buffer zone or its equivalent, and being development to which English Heritage has objected to and that objection not having been withdrawn.
- (iv) Playing field development where the land subject of the application:
 - (a) Is land of a local authority: **OR**
 - (b) Is currently used by an educational institution as a playing field; **OR**
 - (c) Has at any time in the 5 years before the application is received been used by an education institution as a playing field: **AND**
 - (d) Sport England has been consulted and has objected on one or more of the following grounds:
 - That there is a deficiency in the provision of playing fields in the area of the Local Planning Authority;
 - That the proposed development would result in such a deficiency; **OR**
 - That the proposed development involves a loss of playing field and an alternative or replacement playing field is proposed, that alternative or replacement does not match (whether in quantity, quality or accessibility) that which would be lost.
- (v) Major development in a flood risk area to which the

Environment Agency has made an objection that it has not been able to withdraw even after discussion with the Local Planning Authority.

(d) Major applications are defined as follows:

- ten (10) or more units of residential accommodation
- new commercial development over 1,000 square metres
- change of use over 1,000 square metres
- amendment or removal of a condition relating to a major development
- site area exceeding 0.5 hectares where it is not known how many dwellings are to be created
- development site area is one (1) hectare or more

(e) Minor applications are defined as follows:

- Residential - 1-9 units (including change of use) or less than 0.5 hectare site area
- Non-residential - 50-1,000 square metres floorspace or less than one (1) hectare site area

(f) Other applications are defined as follows:

- Changes of use
- Householder Development
- Advertisements
- Listed building consents (to demolish and alter/extend)
- Conservation Area Consents
- Certificate of Lawful Development

SELBY DISTRICT COUNCIL

CODE OF CONDUCT FOR OFFICERS

1. Standards

Employees of Selby District Council are expected to give the highest possible standard of service to the public and, where it is part of their duties, to provide appropriate advice to Councillors and fellow employees with impartiality. Employees will be expected to bring any impropriety or breach of procedure to the attention of the appropriate line manager. Such information will be treated in the strictest confidence.

Employees should:

- Accept responsibility for their own professional actions and behaviours
- Establish, maintain and develop business relationships based on confidence, trust and respect
- Safeguard all confidential, commercially sensitive and personal data acquired as a result of business relationships

2. Disclosure

It is generally accepted that open government is best. The law requires that certain types of information must be available to Councillors, Auditors, Government Departments, service users and the public. Employees should make themselves aware of which information at the Council is open and which is not and act accordingly, particularly relating to Committee/Board meetings.

Employees should not use any information obtained in the course of their employment for personal gain or benefit, nor should they pass it on to others who might use it in such a way. Any particular information received by an employee from a Councillor which is personal to that Councillor and does not belong to the Council, should not be divulged by the employee without the prior approval of that Councillor, except where such disclosure is required or sanctioned by the law.

3. Political Neutrality

Employees serve the Council as a whole. It follows they must serve all Councillors and not just those of the controlling group and must ensure that the individual rights of all Councillors are respected.

Where employees are required to advise political groups, they must do so in ways which do not compromise their political neutrality. Both employees and Councillors should be aware of this requirement.

Employees must follow every lawful expressed policy of the Council and must not allow their own personal or political opinions to interfere with their work.

The political activities of certain post holders are restricted due to the seniority, or political sensitivity of the post. Details of these restrictions are incorporated into individual

contracts of employment. A list of politically restricted posts is detailed on the last page of this document.

4. Private Purchasing

Employees must not use the Council's purchasing systems to purchase items for private use or to secure personal advantage. Employees are not entitled to receive any discount or advantage as a result of their employment with the Council unless this is expressly permitted by the Council, for example through corporate employee discount or voluntary benefit schemes which have been agreed for all employees.

4.5. Relationships

Councillors

Employees are responsible to the Council through its senior managers. Mutual respect between employees and Councillors is essential to good Local Government. Close personal familiarity between employees and individual Councillors can damage the relationship and prove embarrassing to other employees and Councillors and should, therefore, be avoided.

Local Community and Service Users

Employees should always remember their responsibilities to the community of the district and ensure courteous, efficient and impartial service delivery to all groups and individuals within the community as defined by the policies of the Council.

Contractors

All relationships of a business or private nature with external contractors or potential contractors should be made known to the appropriate senior manager. Orders and contracts must be awarded on merit by fair competition against other tenders and no special favour should be shown to businesses run by, for example, friends, partners or relatives in the tendering process. No part of the local community should be discriminated against.

Employees who engage or supervise contractors or have any other official relationship with contractors, and have previously had or currently have a relationship in a private or domestic capacity with contractors, should declare that relationship to the appropriate senior management.

5.6. Appointment and Other Employment Matters

As set out in the Council's recruitment and selection manual, employees involved in appointments should ensure that these are made on the basis of merit. In order to avoid any possible accusation of bias, employees should not be involved in an appointment where they are related to an applicant, or have a close personal relationship outside work with him or her.

Similarly employees should not be involved in decisions relating to discipline, promotion or pay adjustment for any other employee who is a relative, partner etc.

6.7. Outside Commitments

Employee's off duty hours are their own concern but they should not subordinate their duty to their private interests or put themselves in the position where their duty and private interests conflict.

Employees whose grades include Senior Officer level (band 3a) or above may not engage in any other business or take up any other additional appointment without the express consent of the Council. Such consent is obtained through formal application to the appropriate senior manager.

No outside work of any sort should be undertaken in the office and the use of facilities (computers, laptops, telephones etc.) is forbidden.

7.8. Personal Interests

Employee must declare, to their line manager, where the appropriate statements are true:

- Any non-financial interests that they consider could bring about conflict with the Council's interests (e.g. member of pressure group potentially opposed to the Council's work).
- Any financial interests which could conflict with the Council's interests.

Employees should also declare to the Council, via the Chief Executive, membership of any secret societies. The definition of "secret society" is as follows:

Any lodge, chapter, society, trust or regular gathering or meeting which:

- is not open to members of the public who are not members of that lodge, chapter, society or trust.
- Includes, in the grant of membership, a requirement on the part of the member to make a commitment (whether by oath or otherwise) of allegiance to the lodge, chapter, society, trust, gathering or meeting and;
- includes, whether initially or subsequently, a commitment (whether by oath or otherwise) of secrecy about the rules, membership or conduct of the lodge, chapter, society, trust, gathering or meeting.

Employees should notify the Chief Executive in writing of such membership.

8.9. Equality Issues Equality Issues

Employees must ensure that they treat colleagues, service users, members of the public and Councillors fairly, impartially and with dignity and respect. Language and behaviour in the workplace must be conducive to productive and harmonious relationships

Employees should apply the provisions of the Council's Equal Opportunity policies in all activities. All members of the local community, customers and other employees have a right to be treated with fairness and equality.

9.10. Separation of Roles during Tendering

Employees involved in the tendering process and dealing with contractors should be clear on the separation of client and contractor roles within the Council. Senior employees who have both client and contractor responsibility must be aware of the need for accountability and openness.

Employees in contractor or client units must exercise fairness and impartiality when dealing with all customers, suppliers, other contractors and sub-contractors.

Employees who are privy to confidential information on tenders or costs for either internal or external contractors should not disclose that information to any unauthorised party or organisation.

Employees should ensure that no special favour is shown to current or recent former employees or their partners, close relatives or associates in awarding contracts or business run by them, or employing them in a senior or relevant managerial capacity.

10.1. Corruption

Employees must be aware that it is a serious criminal offence for them corruptly to receive or give any gift loan, fee, reward or advantage for doing anything or showing favour or disfavour to any person in their official capacity. If an allegation is made it is for the employee to demonstrate that any such rewards have not been corruptly obtained.

11.2. Use of Financial Resources

Employees must ensure that they use public funds entrusted to them in a responsible and lawful manner. They should strive to ensure value for money to the local community and to avoid legal challenge to the Council.

12.3. Hospitality

Employees should only accept offers of hospitality if there is a genuine need to impart information or represent the Council in the community. Offers to attend purely social or sporting functions should be accepted only when these are part of the life of the community or where the Council should be seen to be represented. It should be properly authorised and recorded. The Chief Executive will obtain authority from the Chairman of the Policy and Finance Committee and all other officers will refer to the Chief Executive.

When hospitality has to be declined, the person who offers the hospitality should be courteously but firmly informed of the Council's procedures and standards.

Employees should not accept significant personal gifts from contractors and outside suppliers, although the employees may use their judgement to accept insignificant items such as pens, diaries etc.

When receiving authorised hospitality, employees should be particularly sensitive as to its timing in relation to decisions which the Council may be taking affecting those providing the hospitality.

Acceptance by employees of hospitality through attendance at relevant conferences and courses is acceptable where it is clear the hospitality is corporate rather than personal, where the Council gives consent in advance and where the Council is satisfied that any purchasing decisions are not compromised. Where visits to inspect equipment etc. are required, employees should ensure that the Council meets the cost of such visits to avoid jeopardising the integrity of subsequent purchasing decisions.

13.4. Sponsorship

Where an outside organisation wishes to sponsor or is seeking to sponsor a Local Government activity, either by invitation, tender, negotiation or voluntarily, the basic conventions concerning acceptance or gifts or hospitality apply. Particular care must be taken when dealing with contractors or potential contractors.

Where the Council wishes to sponsor an event or service, neither an employee nor any partner, spouse or relative must benefit from such a sponsorship in a direct way without there being a full disclosure to the relevant senior manager of any such interest. Similarly, where the Council - through sponsorship, grant aid, financial or other means - gives support in the community, employees should ensure that impartial advice is given and there is no conflict of interest involved.

15. Copyright

All records, documents and other papers relating to the Council's business which are made or obtained by employees in the course of their employment are the property of the Council. The copyright on all such original records, documents, papers (including copies and summaries thereof) belongs to the Council.

16. Private Trading

Employees are not permitted to carry out private trading in relation to goods, services, or any form of intellectual property (including the posting and distribution of private trading literature) on the Council's premises nor may they do so elsewhere whilst on Council duties.

17. Committee procedures and contact with the media

Employees must not disclose to the public or media the contents of a confidential or exempt report made to a Committee or the Council. Where a Committee considers matters in confidential session, those proceedings, including all documentation before the Committee, must not be disclosed to members of the public unless required by law or expressly authorised.

Employees must not make statements on matters of policy to the media without consulting their Head of Service. They must also comply with the Protocol for staff engagement with the media.

18. Safeguarding

The Council has a statutory duty to ensure the safety and welfare of children, young people and adults at risk. All employees who, during the course of their employment, have direct or indirect contact with children or adults at risk, or who have access to information about them, have a responsibility to safeguard and promote the welfare of children and adults at risk. The Safeguarding Policy is available via the employee's manager and compliance with it is mandatory.

19. Personal Use of Social Media by Employees

Employees must not assume that their comments on social media will remain private.

Employees must ensure that, in their use of social media, they do not make comments about other employees, councillors or the Council that are or could be perceived to be derogatory, abusive, damaging to the individual's or the Council's reputation or amount to harassment, even where such comments are made outside working hours. They should be mindful that such comments could give rise to legal action.

Employees must ensure that no information is made available that could provide a person with unauthorised access to the Council's confidential information and they must refrain from recording any confidential information regarding the Council on any social networking website.

The Council will take action to prevent misuse of social networking sites as the Council as employer may be vicariously liable for the acts of an employee in certain circumstances. The Council will consider what action to take to address any malicious, untrue or otherwise inappropriate allegations which may circulate on social media sites.

20. Personal appearance

The Council expects employees to observe a standard of personal appearance which is appropriate to the nature of the work undertaken, follows operational requirements and which portrays a professional approach which the public will have confidence in.

In order that employees can be easily identified ID badges must be worn at all times.

14.21 General

The sanctions against employees who breach the rules on conduct are serious, including dismissal. Where there is any doubt, employees should err on the side of caution in the areas covered in this policy. Any uncertainties about this policy should be directed to Lead Officer (Human Resources).

15.22. Politically Restricted Posts

Below is a list of current posts which are deemed politically restricted:

- Chief Executive
- Director of Economic Regeneration & Place
- Director of Corporate Services & Commissioning
- Solicitor to the Council
- Head of Service – Business Development & Improvement
- Head of Service – Commissioning, Contracts & Procurement
- Head of Service – Community, Partnerships & Customers
- Head of Service – Operational Services
- Head of Service – Strategic Planning, Policy & Economic Development
- Business Transformation & ICT Manager
- Communications & Marketing Manager
- Customer, Business & Revenues Service Manager
- Democratic Services Manager
- Economic Development & Regeneration Manager
- Housing & Environmental Health Service Manager
- Planning Development Manager
- Planning Policy Manager
- Property & Commercial Services Manager

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Public Session

Report Reference Number: A/16/29

Agenda Item No: 10

To: Audit and Governance Committee
Date: 19 April 2017
Author: Phil Jeffrey; Audit Manager (Veritau)
Lead Officer: Karen Iveson; Chief Finance Officer (s151 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:

It is recommended that the Committee note the report.

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 and Governance 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 is no direct linkage to any of the Council's Priorities, as internal audit is a support service, providing assurance on corporate governance arrangements, internal control and risk management to the Council's managers in respect of their services, and specifically to the Council's S151 Officer on financial systems.

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 At the time of drafting this report, there are ten 2016/17 audits in progress. Three reports are currently at draft report stage and five 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).

5. Background Documents

SDC Internal Audit and Counter Fraud Plan 2016/17

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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: 19th April 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 and Governance 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 and Governance 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. 52 have been satisfactorily implemented; one remaining action had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date

9 A total of 72 agreed actions from 2015/16 audits have been followed up with the responsible officer. 55 had been satisfactorily implemented. In a further 17 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. For the remaining 5 actions agreed in 2015/16 audits, follow up work is still in progress. A summary of this follow up work is included below:

2015/16 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	55	0	28	27
Revised date agreed	17	0	13	4
Follow up in progress	5	0	2	3
Not yet followed up	0	0	0	0
Total agreed actions	77	0	43	34

10 A total of 10 agreed actions from 2016/17 audits have been followed up with the responsible officers. All 10 had been satisfactorily implemented. The remaining 13 actions agreed in 2016/17 audits have not yet been followed up either 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:

2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	10	1	2	7
Revised date agreed	0	0	0	0
Follow up in progress	8	0	4	4
Not yet followed up	5	0	1	4
Total agreed actions	23	1	7	15

- 11 At the time of drafting this report there are ten 2016/17 audits in progress. Three reports are currently at draft report stage and five 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 ¹	Audit Committee
Corporate Risk Register		
Savings Delivery	In progress	
Organisational Development	Cancelled ²	
Income Generation	In progress	
Programme for Growth	Deferred	
Partnership Arrangements	In progress	
CEF Governance	Reasonable Assurance	April 2017
Financial Systems		
Council Tax/NNDR	Deferred	
Sundry Debtors	Reasonable Assurance	April 2017
Benefits	Substantial Assurance	April 2017
Benefits - Overpayments	Cancelled ³	
Council House Repairs	In progress	
Creditors	Limited Assurance	January 2017
General Ledger	In progress	
Capital Accounting	Draft report issued	
Regularity / Operational Audits		
Absence Management	Reasonable Assurance	April 2017
Data Quality	In progress	
Development Management	Draft report issued	
Housing Development	Cancelled ⁴	
Technical / Project Audits		
Better Together	In progress	
Business Transformation	Deferred	
Contract Management	In progress	
ICT	Support/advice provided	

¹ Audits listed as 'deferred' have been agreed with the service areas to carry out in 2017/18.

² Deferred until 2017/18 due to the organisational review not yet being completed. The time has been re-allocated to fund additional Counter Fraud work.

³ Cancelled due to similar work being carried out by the DWP.

⁴ Deferred until 2017/18. The time has been re-allocated to additional work carried out on the Creditors and Absence Management audits.

Audit	Status ¹	Audit Committee
Information Security	In progress	
PCI DSS	Draft report issued	
Project Management	In progress	
e- Procurement project support	Support/advice provided	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Creditors ⁵	17 th January 2017	Limited Assurance	1	2	3
Absence Management	10 th February 2017	Reasonable Assurance	0	2	5
CEF Governance	27 th February 2017	Reasonable Assurance	0	1	4
Benefits	21 st March 2017	Substantial Assurance	0	0	2
Sundry Debtors	27 th March 2017	Reasonable Assurance	0	2	1

⁵ The Creditors report was presented to the January committee as a separate agenda item but was not included in this report due to timing differences.

Summary of audits completed to 31 March 2017; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁶	Progress against key actions
				1	2	3		
Creditors	Limited Assurance	<p>Weaknesses Issues identified included the duplicate payment of invoices; re-issuing of cheques in error and credit notes incorrectly applied to supplier accounts.</p> <p>In addition, a high volume of invoices were without purchase orders, there was a lack of control in segregation of</p>	17 January 2017	1	2	3	<p>Provision of support to Business Support from the finance team along with updating of procedure notes where necessary. The e-procurement manual will be reviewed and the e-procurement project mentioned below will also help to address the actions identified.</p> <p>The e-Procurement project starting in January 2017 will aim to re-establish vision and objectives; clarify roles and responsibilities; refresh procedures and training; explore a no-PO, no payment rule; explore possible linkages between the housing management</p>	<p>Completed – procedure notes have been reviewed and the creditors and e-procurement manuals have been updated.</p> <p>Partially completed – Vision and objectives have been re-established and roles and responsibilities have been reviewed. Procedures have been updated and first round of training complete. Further follow-up training planned in</p>

⁶ Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁶	Progress against key actions
				1	2	3		
		<p>duties as well as conflicting authorisation levels.</p> <p>It was also found that there was a use of generic logins, procedure notes were out of date and duplicate supplier accounts were in existence.</p>				<p>system and the finance system.</p> <p>Current inconsistencies between approved delegated authorities, the central register and user roles in e-Procurement will be addressed as part of the e-Procurement project. The master file will be password protected; HR will provide leavers reports and the full register will be signed off by Directors on an annual basis.</p>	<p>April/May to ensure new procedures are fully embedded.</p> <p>Completed – revised register drawn up, suitably protected and signed off and leavers report now in place.</p>	
Absence Management	Reasonable Assurance	<p>Weaknesses Issues identified include non-adherence to guidance and reporting procedures, an</p>	10 Feb 2017	0	2	5	<p>Management will introduce a revised process to ensure managers are reminded - at the point HR are notified of an absence - of the need to undertake Return to Work meetings</p>	<p>Due 31 March 2017 This action is currently being followed up with the responsible officer.</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁶	Progress against key actions
				1	2	3		
		<p>outdated Absence Management Policy</p> <p>Guidance, data integrity issues with respect to absence information and absence management training. Overall, a lack of importance is attached to the absence management process.</p>					<p>and are automatically provided with employee absence history in advance.</p> <p>Return to Work form to be amended to require details of employee absence history.</p> <p>Management will review spreadsheets for formula and data range integrity.</p>	<p>Due 31 March 2017</p> <p>This action is currently being followed up with the responsible officer.</p>
CEF Governance	Reasonable Assurance	<p>Strengths</p> <p>Changes to the Allocation of Funding Framework, adoption of a central register and publishing</p>	27 Feb 2017	0	1	4	<p>The CEF Allocation of Funding Framework has now been amended to require that all applications (i.e. including proposals submitted by the Partnership Board) be accompanied by a</p>	Completed

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁶	Progress against key actions
				1	2	3		
		<p>of officer decisions have strengthened the control environment.</p> <p>Weaknesses There is little or no transparency around the decisions made on schemes proposed directly by the Partnership Board, some inconsistency in the information being made available to residents through CEF meetings and inconsistent monitoring of scheme outcomes.</p>				completed application form. This should resolve any issues relating to transparency.		

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁶	Progress against key actions
				1	2	3		
Housing Benefits	Substantial Assurance	<p>Strengths Quality assurance processes minimise errors in claim records, and benefit applications are supported by the required evidence.</p> <p>Weaknesses Benefit overpayments are rarely referred to the fraud team when they breach the agreed threshold.</p>	21 Mar 2017	0	0	2	No key agreed actions (P2 or above).	
Sundry Debtors	Reasonable Assurance	<p>Strengths An adequate control</p>	27 Mar 2017	0	2	1	Senior Officers will continue to enquire with the software suppliers of	Due 31 March 2017 This action is currently being followed up with

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁶	Progress against key actions
				1	2	3		
		<p>framework is in operation to ensure that debtors' accounts are promptly raised and authorised by officers with the appropriate delegated authority.</p> <p>Weaknesses An underlying system fault may exist which causes invoices to disappear from COA after being generated. The SLA agreement between the server hosts (Richmondshire District Council) and Selby</p>				<p>COA as a matter of urgency to understand the root cause of the missing invoices. Further action will be taken, depending on the reason(s) uncovered.</p> <p>Management will look to review and renegotiate the SLA between Richmondshire District Council and Selby District Council, taking into account the matters raised in this audit.</p>	<p>the responsible officer.</p> <p>Due 30 September 2017</p>	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁶	Progress against key actions
				1	2	3		
		District Council does not outline timeframes for issue resolution and is generally very vague.						

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Access Controls: Windows Network and Finance System (2014/15)	Network permissions will be reviewed and revalidated at the point of changing IT provision.	2	Head of Business Development & Improvement	01 Feb 16	New authorisations process in place. Review of network permissions to be undertaken once new structure in place (from 1 April). Updated permissions supported by robust reporting mechanism expected by June. Revised date of 30 Jun 17.
Access Controls: Windows Network and Finance System (2014/15)	We will arrange for a list of non-SDC users to be cross-checked to staff records. Any additional non-SDC users to be queried and added to list or removed as necessary.	2	Head of Business Development & Improvement	01 Jan 16	Completed – All user accounts are now correct and people who no longer require access to SDC network have been fully deleted. Process in place to ensure this is maintained. Please note there are non SDC staff who require access to the network (e.g. Veritau and Mazars), these have

Information Security Checks (2015/16)	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.	2	Solicitor to the Council	31 Jan 16	also been reviewed. A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. This action was ongoing according to the plan. Revised date of 31 Dec 17.
Counter Fraud Arrangements (2015/16)	The Anti-Fraud, Theft and Corruption Policy and Strategy will be reviewed, revised and re-launched. This will be done alongside other actions and 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	2	Chief Finance Officer	31 Aug 16	Completed Revised date of 6 April 17.

Counter Fraud Arrangements (2015/16)	to deliver the strategy. Plans will be developed to raise awareness of fraud 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.	2	Chief Finance Officer	31 Aug 16	Awareness raising to be covered within the Counter Fraud work programme and updates on activities to be incorporated into Internal Audit updates to Extended Leadership Team meetings quarterly from April 2017. Revised date of 30 Apr 17.
Payroll (2015/16)	An ongoing honorarium with limited paperwork to support it will be reviewed following the restructure when lead officers and their responsibilities are agreed.	2	Head of Operational Services	30 Sep 16	Completed – The honorarium ended on 31 March 2017.
Payroll (2015/16)	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.	2	Director of Corporate Services & Commissioning	31 Aug 16	Completed – The SLA with NYCC has been produced and has been updated to reflect the new management arrangements.

Payroll (2015/16)	The SLA agreement [with NYCC] is in the process of being reviewed and we have taken onboard each of these points in our discussions with NYCC.	2	Head of Business Development & Improvement	31 Aug 16	Completed – The SLA with NYCC has been produced and has been updated to reflect the new management arrangements.
ICT – Disaster Recovery (2015/16)	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.	2	Head of Business Development & Improvement	30 Nov 16	DR transfer now set for end of April. Overarching DR plan drafted for approval. Infrastructure improvement plan drafted and will be undertaken as a separate project to provide full DR. This is expected to run through 2017/18. Revised date of 30 Apr 17.
ICT – Disaster Recovery (2015/16)	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.	2	Head of Business Development & Improvement	30 Nov 16	The DR transfer date is now set for end of April. Draft DR plan details roles and responsibilities across SDC, NYCC and other partners. Revised date of 30 Apr 17.

<p>ICT – Disaster Recovery (2015/16)</p>	<p>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.</p>	<p>2</p>	<p>Head of Business Development & Improvement</p>	<p>31 Dec 16</p>	<p>Draft DR plan details testing and maintenance of the plan to be scheduled annually. Replacement premises, equipment etc. being written into service area BCPs - project to be completed by September. Once the DR infrastructure improvements have been made and service area BCPs have been written then testing can commence. Revised date of 31 Dec 17.</p>
<p>ICT – Disaster Recovery (2015/16)</p>	<p>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.</p>	<p>2</p>	<p>Head of Business Development & Improvement</p>	<p>30 Nov 16</p>	<p>Completed – Framework for prioritising systems has been drafted and categorised into Gold, Silver, Bronze. NYCC have assessed the impact and produced an infrastructure improvement plan - to</p>

ICT – Disaster Recovery (2015/16)	<p>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.</p> <p>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.</p> <p>SDC will investigate how Anite can be replicated.</p>	2	Head of Business Development & Improvement	30 Nov 16	<p>be undertaken as a separate project.</p> <p>DR transfer set for end of April. Once the DR is migrated Anite will be replicated.</p> <p>For the backup tapes, the tapes no longer required have been destroyed.</p> <p>Revised date of 30 Apr 17.</p>
ICT – Disaster Recovery (2015/16)	<p>The current replication arrangement will be replaced by a new arrangement with NYCC covered by a formal agreement in relation to DR provision.</p> <p>SDC will confirm arrangements for restoring hosted systems in a DR situation.</p>	2	Head of Business Development/Head of Commissioning, Contracts & Procurement	31 Dec 16	<p>A formal agreement will exist between SDC and NYCC. At East Riding (Benefits) a DR agreement is in place. Financial systems are hosted by</p>

					Richmondshire and a revised SLA covering DR is in process of being drawn up – to be fed into new DR plan. Revised date of 30 Apr 17.
Information Governance (2015/16)	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.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan. Revised date of 31 Dec 17.
Information Governance (2015/16)	A communications plan will be developed to refresh awareness of existing policies and to give regular reminders to staff on information governance issues.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale

Information Governance (2015/16)	The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to 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.	2	Solicitor to the Council	30 Nov 16	for this action was included in the plan. Revised date of 30 June 17. A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan. Revised date of 31 Dec 17.
Information Governance (2015/16)	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.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan. Revised date of 31 Dec 17.

Information Governance (2015/16)	Information governance induction requirements will be reviewed and included 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.	2	Solicitor to the Council	30 Nov 16	Dec 17. Completed – All staff received briefings on the new IG Framework in January 2017 and further mandatory training was rolled out. IG is now included in induction briefings.
Information Governance (2015/16)	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 the information they hold and in which areas it is sufficient to refer to the privacy notice available on the website.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan. Revised date of 30 Sep17.
Information Governance (2015/16)	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.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance

	Data sharing agreements will be drawn up under the MAISP where required.				Committee in January. This action was ongoing according to the plan. Revised date of 31 Dec 17.
Information Governance (2015/16)	A consolidated corporate records retention and disposal schedule will be drawn up 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.	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance Committee in January. A revised timescale for this action was included in the plan. Revised date of 30 Sep17.
Freedom of Information (2015/16)	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: <ul style="list-style-type: none"> • Logging of requests immediately • Differentiation of requests (Fol, EIR and SAR) • Process and agreed timescales for chasing requests and escalating them if they are delayed 	2	Solicitor to the Council	30 Nov 16	Completed – ELT met to discuss FOI and complaint responses on 26 January 2017. New logging and escalation procedures were agreed. HOS are responsible for receiving and chasing up FOIs and weekly reminders are sent.

						<p>Performance is to be monitored via a Covalent dashboard to be reviewed each month at ELT.</p> <p>Responsibility has remained with business support however this will be reviewed depending on whether performance improves.</p>
Freedom of Information (2015/16)	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: <ul style="list-style-type: none"> • Logging of requests immediately • Differentiation of requests (Fol, EIR and SAR) • Process and agreed timescales for chasing requests and escalating them if they are late 	2	Solicitor to the Council	30 Nov 16	Completed – Responsibility has remained with business support however this will be reviewed depending on whether performance improves.	
Corporate Complaints (2015/16)	Policy and procedure notes will be updated to reflect working practices. A review schedule will be established to keep the policy and procedure notes up to date.	2	Head of Operational Services	30 Jun 16	Completed – The policy has been reviewed and new procedures developed.	

Recruitment (2015/16)	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 employment with the council until all necessary clearances have been obtained. [this action applies to two findings]	2	Lead Officer – Human Resources	29 Jan 16	Completed – Revised Recruitment and Selection Guidance for Managers was issued to Lead Officers and Extended Leadership Team in March 2017.
Recruitment (2015/16)	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.	2	Lead Officer – Human Resources	29 Jan 16	Completed – Revised Recruitment and Selection Guidance for Managers was issued to Lead Officers and Extended Leadership Team in March 2017.
General Ledger (2015/16)	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.	2	Head of Technical Finance (NYCC)	31 Dec 16	Completed – Budget management training was provided to budget holders in February and March 2017.
Procurement (2015/16)	A tender/quotation tracker system will be introduced. This will require all procurements above £5K to have an approved reference number to ensure	2	Head of Commissioning, Contracts & Procurement	31 Jan 17	Completed – An instruction letter has been issued to all Heads of Service and

	<p>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.</p>				<p>Directors advising them of the new system and includes a request to cascade the information to staff.</p>
<p>Procurement (2015/16)</p>	<p>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 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.</p>	<p>2</p>	<p>Head of Commissioning, Contracts & Procurement</p>	<p>31 Jan 17</p>	<p>Completed – An agreement was reached with Scarborough Borough Council and Ryedale District Council in January over the continuation of the procurement arrangements. Committee approval will be sought in April 2017.</p>
<p>Procurement (2015/16)</p>	<p>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.</p>	<p>2</p>	<p>Head of Commissioning, Contracts & Procurement</p>	<p>31 Jan 17</p>	<p>Completed – An instruction letter has been issued to all Heads of Service and Directors advising them of the new system and includes a request to cascade</p>

Procurement (2015/16)	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.	2	Head of Commissioning, Contracts & Procurement	31 Jan 17	the information to staff. Completed – An instruction letter has been issued to all Heads of Service and Directors advising them of the new system and includes a request to cascade the information to staff.
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Public Session

Report Reference Number: A/16/30

Agenda Item No: 11

To: Audit and Governance Committee
Date: 19 April 2017
Author: Phil Jeffrey, Audit Manager, Veritau
Lead Officer: Karen Iveson, Chief Finance Officer (s151 Officer)

Title: Internal Audit and Counter Fraud Plan 2017/18

Summary:

The purpose of this report is to present the proposed Internal Audit and Counter Fraud Plan for 2017/18.

Recommendation:

It is recommended that the Internal Audit and Counter Fraud Plan for 2017/18 is approved.

Reasons for recommendation

The Audit and Governance Committee has responsibility for overseeing the work of internal audit, and agreeing the plan of work to be undertaken on its behalf by the Council's Internal Auditors in line with best practice as set out in the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

1. Introduction and background

- 1.1 This document sets out the planned 2017/18 programme of work for internal audit, counter fraud and risk management provided by Veritau for Selby District Council.
- 1.2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.

2. The Report

- 2.1 The plan is aligned to the Council's main strategic risks. The audit plan is however a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 2.2 The content of the audit plan has been subject to consultation with directors and other senior officers and is submitted for formal approval by the Committee. Changes to the plan are agreed through the Council's client management arrangements and are notified to the Committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 2.3 The plan is based on a total commitment of 480 days for 2017/18. This includes 342 days for internal audit, which is a reduction of 13 days compared to 2016/17. A total of 105 days counter fraud work is also included, and 33 days to support the council's risk management arrangements.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

- 3.1.1 The provision of Internal Audit is a statutory requirement.
- 3.1.2 There is no direct linkage to the Council's Vision or Priorities, as internal audit is a support service, providing assurance on corporate governance arrangements, internal control and risk management to the Council's managers in respect of their services, and specifically to the Council's s151 Officer on financial systems.
- 3.1.3 Internal Audit examines all aspects of the Council's work and accordingly links to all of the Council's Priorities.

3.2 Financial Issues

- 3.2.1 There are no financial implications, beyond the existing budget for Internal Audit, Counter Fraud and any additional work in respect of Risk Management.

4. Conclusion

- 4.1 The Internal Audit plan has been drafted in consultation with the Chief Finance Officer (s151), as well as other senior officers, and taking account of the external auditor's views.
- 4.2 It represents an appropriate plan which is informed by the Council's main strategic risks.

5. Background Documents

None

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Appendices: - Appendix A – SDC Internal Audit and Counter Fraud Plan 2017/18

Selby District Council

Internal Audit and Counter Fraud Plan 2017/18

Audit Manager:
Deputy Head of Internal Audit:
Head of Internal Audit:

Phil Jeffrey
Richard Smith
Max Thomas

Circulation List:

Members of the Audit and Governance Committee
Chief Executive
Chief Finance Officer (S151 Officer)

Date: 19 April 2017

Introduction

- 1 This document sets out the planned 2017/18 programme of work for internal audit, counter fraud and risk management provided by Veritau for Selby District Council.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.
- 3 The plan is informed by the Council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Council's priorities and objectives. The audit plan is however a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 4 Veritau also provides a counter fraud service to the Council and an indicative plan of days is included within the 2017/18 programme of work.
- 5 The content of the audit plan has been subject to consultation with senior officers and is submitted for formal approval by the Audit and Governance Committee who is also responsible for monitoring progress against the plan. Changes to the plan are agreed through the Council's client management arrangements and are notified to the Committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 6 The plan is based on a total commitment of 480 days for 2017/18. This includes 342 days for internal audit, which is a reduction of 13 days compared to 2016/17. A total of 105 days counter fraud work is also included, and 33 days to support the Council's risk management arrangements.

2017/18 Plan

- 7 The plan has been structured into a number of sections:-
 - **Corporate Risk Register;** this work involves reviewing the action taken, or to be taken, in managing the key risks to the Council.
 - **Financial Systems;** to provide assurance on the key areas of financial risk. This helps support the work of the external auditors and provides assurance to the Council that risks of loss are minimised.
 - **Regularity Audits;** to provide assurance on those areas identified through Veritau's risk assessment. Although not identified as a key corporate risk to the Council, they are recognised as key service risks.
 - **Technical/Projects;** to provide assurance on those areas of a technical nature and where project management is involved. These areas are key to the Council as the risks involved could detrimentally affect the delivery of services.
 - **Counter Fraud;** to provide a mix of pro-active and re-active support to the Council on fraud related matters

- **Risk Management Facilitation;** to provide support, advice and training in relation to the risk management in the Council. This will also include reviewing the annual risk management strategy.
- **Client support & Advice;** work we carry out to support the Council in its functions.
- **Other;** an allocation of time to allow for unexpected work and the follow up of work we have already carried out, ensuring that agreed actions have been implemented.

8 Details of the 2017/18 plan are set out in Appendix A.

Appendix A

Internal Audit and Counter Fraud Plan 2017/18

Corporate Risk Register

Risk No	Risk	Audit	Scope	Days
003	The Council's financial position is not sustainable.	Savings Delivery	A review of the progress made on savings delivery proposals.	10
004	Lack of organisational capacity and resilience to deliver Corporate Plan objectives.	Organisational Development	A review of the effectiveness of communicating and managing the organisational change as well as identifying any potential lessons to be learned.	15
009	Poor net economic growth.	Programme for Growth	A review of a sample of projects included in the Council's Programme for Growth scheme.	10
010	Capacity & resilience of our limited resources to maintain service delivery.	Business Continuity & Disaster Recovery	A follow-up of the audit carried out in 2015/16.	5
014	ICT not fit for purpose.	ICT Governance	A review of the governance arrangements for ICT. This will build on initial work carried out in 2016/17.	15

Financial Systems

Audit	Scope	Days
Council Tax & NNDR	The audit will review the annual billing process.	12
Housing Rents	To provide assurance that the processes employed to administer the Council's housing rent accounts are sound.	15
Debtors	A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements.	12
Benefits	To review the key risks/controls involved in awarding and paying benefits including the Council Tax Support Scheme.	12
Income and Receipting	To review the key risks/controls surrounding the receipting and balancing of monies received.	10
Creditors	To review the key risks/controls surrounding the payment of Creditors invoices. To include a follow-up of the issues identified in 2016/17.	15
Payroll	A review of key controls in relation to the Payroll function.	10
		86

Regularity Audits

Audit	Scope	Days
Agency Staff	A review of key controls including the setting of clear objectives and outputs and a review of the impact of IR35 changes.	15
Governance Arrangements	A review of the Council's governance arrangements in comparison to	15

	CIPFA's latest 'Good Governance' publication.	
Housing Development	A review of the Council's strategies and approach towards housing development including Affordable Homes.	15
Insurance	A review of the Council's procedures for handling insurance claims.	12
Performance Management	A review of the effectiveness of the Council's performance management framework including the links to the Corporate Plan.	15
Planning	A review of the effectiveness of the Council's planning function following the Council's own internal review of the function.	15
Section 106 Agreements & Community Infrastructure Levy	A review of the systems in place in relation to s106 and CIL.	15

102

Counter Fraud

Fraud Area

Days

Counter Fraud General	An allocation of time to monitor changes to regulations and guidance, to review counter fraud risks, and support the Council with maintenance of the counter fraud policy framework. This will include completion of the annual counter fraud risk assessment.	15
Proactive Work	An allocation of time to raise awareness of counter fraud issues and procedures for reporting suspected fraud. This will include targeted proactive counter fraud analysis.	5
Reactive Investigations	An allocation of time to provide support, advice and recommendations on cases which may be appropriate for investigation as well as investigation of those cases and recommendations on subsequent actions.	55

National Fraud Initiative (NFI)	An allocation of time for organisation of NFI data submission and investigation of subsequent matches.	15
DWP Liaison	An allocation of time to undertake system interrogation and provision of information for the DWP's Single Fraud Investigation Service (SFIS).	15
		105

Technical/Project Audits

Audit	Scope	Days
Business Transformation	A review of the work carried out by the Transformation team. This may include providing support and advice.	10
Contract Management & Procurement	The scope will agree with officers during the year. This may include a review of potential fraud risks involved in relation to procurement fraud.	15
Information Security	An allocation of time to review key information security risks. The specific areas will be agreed with officers during the year.	5
PCI DSS	An allocation of time to follow-up progress against issues previously identified in relation to the Payment Card Industry Data Security Standard (PCI DSS).	5
Project Management	An allocation of time for support on key projects.	10
		45

Client Support & Advice

Area	Days
Financial Appraisals and Tender Openings	3
Committee Preparation & Attendance including Annual Governance Statement	12
External Audit Liaison	2
Miscellaneous Advice	3
Member & Officer Training	2
Corporate Issues (including audit planning, client liaison and attendance at Extended Leadership Team)	12
Risk Management Facilitation	33
	67

Other

Area	Days
Contingency	5
Follow Ups	15
	20
	480

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To: Audit and Governance Committee
Date: 19 April 2017
Author: Karen Iveson; Chief Finance Officer (s151)
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Annual Governance Statement 2015/16 – Action Plan Review

Summary: To review progress on the Annual Governance Statement (AGS) 2015/16 Action Plan approved in September 2016.

Recommendation:

It is recommended that progress against the Action Plan for the Annual Governance Statement for 2015/16 be noted.

Reasons for recommendation:

To ensure the necessary actions have been carried out in accordance with the approved Annual Governance Statement and action plan.

1. Introduction and background

- 1.1 Good governance is important to all involved in local government; however, it is a key responsibility of the Leader of the Council and of the Chief Executive.
- 1.2 The preparation and publication of an annual governance statement in accordance with the CIPFA/SOLACE Framework was necessary to meet the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once in a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices”.
- 1.3 To meet the requirement to review the AGS an Action Plan has been agreed and is subject to half yearly review by the Audit and Governance Committee.

2. The Report

- 2.1 The present Action Plan for review is attached as Appendix A. Progress against the approved action plan has been made although there are some actions on-going which will be monitored by Leadership Team over the coming year in order to ensure actions are delivered to the agreed revised deadlines.
- 2.2 Outstanding actions will be rolled into the Annual Governance Statement for 2016/17 and an update in progress will be reported to the next Audit and Governance Committee.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

- (a.) None.

3.2. Financial Issues

- (a.) None.

4. Conclusion

- 4.1. The AGS and scrutiny of the Action Plan represents progress towards setting the highest Corporate Governance standards and meets the requirements of the Accounts and Audit Regulations.

5. Background Documents

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Appendices: **Appendix A – AGS 2015/16 Action Plan**

Appendix A

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
2013/14	Again, reconciliations of bank accounts and feeder systems have been undertaken although some delays have been seen.	Internal Audit Report	The Lead Officer - Finance will ensure that reconciliations are maintained up-to-date.	The Head of - Finance and Heads of Service Immediate	Good progress has been made on reconciliations over the year but there have been some issues on payroll due to system changes at NYCC. These have now been resolved for 2016/17 but underlying issues remain with the costing file and these are being pursued with NYCC. Include payroll reconciliation in AGS for 2016/17
2013/14	Information Governance and breaches in Data Protection are not adequately managed.	Internal Audit Report	Plans are now in place to: <ul style="list-style-type: none"> Assign clear roles and responsibilities; Approve and implement the necessary policies and procedures; 	Solicitor to the Council 31 March 2016 31 March 2017 Amended deadline	A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit & Governance

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
			<ul style="list-style-type: none"> • Deliver a targeted training programme; • Ensure adequate reporting arrangements; and • Consider appropriate disciplinary procedures for data breaches. <p>Internal Audit to assist/advise.</p>		<p>Committee in January 2016.</p> <p>In October 2016 Veritau reported in relation to Information Governance and Freedom of Information and gave an opinion of reasonable assurance, finding that the Council has made significant progress since previous audit but some weaknesses remain. On-going actions will be monitored through 2017/18 by the Audit and Governance Committee.</p>
2014/15	Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	<p>Agreed actions:</p> <ul style="list-style-type: none"> • Management responsibility has been defined • The cardholder data environment will be mapped and documented • Policies and procedures will be 	<p>Lead Officer Data and Systems 31-March-2016 31 May 2016 Amended</p>	<p>Roll action into AGS for 2016/17. A follow-up audit of the agreed actions has been undertaken in 2016/17. This has identified some</p>

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
			<p>developed in relation to PCI DSS</p> <ul style="list-style-type: none"> • Dependencies on third parties will be explored and assessed • Responsibility for completing annual self-assessment questionnaires will be assigned <p>Internal Audit to assist/advise.</p>	<p>deadline</p>	<p>progress but a number of actions remain. A revised action plan is being developed which will be included in the AGS for 2016/17 and regular updates will be brought to the Audit Committee during 2017/18.</p>
2015/16	<p>A further review of ICT disaster recovery arrangements has been undertaken in 2015/16 – further actions have been identified:</p> <p>A new ICT Disaster recovery Plan will be developed which will include responsibilities (and responsible officers), invocation procedures and responsibilities for actions</p> <p>The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests</p>	<p>Internal Audit report</p>	<p>The disaster recovery transfer date is now set for end of April.</p> <p>An overarching disaster recovery plan has been drafted for approval. The draft plan details roles and responsibilities across SDC, NYCC and other partners.</p> <p>Infrastructure improvement plan drafted and will be undertaken as a separate project to provide full disaster recovery. This is expected to run through 2017/18.</p>	<p>Heads of Business Development</p> <p>All actions will be completed by February 2017</p> <p>30 April 2017 Amended deadline</p>	<p>See summary of action taken to date roll into AGS for 2016/17.</p>

Year	Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
	<p>over the period of agreement. A programme of back-up tests will be put in place and encryption of tapes will be investigated.</p> <p>New arrangements for data and systems replication will be put in place with NYCC.</p>		<p>Draft disaster recovery plan details testing and maintenance of the plan to be scheduled annually. Replacement premises, equipment etc. being written into service area BCPs - project to be completed by September. Once the disaster recovery infrastructure improvements have been made and service area BCPs have been written then testing can commence.</p> <p>A framework for prioritising systems has been drafted and categorised into Gold, Silver, Bronze. NYCC have assessed the impact and produced an infrastructure improvement plan - to be undertaken as a separate project.</p>	<p>31 December 2017 Amended deadline</p>	

Public Session

Report Reference Number: A/16/32

Agenda Item No: 13

To: Audit and Governance Committee
Date: 19 April 2017
Author: Daniel Maguire, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit and Governance Committee Annual Report 2016/17

Summary:

A draft Annual Report is provided for the Committee's consideration and approval.

Recommendations:

- i. To approve the Audit and Governance Committee Annual Report 2016/17; and**
- ii. To delegate authority to the Democratic Services Officer in consultation with the Chair, to update the Appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

Reasons for recommendation

The Audit and Governance Committee is required, under Article 6 of the Constitution, to prepare an Annual Report reviewing its work during the previous municipal year.

1. Introduction and background

- 1.1** Article 6 of the Constitution requires the Audit and Governance Committee to prepare an Annual Report which should review its work during the previous municipal year.

2 The Report

- 2.1 A draft Annual Report is attached at Appendix A. This has been drafted by the Chair and the Democratic Services Officer and it is now available for the Committee to consider.
- 2.2 The Report has been structured in three sections:
- An introduction from the Chair
 - A summary of the membership, role and work of the committee
 - An appendix comprising a retrospective work programme and summary of decisions for 2016/17
- 2.3 The Committee is asked to consider any amendments and approve the report for publication.
- 2.4 As there will be no further meeting of the Committee during this municipal year, the Committee is asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to amend the appendix prior to publication to reflect the business transacted at the April meeting.

3 Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to approve the draft Annual Report 2015/16 to comply with the requirement of Article 6 of the Constitution.
- 4.2 The Committee is further asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the appendix to the Annual Report to reflect outcomes following the final meeting of the year.

5. Background Documents

None.

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Appendices:

A – Draft Audit and Governance Committee Annual Report 2016/17



Audit and Governance Committee

Annual Report 2016/17

Introduction from the Chair – Councillor Mike Jordan

I am pleased to present the Audit and Governance Committee Annual Report 2016/17.

The overall responsibility of the committee is to scrutinise and monitor the council's control systems, procedures and risk management systems. As chair of the committee I provided a report to each council meeting highlighting the committee's work.

The membership of the committee remained consistent into the new municipal year, but changes were made on two occasions during the year. I would like to record my thanks to Councillors David Buckle, Jude Thurlow and Paul Welch who left the committee during 2016/17. The committee was fortunate to again have excellent officer support to help guide it through complex reports. A new development this year was the provision of a briefing session before each meeting. These briefings focussed on the context behind the business being considered at the subsequent committee meeting, and helped to further ensure that committee members were able to fully undertake their scrutiny duties. I was also able to attend a number of county-wide briefings and forums which assisted me in my role. In addition, the six-monthly audit forums in York organised by Mazars have provided a unique opportunity for me to meet with other audit committee chairs from across North Yorkshire and have included a diverse range of topics including cyber security and commercialisation.

The committee met four times during the municipal year and considered a range of different issues. The committee's work programme ensured a strong focus on the priorities of the council and the concerns of local people, this included regular reviews of audit reports and risk management systems. In June the committee was asked to consider changes to the process for appointing external auditors, and I am pleased to report that the model we recommended has been taken up by around 90% of local authorities.

In addition, I chaired a working group of the committee in March to consider the robustness of the standards arrangements at the council.

I would like to thank all councillors who served on the Audit and Governance Committee during 2016/17 for their support and continued hard work. Many people have contributed to the work of the committee, including officers and external partners. I would like to put on record my thanks to them.

I am confident that the audit and governance of Selby District Council is robust and I look forward to the coming municipal year.



Councillor Mike Jordan
Chair, Audit and Governance Committee
19 April 2017

Audit and Governance Committee Annual Report 2016/17

The Audit and Governance Committee

The membership of the committee was not changed at Annual Council for the start of the municipal year, but changes were made to the membership on two occasions during the year. Following his election to the council in July 2016, Councillor Bryn Sage was appointed to the committee replacing Councillor David Buckle. In February 2017 changes to the political composition of the council resulted in Councillors Robert Packham and Donald Mackay being appointed to the committee in place of Councillors Jude Thurlow and Paul Welch.

Conservative

Cllr. Mike Jordan (Chair)

Cllr. Ian Reynolds (Vice-Chair)

Cllr. Karl Arthur

Cllr. David Buckle (*member up to 11 October 2016*)

Cllr. Judith Chilvers

Cllr. Bryn Sage (*appointed on 11 October 2016*)

Labour

Cllr. Jude Thurlow (*member up to 21 February 2017*)

Cllr. Paul Welch (*member up to 21 February 2017*)

Cllr. Robert Packham (*appointed on 21 February 2017*)

Independent

Cllr. Donald Mackay (*appointed on 21 February 2017*)

The committee met four times during the year. In addition a Working Group was convened on 2 March 2017 to consider the standards arrangements at the council. The working group made recommendations that included changes to the council's Constitution to provide for councillor involvement in procedure for determining standards matters. These recommendations will be considered by Council at its annual meeting on 16 May 2017.

Council officer support during the year was provided by:

- Karen Iveson, Chief Finance Officer
- Daniel Maguire, Democratic Service Officer

Representatives of both internal audit (Veritau) and external audit (Mazars) were in attendance at every meeting and the relevant council officers were also present to answer questions from the committee. In addition the Chair maintained a dialogue throughout the year with Veritau and Mazars.

The Role of the Audit and Governance Committee

The Audit and Governance Committee is responsible for scrutinising and monitoring the control systems, procedures and risk management systems operating at the council.

In accordance with the council's Constitution, the committee has delegated authority to:

- scrutinise and approve the council's Annual Governance Statement, and Annual Statement of Accounts;
- consider the effectiveness of the council's risk management arrangements, the control environment and associated anti-fraud and corruption arrangements;
- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- be satisfied that the council's assurance statements have been properly developed and considered by councillors;
- receive and comment on, but not direct, internal audit's strategy and plan and monitor performance;
- review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary;
- receive the annual report of the internal audit service;
- consider the reports of external audit and inspection agencies;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to issues raised by external audit;
- issue reports and make recommendations, where appropriate, and in relation to any matters listed above, for consideration by the council, Executive or the relevant committee of the council.

2016/17 Work Programme

During 2016/17 the Audit and Governance Committee reviewed and considered:

- the statutory financial statements of the Council and Annual Governance Statement;
- reports made on Selby District Council by the external auditor (Mazars);
- the work of the internal auditor (Veritau);
- proposed amendments to the Council's Constitution;
- other issues falling within the Council's control and risk management framework.

A summary of the committee's work over the year is set out at Appendix A.

To assist the committee in its work, an 'action log' was introduced during the year which lists issues and actions from each meeting. The action log is considered at

each subsequent meeting, with updates provided by officers on the progress and status of previously agreed actions. The action log is included on the agenda for each meeting and published in advance.

Member Development

The nature of the committee's work requires a high level of knowledge of the council's control framework and financial arrangements. In order to ensure members of the committee developed the skills and knowledge necessary to fulfil their role a variety of training and development opportunities were provided throughout the year. Attendance at these sessions was very high.

Looking forward to 2016/17 the committee is keen to further develop its skills and knowledge. To help achieve this, the committee will continue to attend training sessions before each meeting. The theme of the training will continue to reflect the committee's work programme.

Conclusion

The Audit and Governance Committee has exercised its delegations across a broad range of topics and has had the opportunity to further develop the skills and knowledge of its members to ensure that the council's control framework has been adequately scrutinised.

Audit and Governance Committee Work Programme Review – 2016/17

Topic	Outcome
15 June 2016	
Work Programme 2016/17	The committee considered and agreed the work programme for the 2016/17 municipal year.
Internal Audit Annual Report 2015/16	The committee considered the Internal Audit Annual Report from Veritau. It was noted that the Council provided 'Substantial Assurance' in respect of the governance, risk management, and control frameworks. The committee noted that, of the 20 agreed actions from 2015/16, 9 actions had not been implemented by the original target date. The committee was assured that the Extended Leadership Team were monitoring audit actions closely.
External Audit Progress Report	The committee considered the External Audit Progress report which confirmed that initial work on the 2015/16 audit had been completed and that no issues had been identified.
Risk Management Annual Report 2015/16	The committee considered the Risk Management Annual Report for 2015/16 and noted the proposed actions. The committee received assurances that risks associated with the recent changes to the senior management team and structure were being adequately monitored.
Changes to the arrangements for the appointment of external auditors	Following changes made under the Local Audit and Accountability Act 2014, the committee considered several options for the appointment of external auditors. The committee concluded that opting-in to a 'sector-led body', set up by the Secretary of State, would provide the council with the most transparent and cost-effective process for the future appointment of external auditors. This recommendation was subsequently presented to Council and was adopted.
28 September 2016	
Topic	Outcome
Local Government Ombudsman Annual Review Letter 2015/16	This item was not included on the original work programme for 2016/17, but was brought to the committee by the Solicitor to the Council. The letter provided a summary of complaints made to the Local Government Ombudsman relating to Selby District Council.
Annual Governance Statement	The committee approved the Annual Governance Statement 2015/16. It was confirmed that the Statement provided assurance that the council had a sound system of internal control to help manage and control risks.
Statement of Accounts 2015/16	The committee approved the Statement of Accounts for the 2015/16 financial year. The committee was able to put questions to the auditor and the Chief Finance Officer.

External Audit Completion Report	The committee considered the Annual Completion Report from the external auditor. The committee noted that there were no internal control issues at category 1 (high) and one issue at category 2 (medium). It was confirmed that the auditor had concluded a positive Value for Money conclusion.
Counter Fraud Annual Review	The committee reviewed the Counter Fraud Annual Report and endorsed the work of the council in addressing fraud. The committee noted that responsibility for investigating housing benefit fraud had moved to the Department of Work and Pensions, and that this would allow the council to pursue a broader approach to monitoring and managing fraud.
Internal Audit Charter	This report had not been included on the original work programme for 2016/17, but was brought to the committee due to changes being required to reflect the new organisational structure at Selby District Council and also to take into account changes to the Public Sector Internal Audit Standards (PSIAS). The committee approved the changes to the Internal Audit Charter.
Internal Audit Progress Report	The committee reviewed progress against the Internal Audit Plan and noted progress to date.
Review of the Corporate Risk Register	The committee note that the Access Selby Risk Register had been incorporated into the Corporate Risk Register to reflect changes to the organisational structure at the council. The committee endorsed the actions of officers in furthering the progress of risk management.
Internal Audit Report on ICT Disaster Recovery	The chair requested that the committee considered an internal audit report which had concluded 'Limited Assurance' in relation to the council's procedures relating to ICT Disaster Recovery. The committee received a detailed report from the relevant Lead Officer and was able to put questions to the officer and the auditor. The committee noted that measures were in place to address the concerns highlighted in the report, and requested a further update at the next meeting.

18 January 2017	
Topic	Outcome
Information Governance Report	The committee considered the Information Governance Annual Report 2016, which included an action plan. The committee noted that significant progress has been made since the 2013/14 internal audit report had concluded 'Limited Assurance' in this area, and that the most recent audit report had concluded 'Reasonable Assurance' was now provided.
Annual Audit Letter 2015/16	The committee received the Annual Audit Letter 2015/16, which set out a summary of the work of the external audit during the year. The committee noted that the auditor had issued an unqualified opinion of the council's financial statement and an unqualified Value for Money conclusion.
External Audit Progress Report	The committee reviewed progress against the External Audit Plan.

Internal Audit Progress Report	The committee noted progress made towards completing the internal audit plan and endorsed the actions of officers in furthering the progress of risk management.
Review of Risk Management Strategy	The committee noted a number of changes to the Risk Management Strategy, and in particular the need to take measured risks to promote innovation as the council adopts a more business-like approach. The committee endorsed the actions of officers in furthering the progress of risk management.
Review of the Risk Register	The committee reviewed the latest Corporate Risk Register. The committee endorsed the actions of officers in furthering the progress of risk management.
Counter Fraud Update	This item had been included on the original work programme to be considered at the September meeting, but had been held over. The committee noted that plans were in place to switch the council's focus from benefit-related fraud to a new corporate fraud approach, to reflect the transfer of housing benefit fraud responsibilities to the Department of Work and Pensions (DWP).
Review of Standards Arrangements	This item had not been included on the original work programme for 2016/17, and was brought to the committee following a decision by Council to ask the committee to review the standards arrangements. The committee agreed to establish a working group to review the current arrangements, and consider if any changes were required. The working group subsequently met on 2 March 2017 and received evidence from the Monitoring Officer and the two Independent Persons.
Internal Audit Report on ICT Disaster Recovery	At its previous meeting the committee had considered an Internal Audit Report that had concluded 'Limited Assurance' in relation to ICT disaster recovery. The committee received an update and noted that significant progress had been made since the report had been published. The committee was informed that an ICT Disaster Recovery Plan was being developed.
Consideration of Internal Audit Report	The committee agreed to consider a late report, which had been completed after publication of the agenda. The report was an internal audit report that had identified weaknesses in a particular area of the council. The report was considered in private session. The committee was able to put questions to the relevant officer and the auditor, and requested an update on actions at the next meeting.

The following items were due to be considered at the final meeting of the municipal year:

19 April 2017	
Topic	Outcome
Audit Strategy Memorandum and External Audit Progress Report	

Annual Governance Statement – Action Plan Review	
Internal Audit Progress Report	
Internal Audit Plan 2017/8	
Update on previously considered Internal Audit Reports	
Update on Final Accounts 2017/18	
Review of Standards Arrangements	
Constitutional Amendments	
Annual Report 2016/17	
Work Programme 2017/18	

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Public Session

Report Reference Number: A/16/33

Agenda Item No: 14

To: Audit and Governance Committee
Date: 19 April 2017
Author: Daniel Maguire, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit and Governance Committee Work Programme 2017/18

Summary:

A draft Work programme is provided for the Committee's consideration and approval.

Recommendations:

To approve the draft Work Programme for 2017/18.

Reasons for recommendation

To ensure compliance with Article 6 of the Constitution.

1. Introduction and background

1.1 Article 6 of the Constitution requires the Audit and Governance Committee to prepare an Annual Work Programme.

2 The Report

2.1 A draft Annual Work Programme for 2017/18 is attached at Appendix A. This has been drafted by the Chair, the Chief Finance Officer and the Democratic Services Officer and it is now available for the Committee to consider.

2.2 The nature of the Committee's remit means that much of the Work Programme is determined by internal and external auditing deadlines and reports.

2.3 The Work Programme for 2017/18 includes an additional meeting in July, to reflect that the timescales for finalising the annual accounts will change from 2018/19.

- 2.3 The Committee is asked to consider any amendments and then approve the Annual Work Programme.

3 Legal/Financial Controls and other Policy matters

Legal Issues

- 3.4 None.

Financial Issues

- 3.5 None.

4. Conclusion

- 4.1 The Committee is asked to approve the draft Annual Work Programme 2017/18 to ensure compliance with Article 6 of the Constitution.

5. Background Documents

None.

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Appendices:

A – Draft Audit and Governance Annual Work Programme 2017/18

Audit Committee Work Programme 2017/18

Date of Meeting	Topic	Action Required
<p><i>All meetings will be preceded by a training / briefing session for Councillors. These sessions will start 30 minutes before the meeting.</i></p>	Meeting start times	To agree the start time of Audit and Governance Committee meetings for 2017/18
	Review of Action Log	To consider the latest Action Log
<p>14 June 2017</p>	Annual Report of the Head of Internal Audit 2016/17	To consider the Annual Report of the Head of Internal Audit 2016/17
	Internal Audit Charter	To review the Internal Audit Charter
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Annual Report 2016/17	To consider the Risk Management Annual Report for 2016/17
	Corporate Risk Register	To review the Corporate Risk Register.
	Consideration of internal audit reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.

26 July 2017	Review of Action Log	To consider the latest Action Log.
	External Audit Completion Report	To receive the Audit Completion Report from the external auditors
	Statement of Accounts 2016/17	To approve the Statement of Accounts 2016/17
	Internal Audit Report	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'.

27 September 2017	Review of Action Log	To consider the latest Action Log.
	Local Government Ombudsman Annual Review Letter 2016/17	To receive the Local Government Ombudsman Annual Review Letter 2016/17
	Annual Governance Statement 2016/17	To approve the Annual Governance Statement 2016/17
	Counter Fraud Annual Report	To receive the Counter Fraud Annual Report
	Internal Audit Report	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'.

17 January 2018	Review of Action Log	To consider the latest Action Log
	Information Governance Annual Report 2017	To approve the Information Governance Annual Report
	Annual Audit Letter 2017	To review the Annual Audit Letter 2017
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit Report	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 April 2018	Review of Action Log	To consider the latest Action Log.
	Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit Report	To review progress against the Internal Audit Plan
	Internal Audit Plan 2018/19	To approve the Internal Audit Plan 2018/19
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2017/18	To approve the 2017/18 Annual Report of the Audit and Governance Committee
	Work Programme 2018/19	To approve the 2018/19 Audit and Governance Committee Work Programme for 2018/19