



Meeting: **AUDIT AND GOVERNANCE COMMITTEE**
Date: **WEDNESDAY 14 JUNE 2017**
Time: **5.00PM**
Venue: **COMMITTEE ROOM**
To: **Councillors M Jordan (Chair), I Reynolds (Vice Chair),
K Arthur, Mrs J Chilvers, B Marshall, Mrs M McCartney and
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 19 April 2017 (pages 1 to 8 attached).

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

5. Start time of Audit and Governance Committee Meetings

To confirm the start time of meetings for the 2017/18 municipal year.

6. Audit and Governance Work Programme

To note the current Work Programme and consider any amendments (pages 9 to 12 attached).

7. Audit Action Log

To review the Audit Action Log (page 13 attached).

8. Risk Management Annual Report 2016/17 (A/17/1)

To receive the report of the Audit Manager, which provides a summary of risk management activity in 2016/17 and proposed risk management actions for 2017/18 (pages 14 to 17 attached).

9. Review of the Corporate Risk Register (A/17/2)

To receive the report of the Audit Manager, which updates Councillors on the Corporate Risk Register and asks Councillors to endorse the actions of officers in furthering the progress of risk management (pages 18 to 39 attached).

10. External Audit Progress Report (A/17/3)

To receive the Audit Progress Report from the external auditor, which updates Councillors on recent external audit activity (pages 40 to 47 attached).

11. Annual Report of the Head of Internal Audit (A/17/4)

To receive the report of the Head of Internal Audit which present the Annual Report for 2016/17 (pages 48 to 81 attached).

12. Internal Audit Charter (A/17/5)

To receive the report of the Audit Manager, which asks the Committee to approve the revised Internal Audit Charter (pages 82 to 95 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 19 April 2017
Time:	5.00 pm
Present:	Councillors M Jordan (Chair), I Reynolds (Vice Chair), K Arthur, Mrs J Chilvers, Mrs M McCartney, and R Packham.
Also Present:	Hilary Putman, Independent Person.
Apologies:	None.
Officers present:	Karen Iveson, Chief Finance Officer (s151); Gillian Marshall, Solicitor to the Council; June Rothwell, Head of Operational Services, Phil Jeffrey, Audit Manager, Veritau; Mark Kirkham, Partner, Mazars LLP, Gavin Barker, Manager, Mazars LLP and Janine Jenkinson, Democratic Services Officer.
Public:	0
Press:	0

43. DISCLOSURES OF INTEREST

There were no disclosures of interest.

44. MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 18 January 2017 and the Working Group meeting held on 2 March 2017.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 18 January 2017 and the Working Group meeting held on 2 March 2017.

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

The Chair welcomed recently appointed members of the Committee, Councillors R Packham and Mrs M McCartney to the meeting.

The Chair requested that agenda item 8 – Review of Standards Arrangements be considered as the first item.

46. REVIEW OF STANDARDS ARRANGEMENTS

The Solicitor to the Council reported that on 13 December 2016 full Council had received a report regarding the operation of the current standards regime for the council and parish councils within Selby District. The report had concluded that whilst the arrangements were satisfactory and met legal duties, there were areas for improvement and it had been recommended that a review be undertaken. At the meeting, Council resolved to ask the Audit and Governance Committee to review the Standards Arrangements and to report back if they considered any changes should be made to the current arrangements.

Note – Councillor I Reynolds entered the room at this point in the meeting.

Members were informed that the Audit and Governance Committee had established a working group to consider the arrangements. The group had met on 2 March 2017 and had recommended a number of changes to the current arrangements for dealing with standards matters.

The Solicitor to the Council highlighted an error in the penultimate sentence on page 50 of the report. She advised that the sentence beginning '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' should be amended to read 'Where a complaint is in relation to a Town or Parish Councillor the panel will also include **two** none voting co-opted Town or Parish Councillors'.

The Independent Person endorsed the recommendations set out in the report.

The Chair expressed his thanks to Councillor B Marshall for his advice and contributions at the working group meeting.

The Solicitor to the Council explained that training for parish councillors would be held in Tadcaster, Sherburn and a venue in the east of the District. In addition, training sessions for District Councillors would be arranged.

RESOLVED:

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

- I. that Council adopt the revised Standards Arrangements as set out in Appendix A of the report;
- II. to establish a Standards Sub-Committee as a sub-committee of the Audit and Governance Committee with the Terms of Reference as set out in Appendix B of the report;
- 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; and
- V. that consequential amendments be made to Article 9 of the Constitution, as set out in Appendix C of the report.

Note – Hilary Putman left the room at this point in the meeting and did not return.

47. AUDIT ACTION LOG

The Committee considered the Audit Action Log.

The Head of Operational Services provided an update in relation to Minute No. 28 – Consideration of Internal Audit Report (Private Session).

The Head of Operational Services explained that Internal Audit had identified a number of duplicate invoices and payments had been made by creditors. Members were advised that a number of actions had been put in place to address the issues identified.

Members were informed that measures put in place to mitigate future risk included a review of procedures, the development of procedure notes, a significant increase in the use of the e-Procurement system, and the delivery of refresher training for relevant officers.

The Committee was advised that Internal Audit would continue to monitor and review the situation as part of the annual work programme.

RESOLVED:

To note the Audit Action Log.

Note - The Head of Operational Services left the room at this point in the meeting and did not return.

48. EXTERNAL AUDIT PROGRESS REPORT

The External Audit Manager (Mazars LLP) presented the report that provided an update on progress in delivering external audit.

The Committee was informed that to date two areas had been identified 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.

With regard to duplicate payments, members were informed that an analysis of a download of payments data for 2016/17 had been undertaken and no other significant duplicate payments in addition to those that had already been identified were found. The Manager reported that this corroborated the view given by officers that the particular issues experienced in the summer 2016 were isolated cases and that appropriate actions had been taken to mitigate the risk of further issues arising.

In relation to issues to address in relation to payroll, the Chief Finance Officer (s151) reported that the matter had been escalated in an effort to resolve the issues with North Yorkshire County Council.

RESOLVED:

To note the report.

49. AUDIT STRATGY MEMORANDUM

The Committee considered the Audit Strategy Memorandum provided by the external auditor, Mazars LLP.

The External Audit Manager, (Mazars LLP) reported that the audit would be delivered in four main phases and was 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 remained 30 September 2017.

Members were advised that in previous years Mazars had sought to rely on assurances provided by the auditor of the North Yorkshire Pension Fund (KPMG) in relation to the council's pension disclosures. The Committee was informed that going forward, Mazars would seek to reduce or eliminate the need for such assurances, by performing additional procedures as part of its audit. However, for the current year some assurances in relation to the data used in the recent triennial revaluation of the fund would be sought.

RESOLVED:

To note the report.

50. UPDATES TO THE CONSTITUTION

The Solicitor to the Council explained that as part of the preparations for Annual Council a review of the Constitution was undertaken to ensure it was up to date and fit for purpose.

Members were informed that during the 2017 review, it had been identified that updates should be made to: the Scheme of Delegation to deal with a Written Ministerial Statement on affordable housing contributions which had necessitated the creation of the Planning Sub-Committee, and to the Officer Code of Conduct. In addition, recommendations to update the Standards Arrangements had been proposed.

In relation to the Planning Sub-Committee, the Solicitor to the Council explained that a significant level of additional resources were required in terms of planning officer time, support from Legal, Democratic Services and Business Support, and members time to attend committee meetings, beyond what would be required to determine an application under delegated powers. Members were informed that the benefits of not having the Planning Sub-Committee would be faster decision making, a more effective service for applicants and financial savings, due to the reduced cost of administering the meeting.

With regard to changes to the Scheme of Delegation, the Solicitor to the Council explained that the Scheme had been updated and clarified; however there had been no changes of substance to the level of delegations.

The report set out the proposed amendments and asked the Committee to endorse them for consideration at the Annual Council meeting.

RESOLVED:

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 of the report and recommend that the changes be approved by Council and the Leader, and recommend to Council that the Officer Code of Conduct set out in Appendix B of the report be approved by Council and that delegated power be given to the Chief Executive, in consultation with the Leader of the Council to make further amendments to the Code.

51. INTERNAL AUDIT PROGRESS REPORT 2016/17

The Internal Audit Manager (Veritau) explained that the purpose of the report was to provide an update on progress made in delivering the internal audit work plan for 2016/17, and to summarise the findings of recent internal audit work.

Members noted that there were currently three reports at draft report stage and five reports had been finalised since the last report to the Committee. The Manager reported that 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 report.

52. INTERNAL AUDIT AND COUNTER FRAUD PLAN 2017/18

The Internal Audit Manager (Veritau) explained that the Internal Audit and Counter Fraud Plan 2017/18 set out the planned 2017/18 programme of work for internal audit, counter fraud and risk management provided by Veritau for the council.

Members were informed that the Plan was aligned to the council's main strategic risks; however it was a working document and changes would be made throughout the year to reflect changes in risk and any issues that arose.

The content of the Plan had been subject to consultation with directors and other senior officers and formal approval by the Audit and Governance Committee.

The Plan was based on a total commitment of 480 days for 2017/18, this included 342 days for internal audit, which was a reduction of 13 days compared to 2016/17. A total of 105 days counter fraud work was also included, and 33 days to support the council's risk management arrangements.

In response to a question regarding the status of actions categorised as 'follow up in progress' the Manager explained that when actions became overdue a follow up questionnaire was sent to the responsible officer to complete.

RESOLVED:

To approve the Internal Audit and Counter Fraud Plan for 2017/18.

53. ANNUAL GOVERNANCE STATEMENT – ACTION PLAN REVIEW

The Chief Finance Officer (s151) presented the report and Action Plan for review. Members were advised that progress against the approved Action Plan had been made, although there were some actions on-going which would be monitored by the Leadership Team, in order to ensure actions were delivered to the agreed revised deadlines.

The Committee was informed that outstanding actions would be rolled into the Annual Governance Statement for 2016/17 and an update in progress would be reported at the next Audit and Governance Committee.

With regard to reconciliations of bank accounts and feeder systems, the Chief Finance Officer (s151) reported that good progress had been made on reconciliations over the year, but there had been some issues relating to payroll due to system changes at North Yorkshire County Council (NYCC). It was explained that the issues had now been resolved for 2016/17; however underlying issues remained with the costing file. Members were informed that these issues were being pursued with NYCC.

With regard to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), the Chief Finance Officer (s151) reported that a follow-up audit of the agreed actions had been undertaken in 2016/17. The audit had identified some progress but a number of actions remained outstanding. The Committee was informed that a revised action plan was being developed which would be included in the Annual Governance Statement 2016/17 and regular updates would be brought to the Audit and Governance Committee during 2017/18.

In relation to ICT disaster recovery arrangements, members were informed that actions would be completed by 30 April 2017 and the Head of Business Development would circulate an update to the Committee.

RESOLVED:

To note progress against the Action Plan for the Annual Governance Statement for 2015/16.

54. AUDIT AND GOVERNANCE COMMITTEE ANNUAL REPORT

The Chair presented the draft Audit and Governance Committee Annual Report 2016/17 for members' consideration and approval.

The Chair expressed his thanks to Councillor P Welch for his contributions and work during his time as a member of the Audit and Governance Committee.

RESOLVED:

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

55. AUDIT AND GOVERNANCE COMMITTEE WORK PROGRAMME 2017/18

It was noted that the Annual Governance Statement 2016/17 would be presented at the Committee meeting on 26 July 2017 and not on 27 September 2017, as indicated in the work programme.

The Chair requested that the Democratic Services Officer ensured that future Audit and Governance Committee meetings were scheduled to allow sufficient time to produce an update report to be presented at full Council.

RESOLVED:

To ask the Democratic Services Officer to amend the work programme, in-line with the alteration set out above.

The meeting closed at 6.15 pm.



Audit Committee Work Programme 2017/18

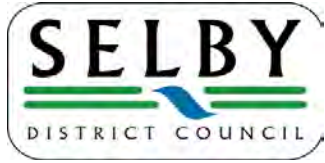
Date of Meeting	Topic	Action Required
<i>All meetings will be preceded by a training / briefing session for Councillors. These sessions will start 30 minutes before the meeting.</i>		
14 June 2017	Meeting start times	To agree the start time of Audit and Governance Committee meetings for 2017/18
	Review of Action Log	To consider the latest Action Log
	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
	Annual Governance Statement 2016/17	To approve the Annual Governance Statement 2016/17
	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
	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



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
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.	The Head of Operational Services updated the Committee at the April 2017 meeting. The Committee was advised that measures had been put in place to mitigate future risks, and that the internal auditors would continue to monitor this.	JR / KI	Completed
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: 06-Jun-17

Public Session

Report Reference Number: A/17/1

Agenda Item No: 8

To: Audit and Governance Committee
Date: 14 June 2017
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Risk Management Annual Report 2016/17

Summary:

The report provides a summary of risk management activity in 2016/17 and proposed actions to be taken in 2017/18.

Recommendation:

Councillors note the risk management activity undertaken in 2016/17 and comment on the proposed actions for 2017/18.

Reasons for Recommendation

To support the Audit and Governance Committee's responsibility for considering the effectiveness of the Council's risk management arrangements.

1. Introduction and Background

1.1 It is the responsibility of all service managers to identify and manage risks associated with the delivery of their services. Veritau provides support to this process, by facilitating risk management activity and providing advice and training to managers and the Committee. This report summarises work undertaken by the Council to review risk registers during the year, and summarises work done to support this by Veritau.

2. The Report

2.1 Over the past year, the following action has been taken to develop risk management activity and review current risks.

- A review of the corporate risk register was undertaken in light of the recent organisational restructure, ensuring risks are transferred to the appropriate risk owner (where applicable).

- The Corporate Risk Register (CRR) has been reviewed by officers with assistance from Veritau.
- The Council's CRR was reported to the Audit and Governance Committee in September 2016 and January 2017.
- The Risk Management Annual Report 2015/16 was reported to the Audit and Governance Committee in June 2016.
- A review of the Risk Management Strategy was completed and reported to the Committee in January 2017.
- Officers have updated all Service Based Risk Registers (SBRR) to ensure they accurately reflect new and emerging risks.
- Veritau has held regular drop in risk clinics to help managers review risks in their service areas and identify mitigating actions where necessary.
- The Council's formal risk management guidance has been updated to reflect and support the revised Risk Management Strategy.
- Veritau has worked with officers to develop risk management information recorded on the Covalent system, which will help to ensure risk management is integrated into the culture and working practices within the Council.

2.2 Further specific activity planned for 2017/18 includes the following.

- Development of a means by which to monitor and report on the trend in corporate risk scores over time as well as wider exploration of reporting to assist the effective management of risk across the Council.
- Further development of the Service Based Risk Registers to ensure that they are fully aligned with the new Council structure.
- A review of the Council's approach to the management of project and partnership risks including how, which and when information is held on Covalent or 'offline' via other means.
- Continuation of the risk drop in and training sessions.
- Promotion of the use of Covalent to manage all updates to risks and their actions.
- Annual review of the Risk Management Strategy.
- Regular reporting of the Corporate Risk Register to Extended Leadership Team and to Audit and Governance Committee.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

3.1.1 There are no legal implications.

3.2 Financial Issues

3.2.1 There are no financial implications.

4. Conclusion

- 4.1 Overall, a number of actions have been taken in order to further embed sound risk management processes within the Council. Work will continue in 2017/18 to ensure proactive risk management around the Council continues to develop.

5. Background Documents

Risk Management Strategy – revised Jan 2017.

Contact Officer: *Phil Jeffrey; Audit Manager - Veritau*
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Richard Smith; Deputy Head of Internal Audit - Veritau
richard.smith@veritau.co.uk

Appendices:

No appendices.

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Public Session

Report Reference Number: A/17/2

Agenda Item No: 9

To: Audit and Governance Committee
Date: 14 June 2017
Author: Phil Jeffrey, Audit Manager (Veritau)
Lead Officer: Karen Iveson – Chief Finance Officer (S151)

Title: Review of the Corporate Risk Register 2017-18

Summary:

The report updates Councillors on movements within the Corporate Risk Register (**Appendix A**) for the Council, which was last reported to this committee in January 2017.

Recommendation:

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

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

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

- Code and title of the risk.
- Individual risk score.
- Risk description.
- Previous reported risk rating (January 2017).
- Consequence of the risk identified.

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

2.2 The responsibility for reviewing and updating the risk register lies with council officers. Whilst Veritau facilitates the risk management process by offering challenge and support it retains its independence and objectivity as it is not part of the risk management process (i.e., it does not assess or score the individual risks).

2.3 There are a total of 17 risks on the council's corporate risk register. This includes 3 risks with a score of 12 or more (high risk). Three risks have ceased to be considered high risk since the January 2017 report to this committee.

2.4 The score for Organisational Capacity has reduced due to the completion of the Council's restructure along with an ongoing recruitment process to fill vacant posts. The score for Governance has reduced following a programme of governance training for the Extended Leadership Team. The score for Technology has reduced due to a number recent updates such as the drafting of the ICT/Digital Strategy, recruitment of a Digital Transformation Officer and gaining Executive approval for a preferred supplier for the new housing management system. Further details can be found at Appendix A.

2.5 One other risk score has changed since the last update; Financial Risk, which has decreased.

2.6 For the risks identified on the Corporate Risk Register, there are controls or mitigating actions in place to manage these risks, which are and need to be, closely monitored on an ongoing basis.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

3.1.1 There are no legal implications.

3.2 Financial Issues

3.2.1 There are no financial implications.

4. Conclusion

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

5. Background Documents

Risk Management Strategy.

Contact Officer: *Phil Jeffrey; Audit Manager - Veritau*
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01904 552926 / 01757 292281

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

Appendices:

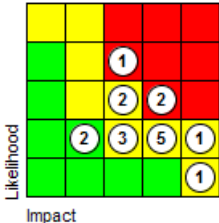
Appendix A – Corporate Risk Register

























Selby District Council Corporate Risk Register 2017 - 2018

Overview: May 2017 Update

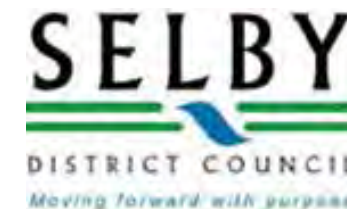
Risk Status	
	High
	Medium
	Low



Status	Code	Previous Risk Score (January 2017)	Current Risk Score	Trend	Title
	SDC_CRR_003	16	12		Financial Risk
	SDC_CRR_008	12	12		Economy
	SDC_CRR_017	12	12		Strategic Partnerships
	SDC_CRR_002	10	10		Health and Safety
	SDC_CRR_004	12	9		Organisational Capacity
	SDC_CRR_005	9	9		Performance

Status	Code	Previous Risk Score (January 2017)	Current Risk Score	Trend	Title
	SDC_CRR_001	12	8		Governance
	SDC_CRR_006	8	8		Managing Customer Expectations
	SDC_CRR_007	8	8		Fraud & Corruption
	SDC_CRR_010	8	8		Partnership Outcomes
	SDC_CRR_014	12	8		Technology
	SDC_CRR_009	6	6		Business Continuity
	SDC_CRR_013	6	6		Information Governance/Data Protection
	SDC_CRR_015	6	6		Assets
	SDC_CRR_016	5	5		Failure to adequately respond to Civil Emergencies
	SDC_CRR_011	4	4		Communications
	SDC_CRR_012	4	4		Policy Change

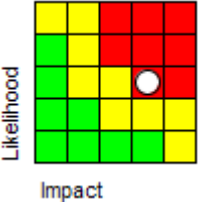
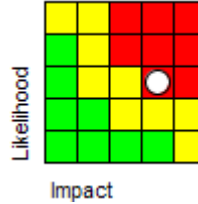
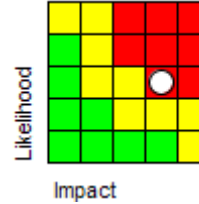
Selby District Council Corporate Risk Register 2017 - 2018



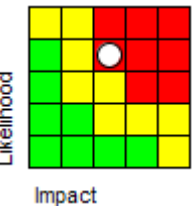
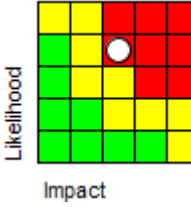
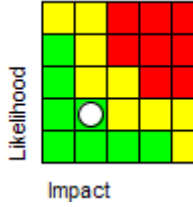
Risk Score 12
Risk Code & Title SDC_CRR_003 Financial Risk

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>The Council's financial position is not sustainable.</p>		<p>The Council is unable to deliver its corporate plan.</p> <p>The Council is unable to meet its financial commitments (long/medium/short term).</p> <p>Unplanned service cuts.</p>			Karen Iveson	<p>Long term financial strategies (GF & HRA) setting out high level resources and commitments.</p> <p>3 year budget underpinned by reasonable assumptions (inflation, interest rates etc).</p> <p>Effective in year budget management arrangements in place.</p> <p>Savings plan approved with supporting delivery plans for each saving.</p> <p>Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases.</p>	<p>Medium Term Financial Strategy including savings/efficiency plan approved. 2017-18 budget and 3 year financial plan approved by Council in February 2017 - includes detailed savings plan and proposals for new Programme for Growth. Decision taken to pay off pension fund deficit in 2016/17 to achieve long term savings.</p>

Risk Score 12
Risk Code & Title SDC_CRR_008 Economy

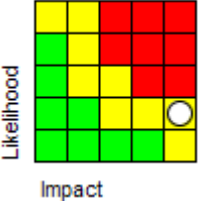
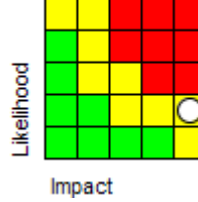
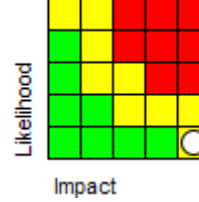
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Poor net economic growth.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Potential negative impact on income.</p> <p>Increased demand for services.</p> <p>Increased demand for interventions to stimulate economic growth.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>James Cokeham</p>	<p>Engagement with LEP's to influence economic growth programmes.</p> <p>Engagement with key businesses to understand future plans.</p> <p>Engagement with key partners to influence investment programmes and decisions.</p>	<p>Risk level maintained due to current national economic uncertainty linked to ongoing Brexit negotiations, unknown impacts and potential exacerbating effect of snap general election.</p>

Risk Score 12
Risk Code & Title SDC_CRR_017 Strategic Partnerships

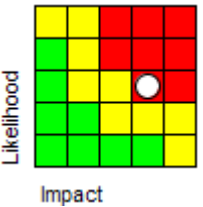
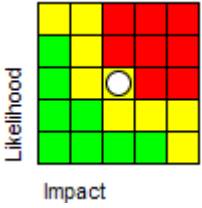
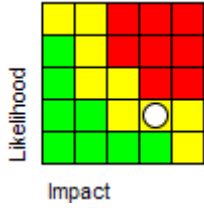
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc).</p>		<p>Opportunities to lever investment/capacity missed.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

Risk Score 10

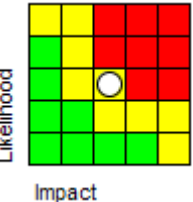
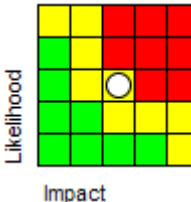
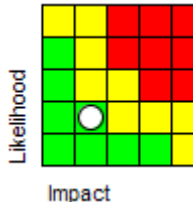
Risk Code & Title SDC_CRR_002 Health and Safety

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Failure to comply with Health and safety legislation.</p>		<p>Actual or potential injury or loss of life. Environmental degradation. Financial loss / impact on value of assets. Reputational damage.</p>			<p>June Rothwell</p>	<p>Health and Safety Policy and Plan is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous.</p> <p>Health and safety due diligence assessment on service areas and contractors.</p> <p>Public liability and property insurance.</p> <p>Risk management system in place to manage equipment, contractors, property and environmental and health and safety risks.</p> <p>Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance.</p> <p>Risk assessing, and then managing accordingly, every property and asset.</p> <p>Statutory checks to ensure regulatory HS&E Compliance.</p> <p>Event Safety Plan for all events managed by external consultants.</p>	<p>Employees continue to be consulted about health and safety issues through their service area meetings/groups and health and safety forum.</p> <p>Implementation of work programme for the next 12 months has commenced with a review of the working arrangements on Display Screen Equipment assessments.</p> <p>Review of the H&S training requirements for the trades team has been undertaken with key topic areas identified.</p>

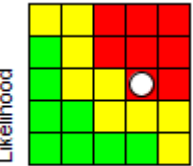
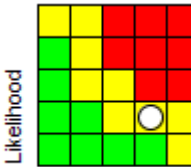
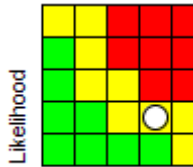
Risk Score 9
Risk Code & Title SDC_CRR_004 Organisational Capacity

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Lack of organisational capacity and resilience to deliver Corporate Plan objectives.</p>		<p>Detrimental impact on performance and delivery of Corporate objectives.</p> <p>Missed opportunities.</p> <p>Detrimental impact on the reputation of the Council.</p> <p>Poor staff morale.</p> <p>Detrimental impact on retention and recruitment.</p>			<p>Stuart Robinson</p>	<p>Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing.</p> <p>Work with partners to lever capacity and expertise.</p> <p>Utilise Programme for Growth to secure short/medium term capacity to deliver Council priorities.</p> <p>Organisational Development Strategy in place and aligned to Council priorities.</p> <p>Organisational Development work programme being delivered.</p>	<p>Organisational restructure completed and implemented from 1 April.</p> <p>External recruitment underway to fill remaining vacancies.</p> <p>Some delays to Organisational Development Strategy but project brief being developed.</p>

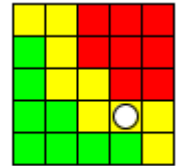
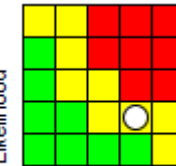
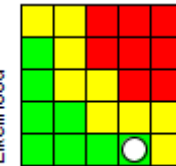
Risk Score 9
Risk Code & Title SDC_CRR_005 Performance

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Ineffective performance management.</p>		<p>Council priorities are not delivered.</p>			<p>Stuart Robinson</p>	<p>Performance management framework in place, embedded and well understood, including:</p> <ul style="list-style-type: none"> . Corporate plan/agreed corporate priorities . KPIs . Performance reporting . Performance system . Business planning . Appraisals <p>Sufficient resources to support effective implementation</p>	<p>Q3 performance reported to Extended Leadership Team/Executive/Scrutiny. Q4 reporting underway.</p> <p>Service planning session at Extended Leadership Team on 5 April - further session planned for 11 May. New Policy & Performance team in place from 1 April to support corporate performance management.</p> <p>Performance reporting to be updated for 2017/18.</p>

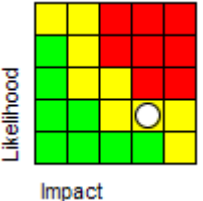
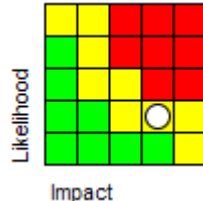
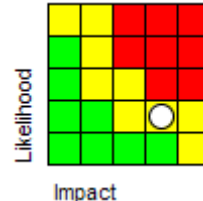
Risk Score 8
Risk Code & Title SDC_CRR_001 Governance

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>The Council's governance and transparency of decision making is not effective.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Councillors and managers may make decisions outside their accountability.</p> <p>The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage.</p> <p>Budgets may be overspent and outcomes may not improve.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Gillian Marshall</p>	<p>Constitution reviewed and updated in 2015 including rules on decision making, access to information rules, contract procedure rules and financial procedure rules.</p> <p>Governance training programme underway for new management team</p>	<p>The likelihood was reduced in February 2017 following a programme of governance training for the Extended Leadership Team (who sign off reports and decisions).</p> <p>New systems & responsibilities bedding in.</p>

Risk Score 8
Risk Code & Title SDC_CRR_006 Managing Customer Expectations

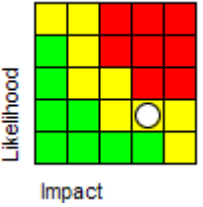
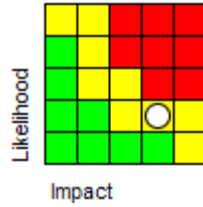
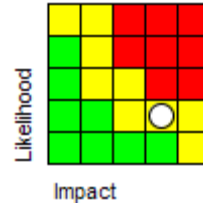
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Inability to meet customers' demand for services.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Poor customer satisfaction.</p> <p>Quality and timeliness of service suffers.</p> <p>Sustainability of service.</p> <p>Increased customer complaints.</p> <p>Impact on Elected Members.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Keith Cadman</p>	<p>Increase community delivery.</p> <p>Channel shift to self-service.</p> <p>Re-design services using quality data.</p> <p>Develop structured multi-agency partnerships.</p> <p>Right first time services to remove avoidable work.</p>	<p>No further updates this quarter.</p>

Risk Score 8
Risk Code & Title SDC_CRR_007 Fraud & Corruption

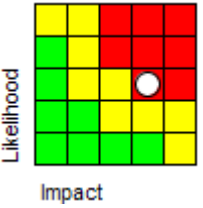
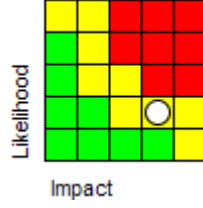
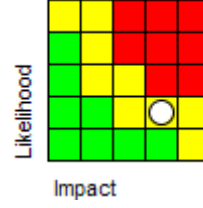
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Incident of fraud and/or corruption occurs within the Council.</p>		<p>Financial and reputational loss.</p>			<p>Karen Iveson</p>	<p>Counter fraud arrangements reviewed through annual self-assessment.</p> <p>Counter Fraud and Corruption Strategy and Policy to be reviewed in 2016/17.</p>	<p>Refreshed counter fraud and corruption strategy and associated policies approved by Executive April 2017.</p>

Risk Score 8

Risk Code & Title SDC_CRR_010 Partnership Outcomes

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Service delivery partnerships do not deliver outcomes to support the Council's strategic objectives.</p>		<p>Service performance falls short of expectations.</p> <p>Resources wasted due to requirement of additional management input.</p> <p>Strategic drift.</p>			<p>Keith Cadman</p>	<p>Identify all key partnerships.</p> <p>Clear objectives and outcomes specified and agreed for all key partnerships.</p> <p>Delivery plans in place and monitored.</p> <p>Remedial action taken promptly if there are signs of under performance.</p> <p>Arrangements reviewed at appropriate intervals to ensure partnerships continue to support the Council's strategic objectives.</p>	<p>Partnership assessments currently being conducted by responsible officers and audit being undertaken by Veritau.</p>

Risk Score 8
Risk Code & Title SDC_CRR_014 Technology

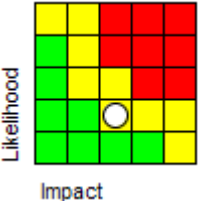
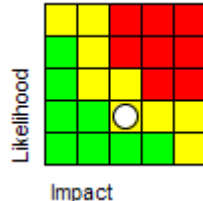
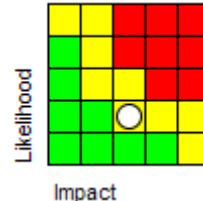
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>ICT not fit for purpose.</p>		<p>Missed opportunities for driving the business forward.</p> <p>Missed opportunities for efficiencies and innovation.</p> <p>Value from investment not maximised.</p>			<p>Stuart Robinson</p>	<p>ICT Strategy is fit for purpose (including move to self-service) - allowing appropriate investment and prioritisation of business needs.</p> <p>Align IT investment to business needs and requirements.</p> <p>Clear business cases and benefit realisation reports drive ICT investment.</p> <p>Seizing opportunities for partnership working which will deliver on shared ICT resources.</p> <p>ICT functionality maximised and organisational skills developed.</p>	<p>ICT/Digital Strategy drafted – to share with Extended Leadership Team in June.</p> <p>New structure proposals will create capacity to develop and implement strategy - currently out to advert for a range of roles. Digital Transformation Officer now in post for next 12 months.</p> <p>Public Services Network compliance certificate in place from April.</p> <p>Executive have approved preferred supplier for replacement housing management system.</p> <p>Roll out of tablet devices for Members and Leadership Team commenced.</p> <p>ICT DR Plan in place. DR arrangements have switched to NYCC – creating greater resilience.</p> <p>Positive progress on BT ICT Infrastructure programme.</p> <p>ICT Working Group continues to strengthen internal engagement.</p>

Risk Score 6
Risk Code & Title SDC_CRR_009 Business Continuity

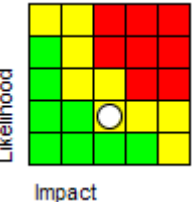
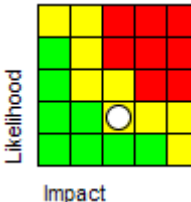
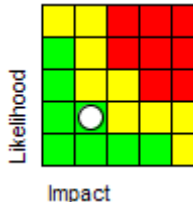
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
Capacity & resilience of our limited resources to maintain service delivery.		<p>Delivery of services not owned by those responsible for leadership and management.</p> <p>Failure to deliver services in exceptional circumstances.</p>			Stuart Robinson	<p>Draft corporate Business Continuity Plan complete.</p> <p>Corporate service prioritisation schedule complete.</p> <p>Business Impact Assessments for all Business Areas.</p> <p>ICT DR Plan in place</p>	<p>ICT DR Plan is now in place.</p> <p>DR arrangements have switched to NYCC – creating greater resilience.</p> <p>Programme of DR improvements being developed with NYCC.</p> <p>Plan for services to review BCPs in September once restructure embedded.</p>

Risk Score 6

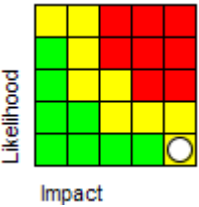
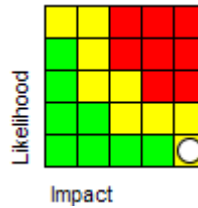
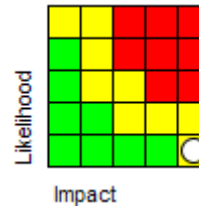
Risk Code & Title SDC_CRR_013 Information Governance/Data Protection

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Non-compliance with the Freedom of Information and Data Protection acts.</p>		<p>Loss or inappropriate use of personal data and information. Damaged reputation. Financial penalty.</p>			<p>Karen Iveson</p>	<p>Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members. Breaches recorded, monitored and followed up.</p>	<p>Risk reviewed following discussion of action plan at Extended Leadership Team and results of latest sweep - no change.</p>

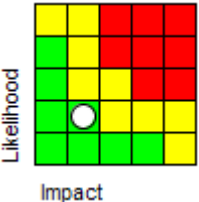
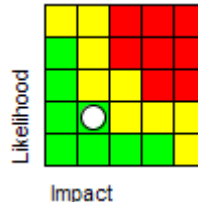
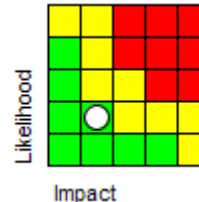
Risk Score 6
Risk Code & Title SDC_CRR_015 Assets

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Lack of a strategic use of assets.</p>		<p>Assets not used to implement Council's vision.</p>			<p>Dave Caulfield; Julie Slatter</p>	<p>Develop clear Council vision.</p> <p>Align asset management strategy to Council's vision.</p> <p>Joint Strategic Asset review being undertaken with NYCC as part of the Better Together Collaboration.</p>	<p>Organisational Review completed with posts created in a new Economic Development and Regeneration team that will lead on strategic asset management.</p>

Risk Score 5
Risk Code & Title SDC_CRR_016 Failure to adequately respond to Civil Emergencies.

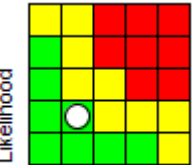
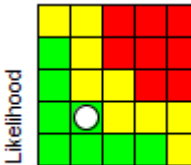
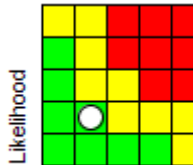
Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Failure to fulfil statutory duties under civil contingencies legislation.</p>		<p>Failure to fulfil statutory duties under civil contingencies legislation.</p>			<p>June Rothwell</p>	<p>Established partnership with NYLRF - North Yorkshire Local Resilience Forum) & sub regional arrangements.</p> <p>Service Level Agreement in place with North Yorkshire County Council specialist Emergency Planning service.</p> <p>Plans embedded and successfully implemented for a number of civil emergencies and supported by regular review (formal review every 3 years).</p> <p>Training and testing of key elements of the plans is in place.</p> <p>Training and testing of staff response regally reviewed.</p> <p>SDC Command / response protocol structure reviewed quarterly providing a 24 hour, 7 day callout service.</p>	<p>Exercise Kanji took place in November and lessons learned reported to Extended Leadership Team in February.</p> <p>Emergency Planning command control and communications are being kept up to date.</p> <p>Senior manager to attend gold training.</p>

Risk Score 4
Risk Code & Title SDC_CRR_011 Communications

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Ineffective Communications internally and externally.</p>		<p>Lack of understanding of/buy in to corporate priorities.</p>			<p>Stuart Robinson</p>	<p>Resources in place – with the right skills. Agreed approach. Alignment to corporate priorities and decision making.</p>	<p>Additional resources secured. Intranet development continues to improve internal communication. Work to provide support to RDC has commenced.</p>

Risk Score 4

Risk Code & Title SDC_CRR_012 Policy Change

Risk Description	Previous Rating (January 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	May 2017 Update
<p>Inability to respond to policy change from a national and/or local level.</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Mismatch emerges between statutory obligations and service delivery.</p> <p>Non-compliance with law or national policy.</p> <p>Inability to react quickly to changing local strategy, objectives or priorities.</p> <p>Inability to adequately resource changing local strategy, objectives or priorities.</p> <p>Impact of Brexit not fully understood.</p> <p>Impact on community cohesion.</p> <p>Opportunity of devolution deal not maximised.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>James Cokeham; Stuart Robinson</p>	<p>Regular horizon scanning reports are considered by Leadership Team and dialogue is maintained with political groups to understand political aspirations and intentions.</p> <p>Corporate Plans are refreshed annually (and/or as the need arises) to enable flexibility to cope with national and local political change.</p>	<p>New corporate Policy & Performance Team in place from 1 April to ensure focus on wider national/local policy issues that may impact on the council.</p> <p>Monthly horizon scanning now in place and embedded to ensure senior management aware of implications of national policy changes.</p> <p>Stronger links in place with regional policy networks.</p> <p>Working group established to fully comprehend the policy implications of the Housing & Planning Act, and respond accordingly.</p>



Public Session

Report Reference Number: A/17/3

Agenda Item No: 10

To: Audit and Governance Committee
Date: 14 June 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:

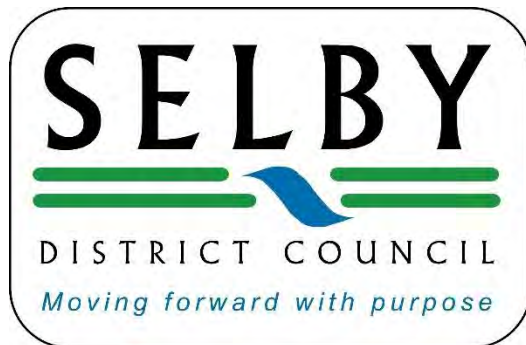
Daniel Maguire, Democratic Services Officer
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Appendices:

A – External Audit Progress Report

Audit Progress Report

Selby District Council



June 2017



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Audit progress

Audit progress

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

As you know, we agreed to trial the new timetable for the 2016/17 audit.

Officers have achieved the first deadline by producing a draft set of financial statements for 2016/17 and publishing these on the Council's website on 31 May 2017.

The audit work commenced on Monday 5 June 2017.

We will be able to update Members on the progress of the audit at the Committee meeting on 14 June 2017.

National publications and other updates

National publications and other updates	
1.	Integrating health and social care, Public Accounts Committee, April 2017
2.	Planning for 100% local retention of business rates, National Audit Office, March 2017
3.	2017-18 work programme and scale of fees, Public Sector Audit Appointments Ltd, March 2017
4.	Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

1. Integrating health and social care, Public Accounts Committee, April 2017

Further to a National Audit Report on the Better Care Fund and various PAC hearings, the Public Accounts Committee published a report on integrating health and social care.

The conclusions and recommendations are summarised below.

- The Departments do not know what is the most effective balance of limited funding across health and social care. The Department and NHS England should assess the impact that financial pressure in social care is having on the NHS, so that it can better understand the nature of the problem and how it can be managed.
- The Departments and NHS England should reassess whether the Better Care Fund in its current form is still necessary and should identify what has worked well so this can be brought into sustainability and transformation planning.
- NHS England and the Local Government Association should encourage and support the full involvement of local government in the sustainability and transformation planning process. Working with their local authority partners, local health bodies should improve the involvement of local populations in the planning process.
- The Departments, NHS England and the Local Government Association must take responsibility for the performance of their programmes, including the Better Care Fund while it continues. We expect greater accountability and more realistic objectives, which the Departments and partners will stand by.

<https://www.publications.parliament.uk/pa/cm201617/cmselect/cmpubacc/959/95902.htm>

2. Planning for 100% local retention of business rates, National Audit Office, March 2017

The Department for Communities and Local Government has made progress in designing the scheme for 100% retention of business rates by local authorities, but the scale of the remaining challenges presents clear risks both to the timely delivery of the initiative and to the achievement of its overall objectives, according to the National Audit Office.

By allowing local authorities to retain 100% of business rates, the Department hopes that this will incentivise them to grow their tax bases by adopting pro-development planning practices which in turn will support economic growth. But tax base growth does not necessarily mean economic growth: new developments might lead to the relocation of existing economic activities rather than the creation of new ones, for instance. The Department needs to understand the link between business rates and economic growth to ensure that the scheme is configured to maximise economic growth rather than just growth in the tax base.

<https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/>

3. 2017-18 work programme and scale of fees, Public Sector Audit Appointments Ltd, March 2017

PSAA has published the work programme and scales of fees for 2017/18 audits of principal local government and police bodies. There are no changes to the overall work programme for 2017/18. Scale fees for 2017/18 have therefore been set at the same level as the fees applicable for 2016/17. This is the final year for which PSSA will set fees under the transitional arrangements made by DCLG.

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

4. Oversight of audit quality: quarterly compliance reports 2016/17, Public Sector Audit Appointments Ltd

The latest 2016/17 monitoring report highlights full compliance with the Regulator's standards for Mazars LLP.

<http://www.psaa.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/17/4

Agenda Item No: 11

To: Audit and Governance Committee
Date: 14 June 2017
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Annual Report of the Head of Internal Audit 2016/17

Summary:

The purpose of the report is to present the internal audit annual report for 2016/17. That report is prepared by Veritau and is based on internal audit work carried out since April 2016.

Recommendation:

That the committee note the annual report of the Head of Internal Audit (Appendix A), including the opinion on the adequacy and effectiveness of the council's framework of governance, risk management and internal control.

Reasons for recommendation

To enable the committee to fulfil its responsibility for reviewing the outcomes of internal audit work and to support its consideration of the Council's Annual Governance Statement.

1. Introduction and background

1.1 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, the Head of Internal Audit is required to provide an annual report setting out the work done by internal audit. The report should also include an audit opinion based on an objective assessment of the framework of governance, risk management and control operating within the Council.

2. The Report

2.1 The purpose of the report, included at Appendix A, is to provide a summary of internal audit work carried out during 2016/17 and to express an opinion

on the overall framework of governance, risk management and control in place within the Council.

- 2.2 The report includes a summary of the audit opinions for individual audits completed in the year, to support the overall opinion. A number of the internal audit reports are still at draft report stage and have not yet been finalised. However, we do not expect the findings or opinion contained in these reports to significantly change.
- 2.3 The report also includes a summary of internal audit performance for 2016/17 and conclusions from Veritau's internal audit Quality Assurance and Improvement Programme (QAIP).
- 2.4 A summary of Counter Fraud work carried out during 2016/17 is included at Appendix B.

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 overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council is that it provides **Reasonable Assurance**. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.
- 4.2 Although a reasonable assurance opinion can be given, we are aware of some significant weaknesses in the control environment which have been identified in relation to specific audits. We have recommended one issue (relating to creditor payments) to be considered for inclusion in the Annual Governance Statement.

5. Background Documents

Internal Audit and Counter Fraud Plan 2016/17.

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Richard Smith; Deputy Head of Internal Audit - Veritau

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Appendices: Appendix A: Annual Report of the Head of Internal Audit 2016/17

Appendix B: Counter Fraud update

Selby District Council

**Annual Report of the
Head of Internal Audit 2016/17**

Audit Manager:	Phil Jeffrey
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	14 th June 2017

Background

- 1 The Head of Internal Audit (HoIA) is required to regularly report progress in the delivery of the internal audit plan to the Audit Committee and to identify any emerging issues which need to be brought to the attention of the Committee. In addition to regular progress reports, the Council's internal audit charter also requires that the HoIA provides an annual report, which includes:
 - the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control
 - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
 - a statement on conformance with the PSIAS.
- 2 Members approved the Annual Internal Audit Plan for 2016/17 at their meeting on 13 April 2016. The total number of planned audit days for 2016/17 was 355¹. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the delivery of the agreed plan and the other information required for the annual report as set out in paragraph 1.

Internal Audit Work Carried Out 2016/17

- 3 A summary of the audit work completed in the year 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 ongoing through our support and advice to Members. We assist by facilitating the attendance at the Committee of managers to respond directly to Members' questions and concerns arising from audit reports as well as the actions that managers are taking to implement agreed actions. We also prepare reports for the Committee, as well as attending, answering queries and providing training sessions.
 - **Financial appraisals;** this work involves supporting the assurance process by using financial reports from credit rating agencies and performing financial analysis in order to confirm the financial suitability of potential contractors.
 - **Risk Management;** Veritau facilitate the Council's risk management process.
 - **Counter Fraud;** Veritau now provide a corporate Counter Fraud service to the Council.

¹ This does not include 105 days of counter fraud work, and 33 days to support the council's risk management arrangements.

- **General advice and support;** Veritau provide advice to Officers on request 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 As with previous audit reports an overall opinion is given for each of the specific systems under review. In addition to the standard reports below, non-standard reports are also issued with 'no opinion given' – these may be where the work is limited in scope or is not designed to provide assurance (for example advisory work).

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.

Follow up of agreed actions

- 8 It is important that agreed actions are formally followed-up to ensure that they have been implemented. Where necessary internal audit will undertake further detailed review to ensure the actions have resulted in the necessary improvement in control.
- 9 One remaining action from 2014/15 had not been not been implemented by the target date but a revised date was agreed and will be followed up again after that date.
- 10 A total of 77 agreed actions from 2015/16 audits have been followed up with the responsible officer. 64 had been satisfactorily implemented. In a further 13 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed up again after that date. 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	64	0	34	30
Revised date agreed	13	0	9	4
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
Total agreed actions	77	0	43	34

- 11 A total of 17 agreed actions from 2016/17 audits have been followed up with the responsible officers. 17 had been satisfactorily implemented. The remaining 10 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	17	1	6	10
Revised date agreed	0	0	0	0
Follow up in progress	1	0	0	1
Not yet followed up	9	0	4	5
Total agreed actions	27	1	10	16

Completion of audit plan

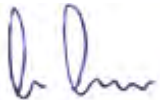
- 12 Currently, eight 2016/17 audits are at draft report stage. Three reports have been finalised since the last report to this committee. A total of 93% of reports were completed to draft report stage by the end of April 2017 (the cut off point for 2016/17 audits), achieving the target of 93%. The remaining work will be finalised in 2017/18.

Compliance with Standards

- 13 Veritau maintains a quality assurance and improvement programme (QAIP) to ensure that internal audit work is conducted to the required professional standards. Quality assurance arrangements include ongoing operational procedures, annual internal self assessment against the PSIAS, and periodic external assessment. Further details on the QAIP and the outcomes of the quality assurance process are provided in annex B.

Audit Opinion and Assurance Statement

- 14 The overall opinion of the Head of Internal Audit on the risk management, governance and control framework operated by the Council is that it provides Reasonable Assurance. There are no qualifications to that opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.
- 15 Although a Reasonable Assurance opinion can be given, we are aware of some weaknesses in the control environment which have been identified in relation to specific audits. Key actions agreed are summarised in the annex to this report. We have recommended one issue (relating to creditor payments) be considered for inclusion in the Annual Governance Statement.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

14 June 2017

Annex A

2016/17 audit assignments status

Audit	Status ²	Audit Committee
Corporate Risk Register		
Savings Delivery	Draft report issued	
Organisational Development	Cancelled	
Income Generation	In progress	
Programme for Growth	Deferred	
Partnership Arrangements	Draft report issued	
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	
Council House Repairs	Draft report issued	
Creditors	Limited Assurance	January 2017
General Ledger	Draft report issued	
Capital Accounting	Substantial Assurance	June 2017
Regularity / Operational Audits		
Absence Management	Reasonable Assurance	April 2017
Data Quality	In progress	
Development Management	Draft report issued	
Housing Development	Cancelled	
Technical / Project Audits		
Better Together	Draft report issued	
Business Transformation	Deferred	
Contract Management	Draft report issued	
ICT	Support/advice provided	
Information Security	Reasonable Assurance	June 2017

² Audits listed as 'deferred' or 'cancelled' have been reported in previous reports with reasons to the Committee.

Audit	Status ²	Audit Committee
PCI DSS	No Opinion Given	June 2017
Project Management	Draft report issued	
e- Procurement project support	Support/advice provided	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Information Security Checks	1 st June 2017	Reasonable Assurance	0	3	0
Capital Accounting	25 th May 2017	Substantial Assurance	0	0	1
PCI DSS	13 th April 2017	No Opinion Given	0	3	1

Summary of audits completed to 1 June 2017; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
Information Security Checks	Reasonable Assurance	Unannounced checks were made after staff had left for the day. It found that storage was not locked and IT assets were left unsecured, although there was little evidence of personal, sensitive or confidential data being left on desks.	1 st June 2017	0	3	0	Findings will be shared with Directors and Service Managers via Extended Leadership Team and disseminated to all staff, including reiterating messages about keeping information secure and promoting culture that recognises information as an asset that must be protected. Any issues with availability of storage, broken locks or absence of keys and places to store keys to be identified and addressed so that all information is capable of being locked away. Responsibility for shared storage and rooms (e.g. archive room) to be made	All due 30 June 17

³ Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
							clear to ensure they are locked when not in use / at the end of the day.	
Capital Accounting	Substantial Assurance	The audit reviewed a sample of projects within the Capital Programme. It found that generally projects were being managed well.	25 th May 17	0	0	1	None	
PCI DSS	No opinion given	This was a follow-up audit of the 2014/15 audit of PCI DSS. It was found that reasonable progress had been made towards	13 Apr 17	0	3	1	A compliance procedure document will be produced as an appendix to the Data Protection Policy. This will clearly identify the responsible officers for PCI DSS at the council. Data & Systems will investigate the opportunity to introduce a 'hosted	Due 30 September 2017 Due 31 August 2017

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ³	Progress against key actions
				1	2	3		
		addressing the issues identified in the previous audit but several outstanding issues remained relating to compliance documentation and procedures, monitoring of third party payment processors and completion of annual self-assessment questionnaires.					<p>payment page' on the website from a payment provider. This would eliminate card processing and storage on the council's network.</p> <p>Once the network has been reconfigured in line with the recommendations of the external consultant's report, the relevant self-assessment questionnaire will be completed and any remedial actions captured.</p>	Due 30 September 2017

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	<p>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.</p> <p>Revised date of 30 Jun 17.</p>
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	<p>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.</p> <p>Revised date of 31 Dec 17.</p>

Counter Fraud Arrangements (2015/16)	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	Completed
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	The service has confirmed this is completed – IA awaiting evidence of DR plan.
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 service has confirmed this is completed – IA awaiting evidence of DR plan.
ICT – Disaster Recovery (2015/16)	The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of the	2	Head of Business Development & Improvement	31 Dec 16	Draft DR plan details testing and maintenance of the

	<p>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>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.</p> <p>Revised date of 31 Dec 17.</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. The tapes which would possibly be</p>	2	Head of Business Development & Improvement	30 Nov 16	Completed

	required in a DR situation have been moved from the Vivars site to County Hall. The replicated copy of data is up to date and would be used to restore. Tapes are currently being reviewed and those which are no longer required will be destroyed. SDC will investigate how Anite can be replicated.				
ICT – Disaster Recovery (2015/16)	The current replication arrangement will be replaced by a new arrangement with NYCC covered by a formal agreement in relation to DR provision. SDC will confirm arrangements for restoring hosted systems in a DR situation.	2	Head of Business Development & Improvement/Head of Commissioning, Contracts & Procurement	31 Dec 16	Completed
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	A communications plan will be developed to refresh awareness of existing policies	2	Solicitor to the Council	30 Nov 16	A high level action plan was included as

(2015/16)	and to give regular reminders to staff on information governance issues.				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 June 17.
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	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	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 &

	through this process will be included in the service based risk registers.				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 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. Data sharing agreements will be drawn up under the MAISP where required.	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. 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.
Absence Management (2016/17)	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 and are automatically provided with employee absence history in advance. Return to Work form to be amended to require details of employee absence history.	2	Head of Business Development and Improvement	31 Mar 17	Completed
Absence Management (2016/17)	Management will review spreadsheets for formula and data range integrity.	2	Head of Business Development and Improvement	31 Mar 17	Completed
Sundry Debtors	Senior Officers will continue to enquire	2	Lead Officer –	31 Mar	Completed – the

(2016/17)	with the software suppliers of 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.		Data & Systems	17	software supplier was consulted and ran in-depth checks, resolving that the error came about due to technical issues at the time the invoices were created which have since been rectified.
Sundry Debtors (2016/17)	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.	2	Chief Finance Officer	30 Sep 17	Due 30 September 2017

VERITAU

ANNEX B - INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- the maintenance of a detailed audit procedures manual
- the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- the requirement for all audit staff to complete annual declarations of interest
- detailed job descriptions and competency profiles for each internal audit post
- regular performance appraisals
- regular 1:2:1 meetings to monitor progress with audit engagements
- induction programmes, training plans and associated training activities
- the maintenance of training records and training evaluation procedures
- agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- the results of all audit testing work documented using the company's automated working paper system (Galileo)
- file review by senior auditors and audit managers and sign-off of each stage of the audit process
- the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- performance against agreed quality targets monitored and reported to each client on a regular basis.

On an ongoing basis, a sample of completed audit files is also subject to internal peer review by a senior audit manager to confirm quality standards are being maintained. The results of this peer review are documented and any key learning points shared with the internal auditors and audit managers).

The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of the annual appraisal process, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment and professional networking are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board⁴ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

2.0 Customer Satisfaction Survey – 2017

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2017. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 149 surveys (2016 – 124) were issued to senior managers in client organisations. 32 surveys were returned representing a response rate of 21% (2016 - 33%). The surveys were sent using Survey Monkey and respondents were asked

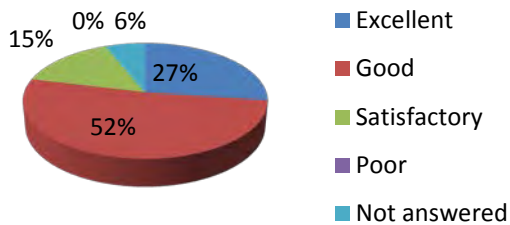
⁴ As defined by the relevant audit charter.

to identify who they were. Respondents were asked to rate the different elements of the audit process, as follows:

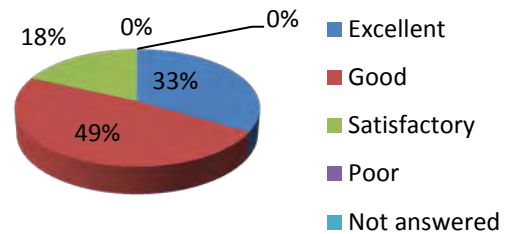
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below:

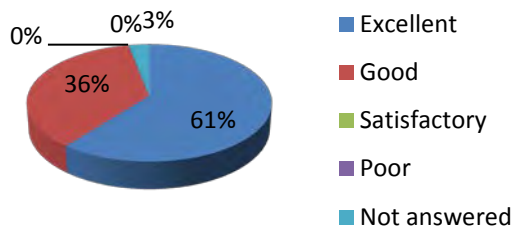
Quality of audit planning / overall coverage



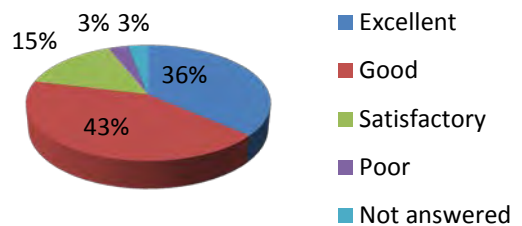
Provision of advice / guidance



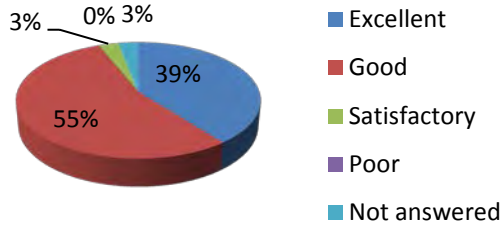
Staff - conduct / professionalism



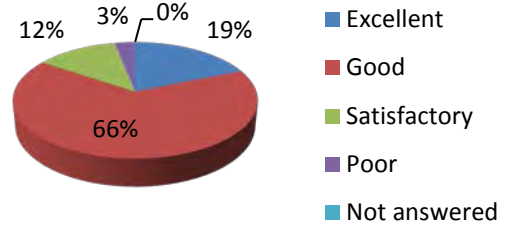
Ability to provide unbiased / objective opinions



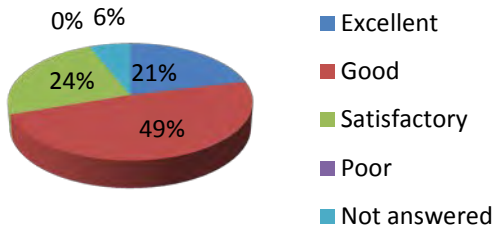
Ability to establish positive rapport with customers



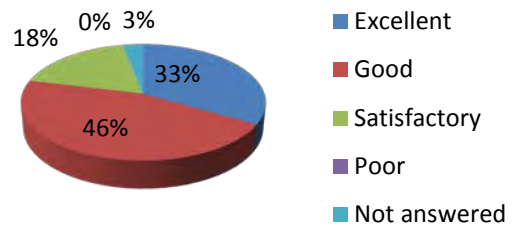
Knowledge of system / service being audited



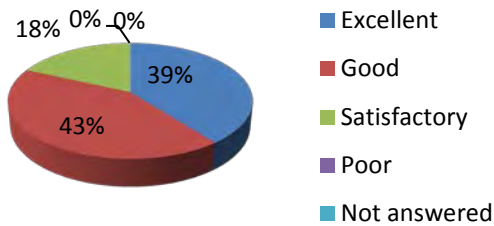
Ability to focus on areas of greatest risk



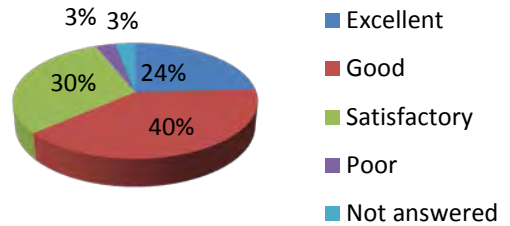
Agreeing scope / objectives of the audit



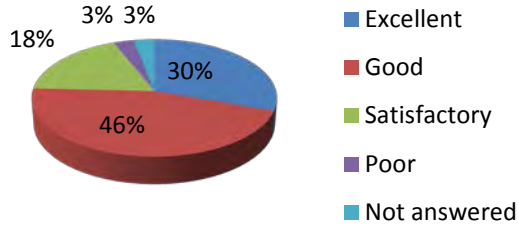
Minimising disruption to the service being audited



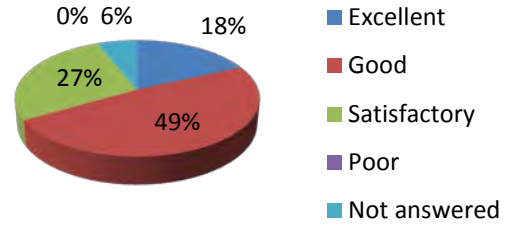
Communicating issues during the audit



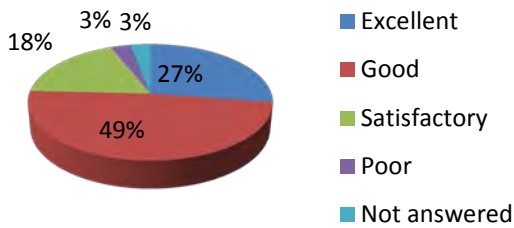
Quality of feedback at end of audit



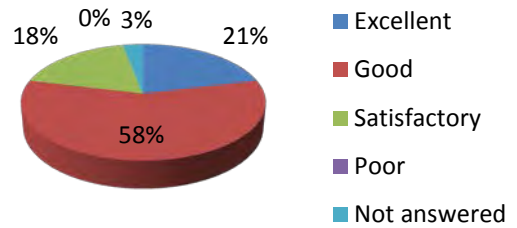
Accuracy / format / length / style of audit report



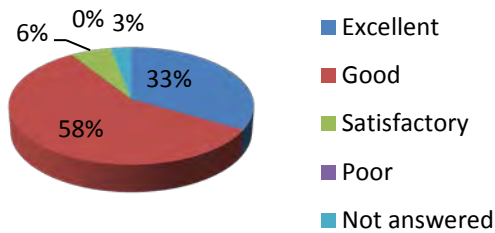
Relevance of audit opinions / conclusions



Agreed actions are constructive / practical



Overall rating for Internal Audit service



The overall ratings in 2017 were:

	2017		2016	
Excellent	11	34%	8	27%
Good	19	60%	19	63%
Satisfactory	2	6%	3	10%
Poor	0	0%	0	0%

The feedback shows that the majority of clients continue to value the service being delivered.

3.0 Self Assessment Checklist – 2017

CIPFA prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 but has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards.

In most areas the current working practices are considered to be at standard. However, a few areas of non-conformance have been identified. None of the issues identified are however considered to be significant. In addition, in some cases, the existing arrangements are considered appropriate for the circumstances and hence require no further action.

The following areas of non-conformance remain unchanged from last year:

<u>Conformance with Standard</u>	<u>Current Position</u>
Does the chief executive or equivalent undertake, countersign, contribute feedback to or review the performance appraisal of the Head of Internal Audit?	The Head of Internal Audit's performance appraisal is the responsibility of the board of directors. The results of the annual customer satisfaction survey exercise are however used to inform the appraisal.
Is feedback sought from the chair of the audit committee for the Head of Internal Audit's performance appraisal?	See above
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Does the risk-based plan set out the - (b) respective priorities of those pieces of audit work?	Audit plans detail the work to be carried out and the estimated time requirement. The relative priority of each assignment will be considered before any subsequent changes are made to plans. Any significant changes to the plan will need to be discussed and agreed with the respective client officers (and

<u>Conformance with Standard</u>	<u>Current Position</u>
	reported to the audit committee).
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	Reliance may be placed on other sources of assurances where this is considered relevant. However, the Head of Internal Audit will only rely on other sources of assurance if he/she is satisfied with the competency, objectivity and reliability of the assurance provider.

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

Whilst the new Standards were only adopted in April 2013, the decision was taken to request an assessment at the earliest opportunity in order to provide assurance to our clients. The assessment was conducted by Gerry Cox and Ian Baker from the South West Audit Partnership (SWAP) in April 2014. Both Gerry and Ian are experienced internal audit professionals. The Partnership is a similar local authority controlled company providing internal audit services to a number of local authorities.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed an audit committee chair.

The conclusion from the external assessment was that working practices conform to the required professional standards. Copies of the detailed assessment report were provided to client organisations and, where appropriate, reported to the relevant audit committee.

5.0 Improvement Action Plan

Last year's quality assurance process identified the following required changes and improvements:

Change / improvement	Progress to date
The internal peer review highlighted the need for further training to be provided on sampling and testing.	Completed

No specific changes to working practices have been identified in 2017. However, to enhance the overall effectiveness of the service, the following areas are considered to be a priority in 2017/18:

- Further development of in-house technical IT audit expertise
- Implementation of the data analytics strategy (stage 1) and investment in new capabilities
- Improved work scheduling, clearer prioritisation of objectives for individual assignments to enable them to be managed within budget, and better communication and agreement with clients on timescales for completion of audit work.

6.0 Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards. 'Partially conforms' means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the internal audit service from performing its responsibilities in an acceptable manner. 'Does not conform' means the deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit service from performing adequately in all or in significant areas of its responsibilities.

COUNTER FRAUD ACTIVITY 2016/17

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed during the year.

	2016/17
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked, management action taken).	44%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£39,858
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£18,000

Caseload figures for the period are:

	As at 31/3/17
Referrals received	187
Referrals rejected ¹	30
Number of cases under investigation	38

¹ All referrals received by Veritau are assessed by quality of evidence and scale of fraud. Where a referral is rejected for investigation the referee or service area is notified.

Waiting to be assigned	38
Number of investigations completed	81

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Council data required by the Cabinet Office for the 2016/17 National Fraud Initiative was gathered in October 2016 and securely transmitted via the NFI web application. Results from the data matching exercise have now been returned. There are 170 recommended matches to investigate covering a range of council services. Work on these matches is now underway.</p> <p>The Council has joined City of York Council, Hambleton, Richmondshire and Ryedale district councils to undertake data matching exercises to detect cross boundary fraud. Results from a data match looking at single person discounts have been returned and matches are currently being reviewed.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity to date includes the following:</p> <ul style="list-style-type: none"> • Council Tax/Non Domestic Rates fraud – The team received 32 referrals for potential fraud in this area over the course of 2016/17. Fraud to the value of £3,000 was uncovered during the year. There are currently 11 ongoing investigations into Council Tax and Non Domestic Rates fraud. All work in this area over the last financial year was funded through a

Activity	Work completed or in progress
	<p>grant from the Department for Communities and Local Government (DCLG).</p> <ul style="list-style-type: none"> • Council Tax Support fraud – In 2016/17 the team received 59 referrals for possible fraud. Almost £4,500 of loss to the Council was detected due to fraud. There are currently 13 cases under investigation. • Debt recovery – The team provided support with 51 requests from the council to help trace absentee debtors and were able to provide address or employment details in 47% of cases. • Housing fraud – The team received 35 referrals for investigation in the year; 3 for illegal subletting, 5 property abandonments, 6 housing allocation frauds and 21 right to buy checks. There are currently 13 ongoing investigations in this area. Last year one housing applicant was cautioned for failing to update the Council about changes in their circumstances which would have affected their application. One false right to buy application was stopped with a value of £36,000. <p>Raising awareness of housing fraud, internally and externally, is an ongoing objective. In 2016/17 awareness sessions were held with housing, benefits, council tax and legal teams. Articles were written and published in the Council’s tenant magazine – Open Door.</p> <ul style="list-style-type: none"> • Internal fraud – No internal fraud referrals were received in 2016/17.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> Parking fraud – Working with officers from the Council’s outsourced parking enforcement provider, Harrogate Borough Council, the fraud team has piloted new working practices to help combat disabled badge fraud within Council car parks over the final quarter of 2016/17. New processes allow enforcement officers to make checks on the ownership and validity of disabled badges. Where there is a suspicion of fraud the enforcement officer can refer the case for investigation. <p>The team made three checks for enforcement officers leading to two investigations. Both investigations led to disabled badges being seized and tickets being issued. One person was cautioned and another warned for offences relating to the misuse of disabled badges.</p>
Fraud liaison	<p>On 1 March 2016 the council’s remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The counter fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations.</p> <p>The team dealt with 169 requests on behalf of the council during the last financial year. In addition housing benefit fraud concerns from within the council as well as from members of the public have been referred to the DWP for investigation. These referrals are tracked to ensure that the Council is aware of the results of any DWP investigations. Where financial penalties are recommended by the DWP the circumstances of each case is reviewed and advice is given to the Council to assist decision making.</p>

Activity	Work completed or in progress
Fraud management	<p>In 2016/17 a range of activity was undertaken to the support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • A new counter fraud and corruption policy and associated counter fraud and corruption prosecution policy was introduced. The new policy covers all forms of fraud the Council encounters or may encounter in the future. • A counter fraud strategy covering 2017-19 was developed. The strategy confirms the Council's commitment to tackling fraud and corruption and sets out actions to strengthen the Council's arrangements, in line with recommended practice. • A risk assessment considering the threat of fraud against the Council was completed in September. The assessment contained an action plan to help mitigate the risks identified. • An annual counter fraud report and update report were brought to the Audit and Governance Committee. In addition a fraud training session was provided for councillors. • The Council's website was updated to reflect the new counter fraud arrangements. • As part of the National Fraud Initiative, Council forms were reviewed to ensure that residents and employees were notified of how their data might be used.

Public Session

Report Reference Number: A/17/5

Agenda Item No: 12

To: Audit and Governance Committee
Date: 14 June 2017
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Internal Audit Charter

Summary:

The purpose of the report is to present an update to the internal audit charter.

Recommendations:

It is recommended that the revised internal audit charter set out at appendix A is approved.

Reasons For Recommendation

To enable the committee to fulfil its responsibilities for internal audit.

1. Introduction And Background

1.1. Standards for internal audit in local government are set by the Chartered Institute of Public Finance and Accountancy (Cipfa). From 1 April 2017 Cipfa adopted changes to the Public Sector Internal Audit Standards (PSIAS). Revisions to the council's internal audit charter are required to reflect these changes. Other updates to the charter are also required, to reflect organisational changes. The Committee last approved an update to the charter in September 2016.

2. The Report

2.1. The Accounts and Audit Regulations 2015 require the council to have an effective internal audit service that complies with public sector internal audit standards. Cipfa is responsible for setting those standards for councils.

2.2. Cipfa works jointly with other bodies responsible for internal audit standards in the UK public sector (such as HM Treasury and the Department of Health) to produce common standards - the Public Sector Internal Audit Standards

(PSIAS). The PSIAS are based on standards set by the Global Institute of Internal Auditors (Global IIA).

- 2.3. Global IIA introduced new and revised International Standards that came into force on 1 January 2017. To ensure the UK public sector standards continue to reflect the international standards, the revisions were adopted into the PSIAS from 1 April 2017.
- 2.4. To reflect the changes to the standards, a number of updates to the council's internal audit charter are required. The proposed new charter is included at appendix A, with amendments shown as tracked changes.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

(a.) None.

3.2. Financial Issues

(a.) None.

4. Conclusion

4.1 By adopting the proposed changes to the internal audit charter the council will ensure that it:

- is compliant with the requirements of the PSIAS

5. Background Documents

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Appendices: - Appendix A - Internal Audit Charter (amended)



Selby District Council

Internal Audit Charter

| ~~28 September 2016~~ 14 June 2017

1 Introduction

- 1.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2017⁶ CIPFA adopted revised Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Selby District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the Council's constitution, regulations and governance arrangements.

2 Definitions

- 2.1 The standards include reference to the roles and responsibilities of the "board" and "senior management". Each organisation is required to define these terms in the context of its own governance arrangements. For the purposes of the PSIAS these terms are defined as follows at Selby District Council.

"Board" – the Audit and Governance Committee fulfils the responsibilities of the board, in relation to internal audit standards.

"Senior Management" – in the majority of cases, the term senior management in the PSIAS should be taken to refer to the Chief Finance Officer in her role as s151 officer. This includes all functions relating directly to overseeing the work of internal audit. In addition, senior management may also refer to any other director or head of service of the Council individually (including the Chief Executive) or collectively as the Extended Leadership Team in relation to:

- having direct and unrestricted access for reporting purposes
- consulting on risks affecting the Council for audit planning purposes
- approving the release of information arising from an audit to any third party.

¹ The PSIAS were adopted jointly by relevant internal audit standard setters across the public sector.

2.2 The standards also refer to the “chief audit executive”. This is taken to be the Head of Internal Audit (Veritau).

3 Application of the standards

3.1 In line with the PSIAS, the mission of internal audit at Selby District Council is:

“To enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.”

3.2 The Council requires that the internal audit service aspires to achieve the mission through its overall arrangements for delivery of the service. In aiming to achieve this, the Council expects that the service:

- Demonstrates integrity.
- Demonstrates competence and due professional care.
- Is objective and free from undue influence (independent).
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced.
- Demonstrates quality and continuous improvement.
- Communicates effectively.
- Provides risk-based assurance.
- Is insightful, proactive, and future-focused.
- Promotes organisational improvement.

3.3 The PSIAS defines internal audit as follows.

“Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”

3.4 The Council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Selby. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS.

4 Scope of internal audit activities

4.1 The scope of internal audit work will encompass the Council’s entire control environment², comprising its systems of governance, risk management, and control.

² For example the work of internal audit is not limited to the review of financial controls only.

- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

5 Responsibilities and objectives

- 5.1 The Head of Internal Audit is required to provide an annual report to the Audit and Governance Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement. The report will include:

- the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control
- any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
- any particular control weakness judged to be relevant to the preparation of the annual governance statement
- a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
- an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
- a statement on conformance with the PSIAS (including the code of ethics and standards) and the results of the quality assurance and improvement programme.-

- 5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:

- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter
- draw up an indicative risk based audit plan on an annual basis following consultation with the Audit and Governance Committee and senior management. The audit plan will also reflect which takes account of the requirements of the Charter, the strategy, and proper practice.
- consider trends and emerging issues that may impact the organisation

- 5.3 In undertaking this work, responsibilities of the internal audit service will include:

- providing assurance to the board and senior management on the effective operation of governance arrangements and the internal control environment operating at the Council³
- objectively examining, evaluating and reporting on the probity, legality and value for money of the Council's arrangements for service delivery
- reviewing the Council's financial arrangements to ensure that proper accounting controls, systems and procedures are maintained and, where necessary, for making recommendations for improvement
- helping to secure the effective operation of proper controls to minimise the risk of loss, the inefficient use of resources and the potential for fraud and other wrongdoing
- acting as a means of deterring all fraudulent activity, corruption and other wrongdoing; this includes conducting investigations into matters referred by members, officers, and members of the public and reporting findings to directors and members as appropriate for action
- advising the Council on relevant counter fraud and corruption policies and measures.

5.4 The Head of Internal Audit will ensure that the service is provided in accordance with proper practice as set out above and in accordance with any other relevant standards – for example Council policy and legal or professional standards and guidance.

5.5 In undertaking their work, internal auditors should have regard to:

- the mission of internal audit, ~~and~~ core principles and standards as set out in the PSIAS and reflected in this charter
- the code of ethics in the PSIAS⁴
- the codes of any professional bodies of which they are members
- standards of conduct expected by the Council
- the Committee on Standards in Public Life's *Seven Principles of Public Life*.

6 Organisational independence

6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.

³ Where third parties place reliance on the assurance provided then they do so at their own risk.

⁴ Veritau has adopted its own code of ethics which fulfil the requirements of the PSIAS.

- 6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.
- 6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:
- rotation of audit staff
 - ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice⁵
 - ~~seeking external oversight of any audit of functional activities managed by the Head of Internal Audit through Veritau client management arrangements.~~

7 Accountability, reporting lines, and relationships

- 7.1 Internal audit services are provided under contract to the Council by Veritau North Yorkshire. The company is a separate legal entity⁶. Staff undertaking internal audit work will be employed by Veritau North Yorkshire or another Veritau group company. Staff may also be seconded to the group from the Council. The Chief Finance Officer acts as client officer for the contract, and is responsible for overall monitoring of the service.
- 7.2 In its role in providing an independent assurance function, Veritau has direct access to members and senior managers and can report uncensored to them as considered necessary. Such reports may be made to the:
- Council, Cabinet, or any Committee (including the Audit and Governance Committee/)
 - Chief Executive
 - Chief Finance Officer (s151 officer)
 - Monitoring Officer
 - other directors and heads of service.
- 7.3 The Chief Finance Officer (as s151 officer) has a statutory responsibility for ensuring that the Council has an effective system of internal audit in place. In recognition of this, a protocol has been drawn up setting out the relationship between internal audit and the Chief Finance Officer.

⁵ Auditors will not be used on internal audit engagements where they have had direct involvement in the area within the previous 12 months

⁶ Veritau North Yorkshire is part-owned by the Council. The company provides internal audit services to a number of member councils and other public sector organisations.

- 7.4 The Head of Internal Audit will report independently to Audit and Governance Committee/⁷ on:
- proposed allocations of audit resources
 - any significant risks and control issues identified through audit work
 - his/her annual opinion on the Council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of the Audit and Governance Committee, or the Committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.
- 7.6 The Audit and Governance Committee/ will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁸.

8 Fraud, and consultancy services and non-audit services

- 8.1 The primary role of internal audit is to provide assurance services to the Council. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.
- 8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption should be notified to the Head of Internal Audit, who will decide on the course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.
- 8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Audit and Governance Committee.

⁷ The committee/board charged with overall responsibility for governance at the council.

⁸ The relationship between internal audit and the Audit and Governance Committee is set out in more detail.

8.4 Where Veritau provides non-audit services (for example information governance), appropriate safeguards will be put in place to ensure audit independence and objectivity are not compromised. These safeguards include the work being performed by a separate team with different line management arrangements. Separate reporting arrangements will also be maintained. The Head of Internal Audit will report any instances where audit independence or objectivity may be compromised to the Chief Finance Officer and the Audit and Governance Committee. The Head of Internal Audit will also take steps to limit any actual or perceived impairment that might occur (for example by arranging for the audit of these services or functional activities to be overseen externally).

9 Resourcing

9.1 As part of the audit planning process the Head of Internal Audit will review the resources available to internal audit, to ensure that they are appropriate and sufficient to meet the requirements to provide an opinion on the Council's control environment. Where resources are judged to be inadequate or insufficient, recommendations to address the shortfall will be made to the Chief Finance Officer and to the Audit and Governance Committee.

10 Rights of access

10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:

- enter all Council premises or land, at any reasonable time
- have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
- have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
- be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.

10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including where the Council's services are provided through partnership arrangements, contracts or other means.

11 Review

11.1 This charter will be reviewed periodically by the Head of Internal Audit. Any recommendations for change will be made to the Chief Finance Officer and the Audit and Governance Committee, for approval.

Relationship between the Chief Finance Officer (the s151 Officer) and internal audit

- 1 In recognition of the statutory duties of the Council's Chief Finance Officer (the CFO) for internal audit, this protocol has been adopted to form the basis for a sound and effective working relationship between the CFO and internal audit.
- (i) The Head of Internal Audit (HoIA) will seek to maintain a positive and effective working relationship with the CFO.
 - (ii) Internal audit will review the effectiveness of the Council's systems of control, governance, and risk management and report its findings to the CFO (in addition to the Audit and Governance Committee).
 - (iii) The CFO will be asked to comment on those elements of internal audit's programme of work that relate to the discharge of his/her statutory duties. In devising the annual audit plan and in carrying out internal audit work, the HoIA will give full regard to the comments of the CFO.
 - (iv) The HoIA will notify the CFO of any matter that in the HoIA's professional judgement may have implications for the CFO in discharging his/her s151 responsibilities.
 - (v) The CFO will notify the HoIA of any concerns that he/she may have about control, governance, or suspected fraud and corruption and may require internal audit to undertake further investigation or review.
 - (vi) The HoIA will be responsible for ensuring that internal audit is provided in accordance with proper practice.
 - (vii) If the HoIA identifies any shortfall in resources which may jeopardise the ability to provide an opinion on the Council's control environment, then he/she will make representations to the CFO, as well as to the Audit and Governance Committee.
 - (viii) The HoIA will report to the CFO (and the Audit and Governance Committee) any instances where internal audit independence or objectivity is likely to be compromised, together with any planned remedial action.
 - (ix) The HoIA will report to the CFO (and the Audit and Governance Committee) any instances where audit work has not conformed to the code of ethics and/or the standards. This includes the reasons for non-conformance and the possible impact on the audit opinion.

| (~~viii~~x) The CFO will protect and promote the independence and rights of internal
| audit to enable it to conduct its work effectively and to report as
| necessary.

Relationship between the Audit and Governance Committee and internal audit

- 1 The Audit and Governance Committee play a key role in ensuring the Council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the Committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee.

- 2 The Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the Council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.

- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
 - (ii) Approval of the internal audit charter.
 - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the Council's control environment.
 - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
 - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the Committee in accordance with the approved escalation policy.
 - (vii) Approval (but not direction) of the annual internal audit plan.

- 4 In relation to the Audit and Governance Committee, the HoIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the Committee
 - (iii) provide an annual summary of internal audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the Committee

- (iv) establish whether anything arising from the work of the Committee requires consideration of the need to change the audit plan or vice versa
- (v) highlight any shortfall in the resources available to internal audit or any instances where the independence or objectivity of internal audit work may be compromised (and ~~to~~ make recommendations to address these to the Committee)
- (vi) report any significant risks or control issues identified through audit work which the HoIA feels necessary to specifically report to the Committee. This includes risks which management are failing to address but which the HoIA considers are unacceptable for the Council.
- (vii) report any actual or attempted interference in the performance or reporting of internal audit work
- (viii) participate in the Committee's review of its own remit and effectiveness
- (viii) discuss the outcomes of the quality assurance and improvement programme, and consult with the committee on how external assessment of the internal audit service will be conducted (required once every five years).

5 The HoIA will informally meet in private with members of the Audit and Governance Committee, or the Committee as a whole as required. Meetings may be requested by committee members or the HoIA.