



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **TUESDAY, 30 JULY 2019**
Time: **5.00 PM**
Venue: **COMMITTEE ROOM - CIVIC CENTRE, DONCASTER ROAD,
SELBY, YO8 9FT**
To: **Councillors K Arthur (Chair), N Reader (Vice-Chair),
J Chilvers, D Brook, J Duggan, K Franks, E Jordan and
J Mackman**

There will be a briefing 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 (Pages 1 - 6)

To confirm as a correct record the minutes of the Audit and Governance Committee held on 10 April 2019.

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

5. Start Time of Audit & Governance Committee Meetings

To confirm the start time of meetings for the 2019/20 municipal year.

6. Audit Action Log

To note, there are no current actions on the Audit Action Log.

7. Audit and Governance Work Programme (Pages 7 - 10)

To note the current Work Programme and consider any amendments.

8. External Audit Completion Report 2018-19 (A/19/1) (Pages 11 - 38)

To receive the report of the external auditor, which asks the Committee to consider the work of the external auditor during the financial year ending 31 March 2019.

9. Annual Report of the Head of Internal Audit 2018-19 (A/19/2) (Pages 39 - 82)

To receive the report of the Head of Internal Audit, which presents the Annual Report for 2018-19.

10. Statement of Accounts 2018-19 (A/19/3) (Pages 83 - 86)

To receive the report of the Head of Technical Finance, which asks the Committee to approve the Statement of Accounts for the financial year 2018-19.

11. Risk Management Annual Report 2018-19 (A/19/4) (Pages 87 - 90)

To receive the report of the Audit Manager, Veritau, which provides a summary of risk management activity in 2018-19 and proposed risk management actions for 2019-20.

12. Corporate Risk Register (A/19/5) (Pages 91 - 118)

To receive the report of the Audit Manager, Veritau, which updates Councillors on the Corporate Risk Register and asks Councillors to endorse the actions of officers in furthering the progress of risk management

13. Private Session

That, in accordance with Section 100(A) (4) of the Local Government Act 1972, in view of the nature of the business to be transacted, the meeting be not open to the Press and public during discussion of the following items as there will be disclosure of exempt information as defined in paragraph 3 of Schedule 12(A) of the Act.

14. Consideration of Internal Audit Reports (A/19/6) (Pages 119 - 132)

To consider the Internal Audit report as outlined.

Janet Waggott

Janet Waggott, Chief Executive

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| <p>Dates of next meetings (5.00pm) Wednesday, 23 October 2019</p> |
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Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065 ddrury@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.

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Minutes

Audit & Governance Committee

| | |
|-------------------|---|
| Venue: | Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT |
| Date: | Wednesday, 10 April 2019 |
| Time: | 5.00 pm |
| Present: | Councillors K Arthur (Chair), J Chilvers and S Duckett |
| Officers present: | Karen Iveson (Chief Finance Officer), Mark Kirkham (Partner, Mazars LLP), Phil Jeffrey (Audit Manager, Veritau), Jonathan Dodsworth (Counter Fraud Manager, Veritau), Daniel Club (Senior Fraud Investigator, Veritau) Bernice Elgot (Interim Solicitor to the Council and Monitoring Officer) (for minute item 47); and Dawn Drury (Democratic Services Manager) |
| Others present: | Councillor C Lunn (Lead Executive Member for Finance and Resources) |
| Public: | 0 |
| Press: | 0 |

41 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillors Sage, Reynolds, McCartney, Cattanach and Marshall. Councillor Duckett attended as Councillor Marshall's substitute.

42 DISCLOSURES OF INTEREST

There were no disclosures of interest.

43 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 30 January 2019.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 30 January 2019.

44 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair thanked all councillors who had served on the Audit and Governance Committee during 2018/19 for their support and continued hard work, and wished Councillors Marshall and Reynolds well as they were not standing in the upcoming election. He further thanked all officers for their contribution.

The Chair indicated that he would be amending the order of business to allow agenda item number 13, Report of the Committee on Standards in Public Life and Update to Selby District Council's Code of Conduct to be considered first as agenda item number 7; the rest of the business would follow as set out in the agenda.

45 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

The Democratic Services Officer confirmed that the remaining action would be addressed later in the meeting, at agenda item number 9, internal audit progress report, which was noted by the Committee.

RESOLVED:

To note the Audit Action Log.

46 AUDIT AND GOVERNANCE WORK PROGRAMME 2018/19

The Committee considered the current Audit and Governance Work Programme.

RESOLVED:

To note the Work Programme.

47 REPORT OF THE COMMITTEE ON STANDARDS IN PUBLIC LIFE AND UPDATE TO SELBY DISTRICT COUNCIL'S CODE OF CONDUCT (A/18/27)

The Interim Solicitor to the Council and Monitoring Officer presented the report, which informed the Committee of the outcome of the 20th report of the Committee on Standards in Public Life, and asked members to approve the suggested amendments to the Council's Code of Conduct for Members; as detailed at appendix 1 of the report.

The Committee heard that the Committee on Standards in Public Life had recently reported and made recommendations for future changes to the legislation, by way of amendments to the Localism Act 2011. The

members were advised that until the legislation was changed, there were also recommendations for future best practice within local authorities, which could be implemented immediately to ensure that the Council continued to promote and maintain high standards of member conduct.

In response to a query regarding conduct within Parish Councils, it was confirmed that the intention was that Parish Councils would be asked to accept their District Council's Code of Conduct, however this would require a change in the legislation.

Concern was raised regarding the recommendation for removal of the criminal offences relating to disclosable pecuniary interests (DPIs). It was confirmed that if an offence was committed and reported to the Police, depending on the severity of the offence, it would be punishable by the Police under another criminal offence.

The Chair praised the structure of the report as he stated it was brief and simple to understand, which made it easier for Councillors to understand the requirements expected of them; and adhere to.

RESOLVED:

- i. To note the contents of the report.**
- ii. To approve the suggested amendments to the Council's Code of Conduct for Members, and the arrangements for dealing with standards allegations, as set out in the in the second part of the table in Appendix 1 of the report.**

48 EXTERNAL AUDIT STRATEGY MEMORANDUM (A/18/21)

The Partner, Mazars LLP presented the report, which outlined the external audit plan for the Council for the year ending 31 March 2019.

The Partner, Mazars LLP explained that there was a number of significant risks in carrying out the audit work, the report highlighted three new risks which had been deemed to be significant: management override of control, property, plant and equipment valuation; and defined benefit liability valuation, however it was confirmed that these risks were not unusual.

The Committee was informed that for the 2018/19 financial year, no significant audit risks had been identified to the value for money conclusion work.

The importance of the materiality threshold was explained to the Committee, as that threshold set the range, depth and extent of some of the external audit testing. The Committee was informed that based on the audited accounts for 2017/18 it was anticipated that the overall materiality for the year ending 31 March 2019 would be in the region of

£1,111K.

RESOLVED:

To note the report.

49 EXTERNAL AUDIT PROGRESS REPORT (A/18/22)

The Partner, Mazars LLP presented the report which provided the Committee with a summary of the external audit work completed to date, and highlighted that the planning work in relation to the 2018/19 external audit was completed.

The Committee noted that the external audit work was on track for the year, with no significant issues arising.

RESOLVED:

To note the report.

50 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PROGRESS REPORT 2018/19 (A/18/23)

The Audit Manager, Veritau presented the report, which updated the Committee on progress made in delivering the internal audit work plan for 2018/19.

The Committee was updated that since the Internal Audit Progress report had been written, the audit on the Economic Development Framework, and Payroll was now at draft stage.

The Committee was informed that this was the first time that an Information Governance progress report had been brought to the Audit and Governance Committee, and that this was resultant of Veritau being appointed by the Council to be its statutory Data Protection Officer (DPO).

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2018/19, which highlighted that savings of £14.7k had been achieved through fraud investigation. The Committee was informed that since the report had been written, end of year figures for 2018/19 confirmed that actual savings of £22k had been achieved through fraud investigation.

In relation to data matching, the Committee received an update on the 2018/19 National Fraud Initiative (NFI) Business Rates pilot, the exercise had been a success at Selby District Council, with identified savings of £6k for the Council to date.

The Committee was informed that as part of the annual council tax and business rates billing, a message was included, to raise awareness; and encourage residents to report any suspicions of fraud to the fraud hotline.

In response to a query regarding the Programme for Growth – Selby 950

audit, it was confirmed that no opinion was given by the internal audit team, as this was not a regular piece of work.

The Committee noted that in relation to the Development Management audit which had a due date of 30 April 2018, a discussion had taken place between the internal audit team and development management, it had been concluded that the resource was not available to carry out a manual process on Anite; and alternative options were being considered to mitigate possible risks.

RESOLVED:

To note the report.

51 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PLANS 2019/20 (A/18/24)

The Audit Manager, Veritau presented the report, which contained the proposed Internal Audit, Counter Fraud and Information Governance plans for 2019/20.

It was highlighted that the internal audit plan 2019/20 was based on a total commitment of 355 days, this was a reduction of 20 days from the year 2018/19, in order to fund additional priority counter fraud work.

The Committee noted that a total of 60 days had been agreed for the information governance plan 2019/20 work, with the allocation split across the three elements of the service: data protection officer role, information governance strategy and support; and the provision of advice and training.

The Counter Fraud Manager, Veritau confirmed that a total of 125 days of counter fraud work had been agreed for 2019/20.

RESOLVED:

i. To approve the Internal Audit Plan 2019/20.

ii. To note the Counter Fraud and Information Governance Plans 2019/20.

52 ANNUAL REPORT 2018/19 (A/18/25)

The Committee received the report from the Chair, which asked them to approve the annual report for 2018/19; and to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the final version of the annual report 2018/19 following the inclusion of details from the current meeting.

The Chair highlighted an error in the first paragraph, 'Councillor John Cattanach was appointed to the Committee to replace Councillor Karl Arthur; should read 'to replace Councillor Mike Jordan'. An error with formatting was also identified; the Chair asked that both these issues be

corrected.

RESOLVED:

- i. **To approve the Annual Report of the Audit and Governance Committee for 2018/19, submitted by the Chair of the Committee; subject to the amendments above.**
- ii. **To delegate authority to the Democratic Services Officer, in consultation with the Chair of the Committee, to update the final version of the Annual Report 2018/19, following the inclusion of details from the meeting on 10 April 2019.**

53 WORK PROGRAMME 2019/20 (A/18/26)

The Committee considered and agreed the Audit and Governance Committee work programme for 2019/20. It was explained that more items could be added to the work programme during the course of the year if the Committee felt it necessary.

RESOLVED:

To approve the Audit and Governance Work Programme for 2019/20.

The meeting closed at 5.32 pm.



Audit Committee Work Programme 2019/20

| 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> | | |
| 30 July 2019 | Meeting start times | To agree the start time of Audit and Governance Committee meetings for 2019/20 |
| | Review of Action Log | To consider the latest Action Log |
| | Annual Report of the Head of Internal Audit 2018/19 | To consider the Annual Report of the Head of Internal Audit 2018/19 |
| | Internal Audit Charter | To review the Internal Audit Charter |
| | External Audit Completion Report 2018/19 | To receive the Audit Completion Report from the external auditors |
| | Risk Management Annual Report 2018/19 | To consider the Risk Management Annual Report for 2018/19 |
| | 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' |

| | | |
|------------------------|--|--|
| 23 October 2019 | Review of Action Log | To consider the latest Action Log |
| | Local Government and Social Care Ombudsman Annual Review Letter 2018/19 | To receive the Local Government and Social Care Ombudsman Annual Review Letter 2018/19 |
| | Internal Audit, Counter Fraud and Information Governance Progress Report | To review progress against the Internal Audit, Counter Fraud and Information Governance plans |
| | Consideration of Internal Audit Reports | To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance' |
| | External Audit Progress Report | To review the progress of the external auditor |
| | External Annual Audit Letter 2019 | To review the Annual Audit Letter 2019 |

| | | |
|------------------------|--|--|
| 29 January 2020 | Review of Action Log | To consider the latest Action Log |
| | Information Governance Annual Report 2019 | To approve the Information Governance Annual Report |
| | 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, Counter Fraud and Information Governance Progress Report | To review progress against the Internal Audit, Counter Fraud and Information Governance plans |
| | Consideration of Internal Audit Reports | To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance' |
| | Review of Annual Governance Statement Action Plan 2018/19 | To review the Annual Governance Statement Action Plan 2018/19 |

| | | |
|----------------------|--|---|
| 22 April 2020 | Review of Action Log | To consider the latest Action Log. |
| | External Audit Strategy Memorandum | To review the external Audit Strategy |
| | External Audit Progress Report | To review the progress of the external auditor |
| | Internal Audit, Counter Fraud and Information Governance Progress Report | To review progress against the Internal Audit, Counter Fraud and Information Governance plans |
| | Internal Audit and Counter Fraud Plan 2020/21 | To approve the Internal Audit, Counter Fraud and Information Governance plans 2020/21 |
| | 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 2019/20 | To approve the 2019/20 Annual Report of the Audit and Governance Committee |
| | Work Programme 2020/21 | To approve the Audit and Governance Committee Work Programme for 2020/21 |



Report Reference Number: A/19/1

To: Audit and Governance Committee
Date: 30 July 2019
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Completion Report

Summary:

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

Recommendations:

To consider the External Audit Completion 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 for the financial year ending 31 March 2019.

2. The Report

2.1 The report is attached at appendix A and sets out a summary of external audit progress during the financial year ending 31 March 2019.

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. Implications

None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

6. Appendices

Appendix A – External Audit Completion Report

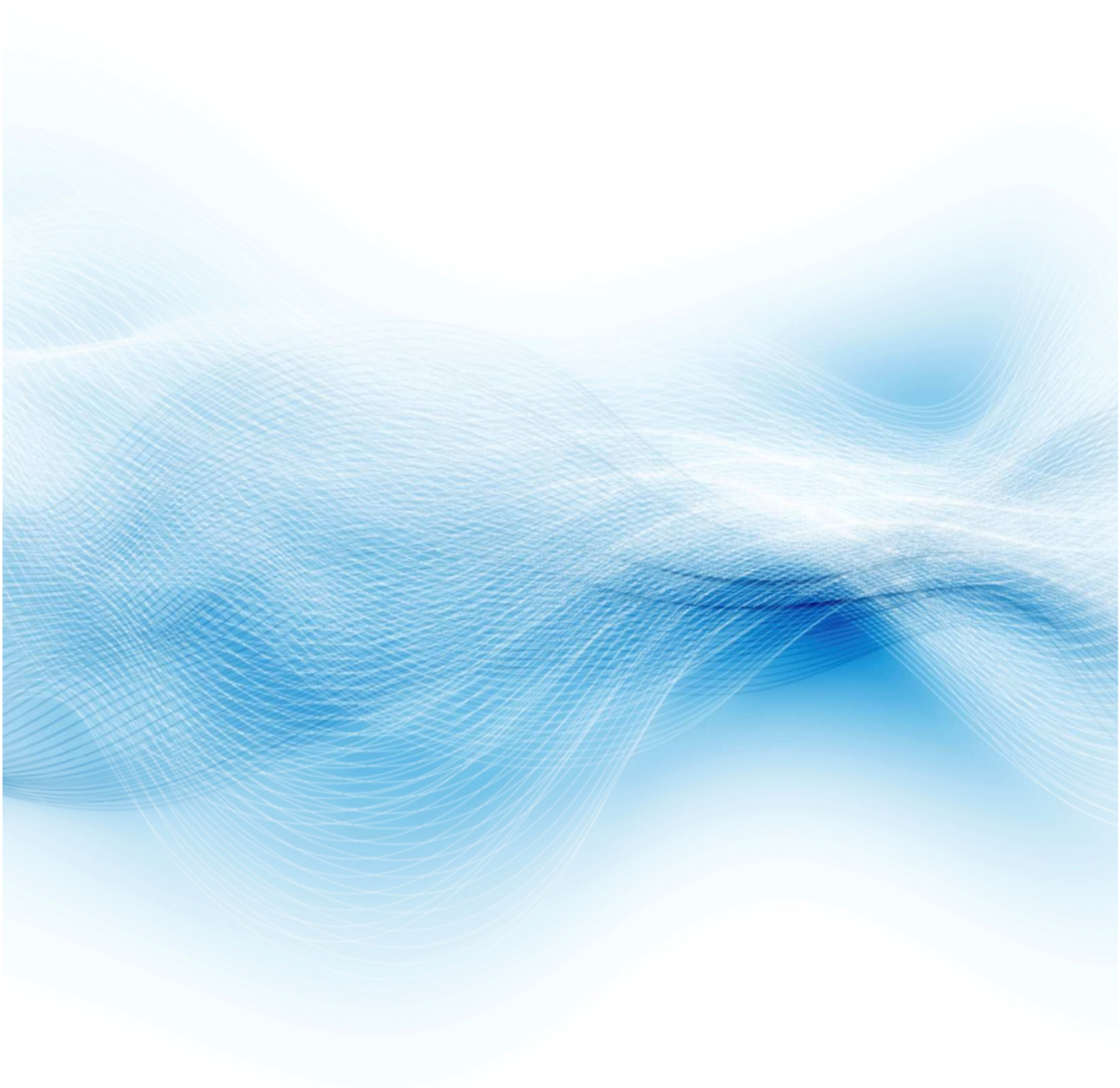
Contact Officer:

Dawn Drury, Democratic Services Officer
Ext: 42065
ddrury@selby.gov.uk



Audit Completion Report – Draft for discussion

Selby District Council
Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Significant findings
3. Internal control recommendations
4. Summary of misstatements
5. Value for money conclusion

Appendix A – Draft management representation letter

Appendix B – Draft auditor’s report

Appendix C – Independence and fees

Our reports are prepared in the context of the ‘Statement of responsibilities of auditors and audited bodies’ and the ‘Appointing Person Terms of Appointment’ issued by Public Sector Audit Appointments Limited.

Reports and letters prepared by appointed auditors and addressed to Selby District Council are prepared for the sole use of Selby District Council and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

Audit and Governance Committee
Selby District Council
Civic Centre
Doncaster Road
Selby
YO8 9FT

16 July 2019

Dear Members

Audit Completion Report – Year ended 31 March 2019

We are pleased to present our Audit Completion Report for the year ended 31 March 2019. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 10 April 2019. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate.

We would like to express our thanks for the assistance of your team during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5315.

Yours faithfully

Mark Kirkham
Mazars LLP

Mazars LLP – 5th Floor, 3 Wellington Place, Leeds, LS1 4AP
Tel: 0113 394 2000 – www.mazars.co.uk

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VAT number: 839 8356 73



1. EXECUTIVE SUMMARY

Purpose of this report and principal conclusions

The Audit Completion Report sets out the findings from our audit of Selby District Council ('the Council') for the year ended 31 March 2019, and forms the basis for discussion at the Audit and Governance Committee meeting on 30 July 2019.

The detailed scope of our work as your appointed auditor for 2018/19 is set out in the National Audit Office's (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards of Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

Sections 2 and 5 of this report outline the detailed findings from our work on the financial statements and our conclusion on the Council's arrangements to achieve economy, efficiency and effectiveness in its use of resources. Section 2 also includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- management override of control;
- property, plant and equipment valuation; and
- defined benefit liability valuation.

Status of our work

As we outline on the following page, our work is substantially complete. Subject to the satisfactory completion of the outstanding work, at the time of issuing this report we have the following conclusions:

Opinion on the financial statements

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor's report in Appendix B.

Value for money conclusion

We anticipate concluding that the Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. Our draft auditor's report, including proposed conclusion, is provided in Appendix B

Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We have received no objections in respect of the 2018/19 statement of accounts.

1. EXECUTIVE SUMMARY

Status of our audit work

We have substantially completed our work on the financial statements and Value for Money conclusion for the year ended 31 March 2019. At the time of preparing this report the following matters remain outstanding:

| Audit area | Status | Description of outstanding matters |
|---|--------|--|
| Income cut off testing | ● | We are awaiting the supporting documentation for two items from our sample. |
| Journals | ● | Finalisation of our journals testing, following completion of other areas of the accounts where we have tested journals. |
| Related Parties | ● | Agreement of the related party disclosures to supporting documentation |
| Property, Plant and Equipment | ● | We are in the process of agreeing the reasonableness of the valuations of PPE and the treatment is in line with accounting standards |
| Reserves and Movement in Reserves Statement | ● | Finalisation of our audit procedures to ensure consistency with other areas of the accounts. |
| Financial Instruments | ● | Finalisation of our audit procedures to ensure the disclosure in in line with the new accounting standard (IFRS 9) |
| Collection Fund | ● | Finalisation of our audit procedures |
| Debtors | ● | We are awaiting for the supporting documentation in relation to the loan with Selby District Housing Trust |
| Cash Flow | ● | Finalisation of our audit procedures to ensure the cash flow is consistent with other area of the accounts |
| Pensions | ● | Finalisation of our audit procedures |
| Final Financial Statements | ● | We will review a final set of financial statements following resolution of the above queries. |

Status

- Likely to result in material adjustment or significant change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

1. EXECUTIVE SUMMARY

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.

Our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in April 2019. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

We set materiality at the planning stage of the audit at £1.111m using a benchmark of 2% of Gross Operating Expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors is £1.148m, using the same benchmark. We set our trivial threshold (the level under which individual errors are not communicated to the Audit and Governance Committee, at £34k based on 3% of overall materiality.

Misstatements and internal control recommendations

Section 3 sets out the internal control recommendations that we make, together with an update on any prior year recommendations. Section 4 outlines the misstatements noted as part of our audit as at the time of issuing this report. If any additional misstatements are noted on completion of the outstanding work, these will be reported to the Audit and Governance Committee in a follow-up letter.

Executive summary

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for money
conclusion

Appendices

2. SIGNIFICANT FINDINGS

Set out below are the significant findings from our audit. These findings include:

- our audit conclusions regarding significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 9 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year;
- any further significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks and key areas of management judgement

As part of our planning procedures we considered the risks of material misstatement in the Council's financial statements that required special audit consideration. Although we report identified significant risks at the planning stage of the audit in our Audit Strategy Memorandum, our risk assessment is a continuous process and we regularly consider whether new significant risks have arisen and how we intend to respond to these risks. No new risks have been identified since we issued our Audit Strategy Memorandum.

Significant risk

Management override of controls

Description of the risk

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk by performing audit work in the following areas:

- accounting estimates impacting on amounts included in the financial statements;
- consideration of identified significant transactions outside the normal course of business; and
- journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Subject to resolution of outstanding matters on page 5, there are no matters arising from our work on management override of controls.

2. SIGNIFICANT FINDINGS (CONTINUED)

| Significant Risk | Description of the risk |
|---|---|
| Property, Plant and Equipment valuation | <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>Although the Council employs external experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations.</p> |

How our audit addressed this risk

We have:

- assessed the valuer's scope of work, qualifications, objectivity and independence to carry out the Council's programme of revaluations;
- considered whether the overall revaluation methodology used by the valuer is in line with industry practice, the CIPFA Code of Practice and the Council's accounting policies;
- critically assessed the appropriateness of the underlying data and the assumptions used in the valuer's calculations, based on our expectations by reference to sector and local knowledge;
- considered the movement in market indices between the revaluation dates and the year end to determine whether there have been material movements over that time;

Audit conclusion

In the financial statements submitted for audit, Council Dwellings were valued at 1 April 2018. The Council had not reviewed the values at the balance sheet date of 31st March 2019 for any material changes. Review of indices confirmed a material movement, and as such Council Dwelling values have been increased in line with market indices, resulting in a £2.185m increase in valuation. The adjustment has been included in section 04.

Subject to resolution of outstanding matters on page 5, there are no further matters arising from our work on valuation of Property, Plant and Equipment.

2. SIGNIFICANT FINDINGS (CONTINUED)

Significant Risk

Defined Benefit
Pension Liability
Valuation

Description of the risk

The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the North Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.

The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.

There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.

There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.

How our audit addressed this risk

We have:

- critically assessed the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary, Aon Hewitt;
- liaised with the auditors of the North Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively. This will include the processes and controls in place to ensure data provided to the Actuary by the Pension Fund for the purposes of the IAS19 valuation is complete and accurate;
- reviewed the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation. This will include comparing them to expected ranges, utilising information provided by PWC, consulting actuary engaged by the National Audit Office; and
- agreed the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the financial statements.

Audit conclusion

Legal rulings in respect of GMP equalisation and the McCloud judgement relating to transitional provisions creates additional defined benefit liabilities. These were not taken into account in the actuary's original estimate of the defined benefit liability. Management have obtained updated figures from the actuary to identify the impact of these rulings on the defined benefit liabilities. This has confirmed the impact of these rulings are not material to the defined benefit liability. We have reviewed the reasonableness of the assumptions used to determine the figures and our audit work has not identified any issues with the basis of the estimation technique.

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2. SIGNIFICANT FINDINGS (CONTINUED)

Qualitative aspects of the Council's accounting practices

We have reviewed the Council's accounting policies and disclosures and concluded they comply with the requirements of the Code of Practice on Local Authority Accounting (the Code), appropriately tailored to the Council's circumstances. Draft accounts were received from the Council, by the statutory deadline on 31 May 2019, and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Queries were dealt with promptly allowing the audit to progress well.

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2018/19 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account.

3. INTERNAL CONTROL RECOMMENDATIONS

The purpose of our audit is to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements. We do this in order to design audit procedures to allow us to express an opinion on the financial statement and not for the purpose of expressing an opinion on the effectiveness of internal control, nor to identify any significant deficiencies in their design or operation.

The matters reported here would be limited to those deficiencies and other control recommendations that we identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified matters to report..

We have no internal control recommendations to bring to your attention.

Follow up of previous internal control points

We set out below an update on internal control points raised in the prior year.

| Priority ranking | Description | Number of issues |
|------------------|--|------------------|
| 1 (high) | In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately. | 0 |
| 2 (medium) | In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future. | 6 |
| 3 (low) | In our view, internal control should be strengthened in these additional areas when practicable. | 0 |

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2

Description of deficiency

In trying to obtain third party confirmation for a loan balance held with UBS, we have been delayed due to the Council's signatory details not being up to date. The signatories on the account date back a number of years and most of whom are no longer employed by the Council.

Potential effects

Other than the delay to our audit, it could pose other administrative problems for the Council should they need to discuss the Loan Balance, or if the bank needed to contact the Council to discuss a late or missed payment of interest, which could potentially result in additional charges for the Council.

Recommendation

The Council should review all arrangements and business relationships to ensure contact and signatory details held with third parties are up to date and relevant.

2018/19 Update

We did not encounter the same issues when obtaining the confirmation for 2018/19

Description of deficiency

In our work reviewing the bank reconciliation, we identified 71 cheques, totalling over £6,000 that were over 6 months old.

Potential effects

The likelihood of these payments being realised is low and as such the bank balance as per the ledger is misstated, albeit the overall value is minimal. Also there is an additional administration burden on the Council to continue to include these cheques in the bank reconciliation.

Recommendation

In the short term, cheques over 6 months old should be written off from the unrepresented cheques listing. Over a longer term, the Council should ensure review processes to ensure that, with sufficient regularity, old cheques are removed from the bank reconciliation, unless there is a legitimate reasons for their continued inclusion.

2018/19 Update

Our work on the bank reconciliation during 2018/19 has confirmed the number of cheques over 6 months old has significantly reduced.

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2 (continued)

Description of deficiency

There are assets currently held on the asset register that are rented out yielding income for the Council. The classification of a number of these assets is based on the original intention of the Council for that asset. This means that the use of the asset for rental purposes was originally intended to be a temporary arrangement.

Potential effects

There could be assets held with Property, Plant and Equipment rather than as Investment Properties. This would be out of line with accounting standards and the CIPFA Code of Practice. We have performed some procedures in the course of our work which has provided assurance that there is unlikely to be a material error in classification.

Recommendation

The Council should review the intention on which their assets are held and determine whether a change in classification is required.

2018/19 Update

The Council have re-classified a number of assets as Investment Properties in 2018/19.

Description of deficiency

The draft statements contained double-counting of recharged overheads within the CIES.

Potential effects

Although the net impact of the error has not been impacted, both income and expenditure are overstated.

Recommendation

Despite this being a purely presentational error, the treatment of recharges should be reviewed to ensure that they are not double-counted in financial information. This will mean that external reporting is more accurate but also that the true cost of services can be ascertained.

2018/19 Update

This error has not reoccurred in 2018/19

3. INTERNAL CONTROL RECOMMENDATIONS (CONTINUED)

Other deficiencies in internal control – Level 2 (continued)

Description of deficiency

As also reported last year, the payroll reconciliation shows items unreconciled at the year end. Officers are comfortable that the small difference is being managed but this has also been “self-reported” by management in the Annual Governance Statement with a target date of July 2018 to report to Those Charged with Governance.

Potential effects

Differences on control account reconciliations are normally an indication of a wider issue; in this case the wider issue is already known; that is, a problem exists with the costing information provided by the payroll provider (North Yorkshire County Council).

Recommendation

Officers should continue to work with NYCC to rectify the costing issue.

2018/19 Update

This issue has been rectified during 2018/19.

Description of deficiency

We have noted three incidences where the cut-off of capital schemes has resulted in errors within the statements. One resulted in a substantial amount of expenditure (£99k) in respect of one scheme being included in additions in error; a second resulted in an adjustment being required (£35k) to increase creditors and additions; and the final one related purely to the capital commitments note (£507k).

Potential effects

Although none of the above have an impact on the Income and expenditure position of the council for the year; it is important that capital contracts are managed appropriately to ensure progress on schemes is monitored and the invoices are subsequently managed to ensure timely payment.

Recommendation

Finance officers need to reiterate to service managers the importance of following the established rules for capital accruals.

2018/19 Update

Our audit work in this area is still underway. We will report any issues identified in our follow up work.

4. SUMMARY OF MISSTATEMENTS

We set out below the misstatements identified for adjustment during the course of the audit, above the level of trivial threshold of £34k.

There are no unadjusted misstatements to report to the Audit and Governance Committee.

The table below outlines the misstatements that have been adjusted by management during the course of the audit.

Adjusted misstatements 2018/19

| | Comprehensive Income and Expenditure Statement | | Balance Sheet | |
|---|--|------------|---------------|------------|
| | Dr (£'000) | Cr (£'000) | Dr (£'000) | Cr (£'000) |
| 1 Dr: Fixed Assets | | | 2,185 | |
| Cr: CIES | | 1,155 | | |
| Dr: MiRS | 1,155 | | | |
| Cr: Reserves – Capital Adjustment Account | | | | 1,155 |
| Cr: Reserves – Revaluation Reserve | | | | 1,030 |

To reflect the change in value of Council Dwellings between 1 April 2018, when a desktop valuation was performed and the balance sheet date of 31 March 2019.

Disclosure amendments

During the course of the audit we identified a small number of disclosure changes which are detailed below. All have been adjusted for in the final version of the financial statements.

- The classification of debtors has been adjusted to reflect debtors with Other Local Authorities that were originally mis-classified. This has resulted in Debtors with other Local Authorities increasing by £468k and a corresponding decrease in debtors with Other Entities and Individuals;
- The Expenditure and Funding Analysis has been moved to be shown as a Note to the financial statements instead of a primary statement ;
- Note 47 – Nature and Extent of Risks arising from Financial Instruments: the table which includes the sensitivity analysis has been populated, as this information was not originally included within the draft financial statement;
- Note 32 – Officers' Remuneration: The narrative within the Note has been enhanced to fully reflect the arrangements with North Yorkshire County Council. Narrative has been added to confirm no salary banding disclosure table is required, as all officers earning £50k and above have already been disclosed. Small changes to the pension contribution figures have been made to reflect the actual payments made.
- There have been two updates to the prior year comparators to reflect the figures in the 2017/18 audited accounts. these amendments are in relation to operating leases and exit packages.
- Note 5 – Material Items of Expense: the amount of housing benefits payments has been updated to reflect the value of housing benefits payments (£13,650k).
- Annual Governance Statement – there have been minor presentational amendments to the Annual Governance Statement.

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5. VALUE FOR MONEY CONCLUSION

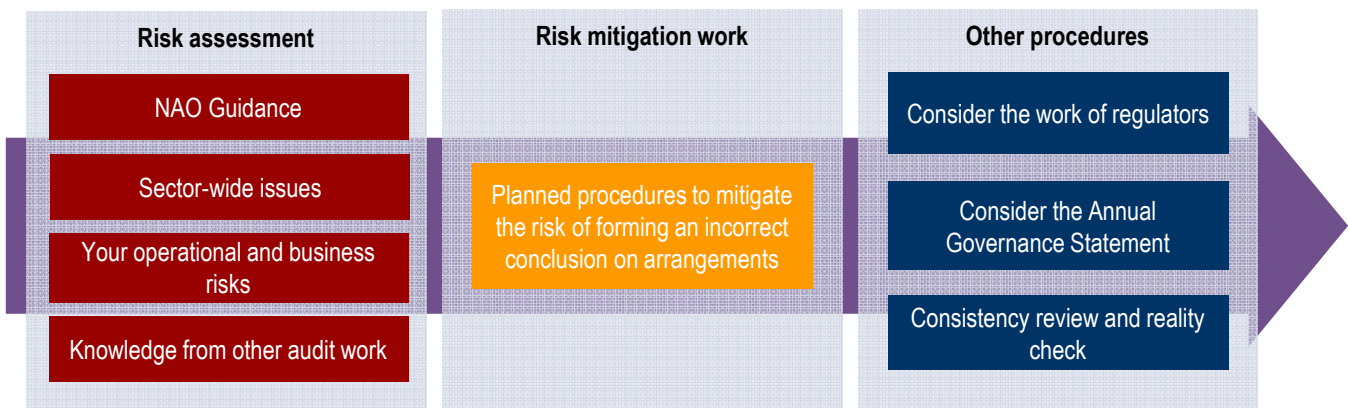
Our audit approach

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

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

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

A summary of the work we have undertaken is provided below:



Significant audit risks

The NAO's guidance requires us to carry out work to identify whether or not a risk to our conclusion exists. Risk, in the context of our work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. In our Audit Strategy Memorandum, we reported that we had identified no significant audit risks. Since issuing our Audit Strategy Memorandum we have updated our risk assessment and confirm we have identified no significant audit risks in respect of our value for money conclusion.

Overall value for money conclusion

Our draft auditor's report included in Appendix B states that we intend to issue an unqualified conclusion for the 2018/19 financial year.



5. VALUE FOR MONEY CONCLUSION

Commentary against each of the sub-criteria, and an indication of whether arrangements are in place, is provided below.

Arrangements in place?

Informed decision making

Yes

The Council operates an Executive with a Leader model, and this is governed by a Council Constitution including all of the normal features of an effective governance framework in local government.

The Corporate Plan sets out priorities which include delivering affordable housing and promoting economic growth and development. Delivery is monitored in quarterly performance reports and in the Annual Report. New decisions are supported by reports that outline options and relevant considerations, including references to financial, legal and performance issues where appropriate.

There is evidence of financial reporting being used to deliver strategic objectives, for example, through the Medium Term Financial Strategy and in allocating resources to priority areas such as the Programme for Growth. In addition, regular financial reporting takes place, with formal reporting quarterly to the Executive.

Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council's Annual Report.

The Council has a risk management strategy and framework in place, and the Audit and Governance Committee oversees the governance framework including the work of internal audit.

The Annual Governance Statement includes an assessment of the effectiveness of arrangements and identifies appropriate areas for further improvement, most notably around information governance and strengthening scrutiny arrangements.

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5. VALUE FOR MONEY CONCLUSION

Arrangements in place?

Sustainable resource deployment

Yes

The Council has made progress in addressing the financial challenges from public sector austerity and has a proven track record of strong budget management and delivering planned budget reductions.

In recent years the Council has benefitted from an annual windfall in business rates income which is now £8.6m largely arising from renewables at the Draxpower station. The Council has prudently assumed that this is not guaranteed to continue and has set sums aside for investment, rather than using them to support the base budget, although there has been some investment in the capacity needed to manage the use of the additional funds that are available.

There has been progress on the Programme for Growth during 2018/19 with £1.7m project spend and further spend committed across a range of projects for 2019/20.

The Council continues to deliver its financial plans and the 2018/19 outturn achieved a £59k underspend against the general fund budget.

Working with partners and other third parties

Yes

The Council works with a range of third parties. The Better Together partnership with North Yorkshire County Council is a strong example. The Council have also strengthened their joint working with North Yorkshire Police during 2018/19.

Another example is the commissioning of leisure services, including the opportunity presented by the new leisure village, through Wigan Leisure and Cultural Trust (WLCT).

The Council has procurement procedures in place and maintains a contracts register. The Council seeks to achieve best value from the procurement process, driving savings where possible, but also aiming to deliver sustainable services.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Selby District Council
Civic Centre
Doncaster Road
YO8 5FT

[Date]

Dear Mark

Selby District Council - audit for year ended 31 March 2019

This representation letter is provided in connection with your audit of the financial statements of Selby District Council for the year ended 31 March 2019 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the Code) and applicable law.

I confirm that the following representations are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within Selby District Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information.

As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on Selby District Council's financial position, financial performance and cash flows.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by Selby District Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against Selby District Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting Selby District Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting Selby District Council's financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law.

I have disclosed to you the identity of Selby District Council's related parties and all related party relationships and transactions of which I am aware.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.

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DRAFT MANAGEMENT REPRESENTATION LETTER

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed.

Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

To the best of my knowledge there is nothing to indicate that Selby District Council will not continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the accounts.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Chief Finance Officer.....

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DRAFT AUDITOR'S REPORT

Independent auditor's report to the members of Selby District Council Report on the financial statements

Opinion

We have audited the financial statements of Selby District Council for the year ended 31 March 2019, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Selby District Council as at 31st March 2019 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of Selby District Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applicable to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about Selby District Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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DRAFT AUDITOR'S REPORT

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of Responsibilities for the Statement of Accounts, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Finance & Corporate Services Director is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 and prepare the financial statements on a going concern basis, unless Selby District Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for Selby District Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Conclusion on Selby District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that, in all significant respects, Selby District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

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DRAFT AUDITOR'S REPORT

Basis for conclusion

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in November 2017, as to whether Selby District Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether Selby District Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2019.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, Selby District Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Responsibilities of Selby District Council

Selby District Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that Selby District Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of Selby District Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

Use of the audit report

This report is made solely to the members of Selby District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of Selby District Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of Selby District Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Certificate

We certify that we have completed the audit of Selby District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

[Signature]

Mark Kirkham
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP

[Insert date]

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APPENDIX C INDEPENDENCE AND FEES

Auditor independence

As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.

Audit & non-audit fees

We reported our expected audit fees in our Audit Strategy Memorandum. Below we report the audit and non-audit fees at this, our Audit Completion phase. We confirm that we have no additional work to report.

| Audit fees | 2018/19 (actual) | 2018/19 (planning) |
|-----------------------------------|----------------------|----------------------|
| Code Audit Work | £34,425 + VAT | £34,425 + VAT |
| Total audit fees | £34,425 + VAT | £34,425 + VAT |
| Housing Benefit Subsidy Assurance | £12,450 + VAT | £12,450 + VAT |
| Total non-audit fees | £12,450 + VAT | £12,450 + VAT |

CONTACT

Mark Kirkham

Partner

Phone: 0113 394 5315

Mobile: 07747 764 529

Email: mark.kirkham@mazars.co.uk

Nicola Hallas

Manager

Mobile: 07881 283 559

Email: nicola.hallas@mazars.co.uk

Agenda Item 9



Report Reference Number: A/19/2

To: Audit and Governance Committee
Date: 30 July 2019
**Authors: Phil Jeffrey; Audit Manager – Veritau
Jonathan Dodsworth; Counter Fraud Manager -
Veritau**
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Annual Report of the Head of Internal Audit 2018/19

Summary:

The purpose of the report is to present the Annual Report of the Head of Internal Audit for 2018/19. The report is prepared by Veritau and is based on internal audit work carried out since April 2018. A summary of counter fraud work carried out during 2018/19 is also included.

Recommendation:

That the committee:

- (i) note the annual report of the Head of Internal Audit (appendix A) and the “Reasonable Assurance” opinion regarding the overall framework of governance, risk management and control operating within the council.
- (ii) note the significant control issues identified through internal audit work in 2018/19.
- (iii) note the outcome of the internal audit quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards
- (iv) note the counter fraud work undertaken during the year (appendix B).

Reasons for recommendation

To enable the committee to fulfil its responsibility for reviewing the outcomes of internal audit and counter fraud 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 (PSIAS). 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 opinion on the framework of governance, risk management and control operating within the Council; and confirmation that internal audit work undertaken complies with professional standards.

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 2018/19 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, the findings in these reports are not expected to change significantly and they have been considered in forming the overall opinion.
- 2.3 The report also includes a summary of internal audit performance for 2018/19 and conclusions from Veritau's internal audit Quality Assurance and Improvement Programme (QAIP).
- 2.4 A summary of counter fraud work carried out during 2018/19 is included at appendix B.

Internal Audit Charter

- 2.5 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

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 weaknesses in the control environment which have been identified in relation to specific audits. In giving this opinion attention is drawn to the following significant control issue which is considered relevant to the preparation of the 2018/19 Annual Governance Statement:
- Creditors – a mandate fraud was perpetrated against the council during the year and a subsequent audit and counter fraud investigation found that procedures in relation to amending supplier bank details required strengthening.

5. **Background Documents**

Internal Audit and Counter Fraud Plan 2018/19
Internal Audit and Counter Fraud progress reports to Audit and Governance Committee in 2018/19 (October, January and April)
The Public Sector Internal Audit Standards 2017

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

*Jonathan Dodsworth; Counter Fraud Manager
– Veritau*
Jonathan.dodsworth@veritau.co.uk
01904 552947 / 01757 292281

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

Appendices: **Appendix A: Annual Report of the Head of
Internal Audit 2018/19**

**Appendix B: Summary of counter fraud work
2018/19**

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Selby District Council

**Annual Report of the
Head of Internal Audit 2018/19**

| | |
|---------------------------------------|----------------------------|
| Audit Manager: | Phil Jeffrey |
| Deputy Head of Internal Audit: | Richard Smith |
| Head of Internal Audit: | Max Thomas |
| Date: | 30 th July 2019 |

Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In connection with reporting, the relevant PSIAS standard (2450) states that the Chief Audit Executive (CAE)¹ should provide an annual report to the board². The report should include:
 - (a) details of the scope of the work undertaken and the time period to which the opinion refers (together with disclosure of any restrictions in the scope of that work)
 - (b) a summary of the audit work from which the opinion is derived (including details of the reliance placed on the work of other assurance bodies)
 - (c) an opinion on the overall adequacy and effectiveness of the organisation's governance, risk and control framework (i.e. the control environment)
 - (d) disclosure of any qualifications to that opinion, together with the reasons for that qualification
 - (e) details of any issues which the CAE judges are of particular relevance to the preparation of the Annual Governance Statement
 - (f) a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme
- 2 Members approved the annual internal audit plan for 2018/19 at their meeting on 18 April 2018. The total number of planned audit days for 2018/19 was 342. The performance target for Veritau is to deliver 93% of the 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 2018/19

- 3 A summary of the audit work completed in the year is attached at annex 1.
- 4 In addition to audits of specific systems, internal audit team also undertakes work in the following areas.
 - **Support to the Audit and Governance Committee;** this is ongoing through our support and advice to members. This includes preparation of reports, attendance at committee, and the provision of advice and training.
 - **General advice and support;** Veritau provide advice to officers on control issues - for example 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.

¹ The PSIAS refers to the Chief Audit Executive. This is taken to be the Head of Internal Audit.

² The PSIAS refers to the board. This is taken to be the Audit and Governance Committee.

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.

No Opinion Given An opinion is not provided when a piece of work is non-assurance or limited in scope. This may include work such as grant claims, fact-finding work, projects, a review of follow-up implementation or consultancy work.

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 Five outstanding actions relating to the 2015/16 audit of Information Governance have been consolidated into one action. This action reflects ongoing work to achieve compliance with the General Data Protection Regulation (GDPR). Further details can be found at annex 3.
- 10 A total of 64 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 63 have been satisfactorily implemented. One action remains outstanding in relation to Development Management and further details can be found at annex 3.
- 11 A total of 42 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 39 have been satisfactorily implemented. In a further 3 cases, the actions had not been implemented by the target date; a revised target date was subsequently agreed and the action will be followed up again after that point. A summary of this follow up work is included below:

2017/18 Follow-up status

| Action status | Total No. | Action Priority | | |
|-----------------------------|-----------|-----------------|-----------|-----------|
| | | 1 | 2 | 3 |
| Actions now implemented | 39 | 1 | 19 | 19 |
| Revised date agreed | 2 | 1 | 1 | 0 |
| Follow up in progress | 1 | 0 | 0 | 1 |
| Not yet followed up | 0 | 0 | 0 | 0 |
| Total agreed actions | 42 | 2 | 20 | 20 |

- 12 A total of 11 agreed actions from 2018/19 audits have been followed up with the responsible officers. All 11 have been satisfactorily implemented. The remaining 17 actions agreed in 2018/19 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.

2018/19 Follow-up status

| Action status | Total No. | Action Priority | | |
|-----------------------------|-----------|-----------------|-----------|-----------|
| | | 1 | 2 | 3 |
| Actions now implemented | 11 | 0 | 8 | 3 |
| Revised date agreed | 0 | 0 | 0 | 0 |
| Follow up in progress | 0 | 0 | 0 | 0 |
| Not yet followed up | 17 | 0 | 7 | 10 |
| Total agreed actions | 28 | 0 | 15 | 13 |

Completion of audit plan

- 13 Currently, six 2018/19 audits are at draft report stage. Nine reports have been finalised since the last report to this committee. A total of 96% of reports were completed to draft report stage by the end of April 2018 (the cut off point for 2018/19 audits), exceeding the target of 93%.
- 14 Two audits have been cancelled during the year in order to fund other work. The Organisational Development strategy was not as developed as originally envisaged and a review of Better Together was agreed instead, with the Chief Finance Officer as a higher priority. An audit of Community Engagement was planned for Q4 of 2018/19. The service asked for a deferral to early 2019/20 and this was agreed with the Chief Finance Officer due to the relatively short delay and to fund additional priority work in the counter fraud service.
- 15 In addition, an audit of Data Quality was not started and deferred until 2019/20. This audit, along with the two cancelled audits above, has been included in the 2019/20 audit plan.

Compliance with Standards

- 16 The work of internal audit has been undertaken in accordance with the PSIAS.
- 17 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 4.

Audit Opinion and Assurance Statement

- 18 The overall opinion of the Head of Internal Audit on the framework of risk management, governance and control operating within the Council is that it provides Reasonable Assurance. There are no qualifications to this opinion. In addition, no reliance was placed on the work of other assurance bodies in reaching this opinion.
- 19 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. In giving this opinion attention is drawn to the following significant control issue which is considered relevant to the preparation of the 2018/19 Annual Governance Statement.
- Creditors – a bank mandate fraud was perpetrated against the council during the year and a subsequent audit and counter fraud investigation found that procedures in relation to amending supplier bank details required strengthening.



Max Thomas
Director and Head of Internal Audit
Veritau Ltd

30 July 2019

Annex 1: 2018/19 Audits

| Audit | Status | Audit Committee |
|--------------|---------------|------------------------|
|--------------|---------------|------------------------|

Corporate Risk Register

| | | |
|--|----------------------|------------|
| Savings Delivery | Draft report issued | |
| Programme for Growth – Selby 950 | No Opinion Given | April 2019 |
| Programme for Growth – Marketing Selby USP | No Opinion Given | July 2019 |
| Economic Development Framework | Reasonable Assurance | July 2019 |

Financial Systems

| | | |
|-----------------------|-----------------------|------------|
| Benefits | Substantial Assurance | July 2019 |
| Capital Accounting | In progress | |
| Council House Repairs | No Opinion Given | July 2019 |
| Council Tax & NNDR | Substantial Assurance | April 2019 |
| Creditors | Limited Assurance | July 2019 |
| General Ledger | Draft report issued | |
| Payroll | No Opinion Given | July 2019 |

Regularity / Operational Audits

| | | |
|----------------------------|-------------------------|--|
| Community Engagement | Cancelled | |
| Data Quality | Deferred | |
| Housing Development | Draft report issued | |
| Organisational Development | Cancelled | |
| Performance Management | Draft report issued | |
| Planning | Support/advice provided | |

Technical / Project Audits

| | | |
|---|----------------------|------------|
| Business Continuity and Disaster Recovery | Draft report issued | |
| Contract Management and Procurement | Reasonable Assurance | July 2019 |
| ICT Governance | No Opinion Given | July 2019 |
| Information Security | Reasonable Assurance | April 2019 |
| Insurance | Draft report issued | |
| Project Management | Reasonable Assurance | July 2019 |
| Better Together | In progress | |

Summary of reports finalised since the last committee

| Title | Finalised | Opinion | P1 | P2 | P3 |
|--|----------------------------|-----------------------|-----------|-----------|-----------|
| ICT Governance (follow-up) | 6 th June 2019 | No Opinion Given | 0 | 0 | 1 |
| Payroll (follow-up) | 7 th June 2019 | No Opinion Given | 0 | 2 | 2 |
| Project Management | 7 th June 2019 | Reasonable Assurance | 0 | 4 | 2 |
| Programme for Growth – Marketing Selby USP | 18 th June 2019 | No Opinion Given | 0 | 1 | 0 |
| Economic Development Framework | 2 nd July 2019 | Reasonable Assurance | 0 | 2 | 2 |
| Benefits | 2 nd July 2019 | Substantial Assurance | 0 | 0 | 2 |
| Council House Repairs | 3 rd July 2019 | No Opinion Given | 0 | 1 | 1 |
| Creditors | 17 th July 2019 | Limited Assurance | 1 | 5 | 2 |
| Contract Management | 22 nd July 2019 | Reasonable Assurance | 0 | 2 | 2 |

Annex 2: Summary of audits completed to 22 July 2019; not previously reported to the committee

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|----------------------------|------------------|--|---------------------------|----------------------------|---|---|---|------------------------------|
| | | | | 1 | 2 | 3 | | |
| ICT Governance (follow-up) | No Opinion Given | This was a follow-up of previously agreed actions. It was found that substantial progress has been made towards the agreed actions, with all five actions fully implemented. A further issue has been identified and an action agreed. | 6 th June 2019 | 0 | 0 | 1 | None. | |
| Payroll (follow-up) | No Opinion Given | This was a follow-up of previous actions. Four of the original eight actions have | 7 th June 2019 | 0 | 2 | 2 | Training on payroll procedures is outstanding and access to Resource Link for relevant officers has not been confirmed. | Due 31 July 2019 |

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 | | |
| | | been completed. New actions were raised in respect of the four remaining issues. | | | | | The SLA agreement with NYCC for payroll services remains unsigned. | Implemented |
| Project Management | Reasonable Assurance | The audit found significant progress had been made in relation to the project management framework and training of staff. However, sufficient evidence is not always retained to support decisions made. | 7 th June 2019 | 0 | 4 | 2 | Remedial actions, decisions and discussion for key projects will be recorded through the Leadership Team (LT) secretariat so that full and accurate minutes of the meetings are recorded. As a result of the previous action, there will be clearer oversight for the correct project documentation to be completed at the correct stages. Once all priority projects have been reviewed by LT it will be clearer as to which projects are falling short of the Council's project | Implemented Due 31 December 2019 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|-------|---------|----------|-------------|----------------------------|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | <p>management requirements and LT will be able to address these.</p> <p>A working group will be set up to align Pentana and the Project Management Guidelines so that it is clear what is expected going forward (revising and producing guidance when applicable). This will be linked to how Pentana is used and how the structure is set to allow for clear reporting and monitoring within themes and programmes.</p> <p>Project evaluation and lessons learned logs will be added as part of the process going forward. Outputs will be evidenced and stored for future reference. Any key issues may lead to change within the process / gateways /</p> | <p>Due 31 December 2019</p> <p>Due 31 December 2019</p> |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|--|----------------------|---|----------------------------|----------------------------|---|---|---|--|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | approval processes. | |
| Programme for Growth – Marketing Selby USP | No Opinion Given | A review of the project against the Council's project management framework found it was operating well. | 18 th June 2019 | 0 | 1 | 0 | A risk workshop will be held to identify, analyse and prioritise project risks to assist in the development of a project risk register. | Action complete (risk workshop held 17.6.19) |
| Economic Development Framework | Reasonable Assurance | The Economic Development Framework has now established key performance indicators but action plans and budgets to deliver the objectives need to be agreed. | 2 nd July 2019 | 0 | 2 | 2 | <p>The work to develop action plans and budgets is currently under way with the aim of having the first phase, aligning the ten Priority Work Streams with the Programme 4 Growth budgets, ready to support the 2019/20 first quarter one budget reports.</p> <p>Each of the ten Priority Work Streams is made up of several individual components and action plans, many of which are not interdependent, so</p> | <p>Due 31 July 2019</p> <p>Due 30 September 2019</p> |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|-----------------------|-----------------------|---|---------------------------|----------------------------|---|---|---|------------------------------|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | consequently each will have a separate project plan and subsequent approval process over differing periods across the two year delivery period. With some of the Priority Work Streams this work has already commenced and it is intended that the full, time-based plan will be completed during the second quarter 2019/20. | |
| Benefits | Substantial Assurance | The audit found that claims were being calculated correctly with appropriate supporting documents being kept to support claims. | 2 nd July 2019 | 0 | 0 | 2 | None. | |
| Council House Repairs | No Opinion Given | A review of project management | 5 th July 2019 | 0 | 1 | 1 | The new HMS is modular and the repairs module will be implemented in the final | Due 31 March 2020 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|-----------|-------------------|--|----------------------------|----------------------------|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| | | arrangements in respect of the housing repairs module of the new Housing Management System (HMS). This should address previously agreed actions in respect of council house repairs. | | | | | <p>phase.</p> <p>This module is not yet available as the software is still in the development stage and the system provider has yet to confirm when it will be complete.</p> <p>Once this is available, the service will contact Veritau to ensure outstanding actions are addressed.</p> <p>This action has superseded actions reported on a previous audit.</p> | |
| Creditors | Limited Assurance | The audit found that the procedures for changing supplier details were not always followed and required | 17 th July 2019 | 1 | 5 | 2 | <p>The procedure for processing requests to change supplier details will be explicitly followed in all circumstances on all occasions.</p> <p>Procedures for reviewing</p> | <p>Due immediately.</p> <p>Due 1 Sep 2019</p> |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|-------|---------|---|-------------|----------------------------|---|---|--|---|
| | | | | 1 | 2 | 3 | | |
| | | strengthening. Separation of duties controls were not always working effectively. | | | | | <p>changes of supplier details will be updated to include dual controls and ensure that records of communication with the supplier are recorded. The process of monitoring changes of supplier details will be reviewed and a separation of duties within the completion of the report will be introduced. Findings will be reported to a separate individual and enior management will develop a policy for addressing persistent issues identified.</p> <p>Fraud awareness training relating to cyber security will be provided to all relevant staff.</p> <p>A report of new creditor accounts created will be run on a monthly basis and</p> | <p>Due 1 Sep 2019</p> <p>Due 1 Sep 2019</p> |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|-------|---------|----------|-------------|----------------------------|---|---|---|------------------------------|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | <p>this will be reviewed by a separate member of staff from the individual who originally created the creditors account. The results of this monitoring will be recorded on the report and reported to senior management on a regular basis.</p> <p>Data and Systems will review the E-procurement system with the supplier to ascertain whether the system has the capability to ensure that goods cannot be invoiced and paid for without confirmation of goods receipting. Data and Systems will also review the authorisation controls in place with the supplier to ensure e-Procurement is able to enforce delegated authorisation limits and</p> | Due 1 Sep 2019 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|-------|---------|----------|-------------|----------------------------|---|---|--|------------------------------|
| | | | | 1 | 2 | 3 | | |
| | | | | | | | <p>separation of duties. All cases of invoices authorised above the officer's delegated authority will be investigated to confirm the authorisation was appropriate.</p> <p>When forms confirming changes to the Delegated Authority list are received they will be sent to Data and Systems, who will subsequently update the e-Procurement System authorisations.</p> <p>Reconciliations between the Register and the e-Procurement System list of authorising officers will be made quarterly. Where individuals have not replied to requests to update their delegated authority, these cases will be escalated to the Finance team.</p> | Due 1 Sep 2019 |

| Audit | Opinion | Comments | Date Issued | Agreed Actions by priority | | | Key Agreed Actions ³ | Progress against key actions |
|-------------------------------------|----------------------|---|----------------------------|----------------------------|---|---|---|---|
| | | | | 1 | 2 | 3 | | |
| Contract Management and Procurement | Reasonable Assurance | The audit found that there could be more clarity in relation to breaches of the contract procedure rules. | 22 nd July 2019 | 0 | 2 | 2 | <p>The CPRs will be updated to include that breaches are a serious matter that need to be reported so that they can be investigated further. Once breaches have been identified they will be recorded so that they can be reported to the Council's Leadership Team. The Council's Leadership Team will decide whether further action should be taken on breaches that have been reported.</p> <p>All breaches and waivers will be regularly reported to the Council's Leadership Team as part of a general report on procurement activities.</p> | <p>Due 31 Dec 2019</p> <p>Due 31 Dec 2019</p> |

Annex 3: Audits reported previously: progress against key agreed actions

| Audit | Agreed Action | Priority rating | Responsible Officer | Due | Notes |
|------------------------|---|-----------------|--------------------------|-------------|--|
| Information Governance | <p>The agreed actions from the audit have been consolidated into one action and is summarised as follows.</p> <ul style="list-style-type: none"> • Review the Information Asset Register (IAR). • Ensure Information Asset Owners (IAOs) and SIRO are identified and their responsibilities captured in job descriptions. • Ensure any relevant risks from the review are reflected in risk registers. • Ensure the information is used to drive the creation and publication of Privacy Notices for key information assets. • Ensure the review of the IAR identifies information that is shared with others – and IAOs confirm all the relevant protocols are in place. • Learning from the review of the IAR will be used to update and consolidate the corporate records retention and disposal schedule in line with the document retention policy. This will apply to all records held and in all formats and will be made available throughout the organisation. | 2 | Solicitor to the Council | 30 Nov 2016 | <p>These actions have been included in the Council's GDPR action plan – with Veritau acting as DPO for SDC.</p> <p>The IAR has been reviewed and amended to include extra information. IAOs have been identified as has the SIRO. Work still needs to take place to capture these in job descriptions, in particular HR, Housing, Legal.</p> <p>Relevant risks are covered in the Corporate Risk Register. The IAR is currently being updated to include service specific risks to information. Most</p> |

| | | | | | |
|--|--|--|--|--|--|
| | | | | | <p>services have identified low/medium/high risks on IAR, still ongoing with some areas.</p> <p>Service specific Privacy Notices are in various stages of drafting. It has been identified where areas require more than one Privacy Notice.</p> <p>The IAR identifies controllers and processors who the information is shared with. It has not yet been identified where sharing agreements are in place.</p> <p>Retention periods for information assets have either been identified or are being queried on the IAR. This is ongoing and key areas missing are HR, Housing, and Legal.</p> |
|--|--|--|--|--|--|

| | | | | | |
|------------------------|--|---|--|-------------|--|
| | | | | | Revised date 31 Dec 19 |
| Development Management | Development management will introduce a process to ensure that all documents which the ICO recommends be removed from the public planning register are removed once the application has been determined. | 2 | Planning Development Manager | 30 Apr 2018 | The resource is not available to carry out a manual process on Anite. Alternative options are being considered and software changes are currently being discussed with IT. As yet there is no date for implementation. |
| PCI DSS | Data & Systems will seek assurances from NYCC as to the compliance of their cardholder data processing and liaise with the new income management system software supplier to better understand the future of PARIS and possible opportunities for scope reduction. An options appraisal will then be presented to Leadership Team which will set out the risk and cost implications of pursuing changes to the existing cardholder data environment. As for the compliance validation requirements, responsibilities will be established and assurances will either be obtained from NYCC that compliance requirements are | 1 | Head of Business Development & Improvement | 30 Sep 18 | Civica have bought Northgate PARIS – the Council’s current payments and income management system – and will no longer commit to supporting the software. As a result, the Council is required to procure new software. A bid for funding procurement of Civica Pay (or similar) is included in the draft budget for 2019/20. |

| | | | | | |
|---|---|---|--|-----------|--|
| | <p>being fulfilled or arrangements will be put in place to ensure that Selby District Council fulfils its requirements.</p> <p>The content of policy and procedures for PCI DSS will be influenced by the option chosen by Leadership Team. Once a corporate decision has been taken the policy and procedures will be developed accordingly.</p> | | | | <p>Implementation of new software will resolve PCI DSS issues.</p> <p>Revised date of 30 Sep 19.</p> |
| Contract Management and Procurement (2017/18) | <p>A framework contract using the M3NHF Schedule of rates for responsive maintenance and void work will be procured this financial year. The framework contract will consist of several lots reflecting the schedule and various trade disciplines. Preparatory work is currently underway to ensure all current and local suppliers are supported prior to and during the formal tender process.</p> | 2 | Head of Commissioning, Contracts & Procurement | 31 Mar 19 | <p>Formal arrangements have been put in place or previous arrangements have ended with four of the five identified suppliers with which there was no contract, preferred supplier or framework agreement in place. The fifth supplier will be part of a new framework agreement.</p> <p>Initial preparatory work has been done on the framework and it is expected to be fully in place by March 2020.</p> |

| | | | | | |
|----------------------------------|---|---|---|------------|---|
| | | | | | Revised date of 31 March 2020 |
| Programme for Growth – Selby 950 | The Selby 950 project team will produce a Project Initiation Document and present this to the Programme for Growth Delivery Board for approval. Once approved, the document and evidence of approval will be published on Pentana. | 2 | Head of Communities, Partnerships and Customers | 28 Feb 19 | This has now been approved. Action complete. |
| Information Security | The detailed findings from the information security checks will be shared with Directors, Heads of Service and service managers. In areas where the audit identified concerns, managers will be required to consider more targeted communication and training/awareness raising; and, where necessary, to review storage facilities to ensure they are sufficient for their service area. | 2 | Head of Business Development & Improvement | 30 Apr 19 | Action complete. |
| Information Security | The expectations on use of the key safes will be reiterated to all staff. | 2 | Head of Business Development & Improvement | 30 Apr 19 | Action complete. |
| Information Security | The importance of physical information security will be reiterated to all staff and partners at the point at which the police co-location is complete. This supersedes an action in the previous Information Security report. | 2 | Head of Business Development & Improvement | 30 June 19 | Action complete. |

VERITAU

INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 BackgroundOngoing 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 and other associated 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, samples of completed audit files are also subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by a senior audit manager. Any key learning points are shared with the relevant 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 – 2019

Feedback on the overall quality of the internal audit service provided to each client was obtained in March 2019. Where relevant, the survey also asked questions about the counter fraud and information governance services provided by Veritau. A total of 171 surveys (2018 – 159) were issued to senior managers in client organisations. 20 completed surveys were returned representing a response rate of 12% (2018 - 14%). The surveys were sent using Survey Monkey and respondents

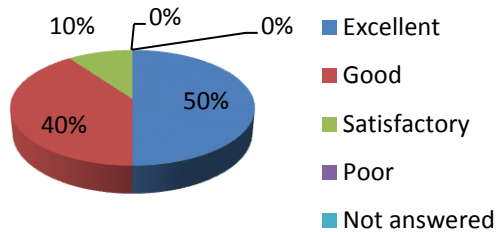
⁴ As defined by the relevant audit charter.

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

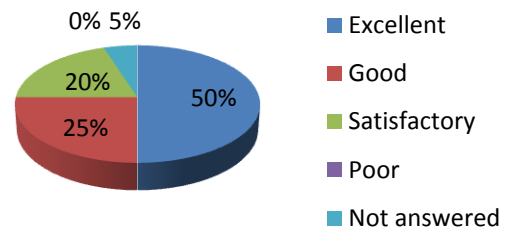
- Excellent (1)
- Good (2)
- Satisfactory (3)
- Poor (4)

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

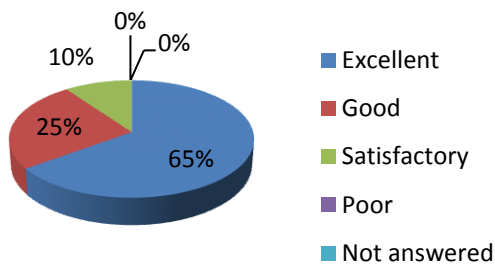
Quality of audit planning / overall coverage



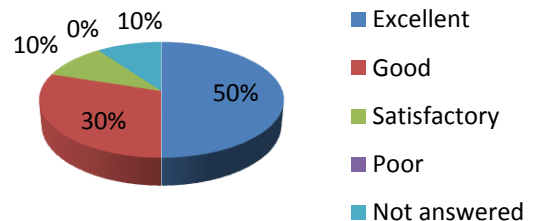
Provision of advice / guidance



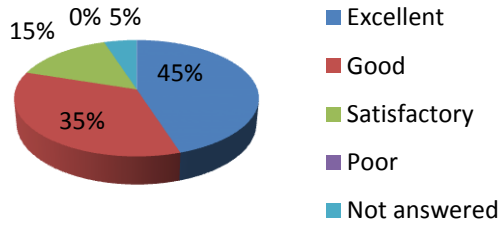
Staff - conduct / professionalism



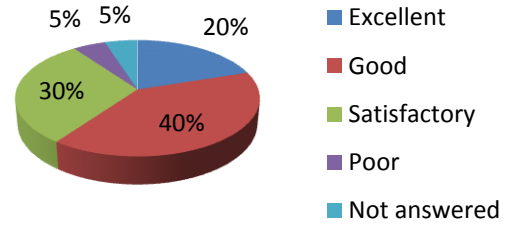
Ability to provide unbiased / objective opinions



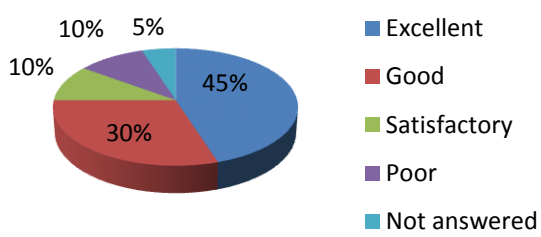
Ability to establish positive rapport with customers



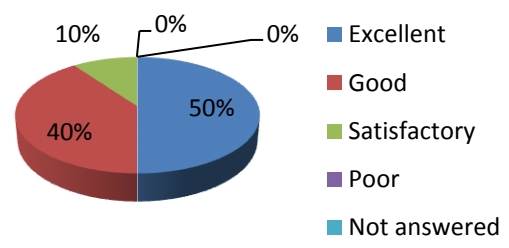
Knowledge of system / service being audited



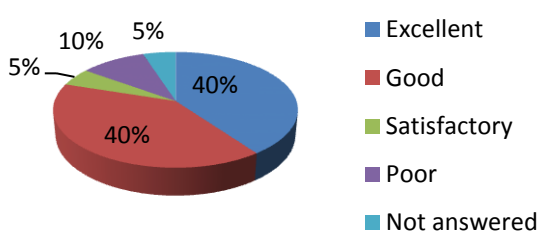
Ability to focus on areas of greatest risk



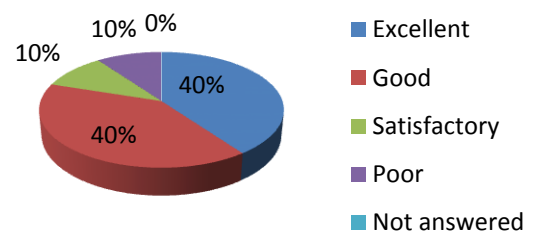
Agreeing scope / objectives of the audit



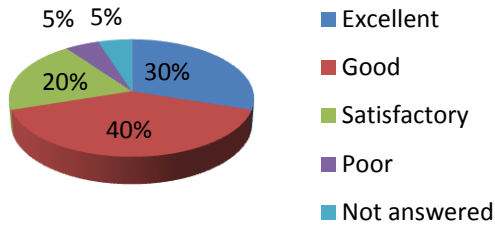
Minimising disruption to the service being audited



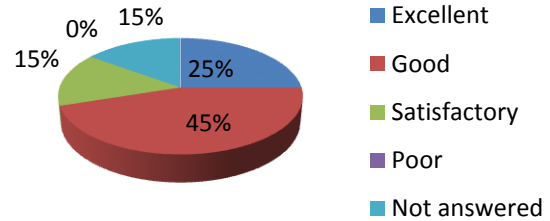
Communicating issues during the audit



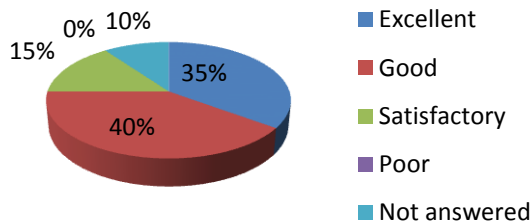
Quality of feedback at end of audit



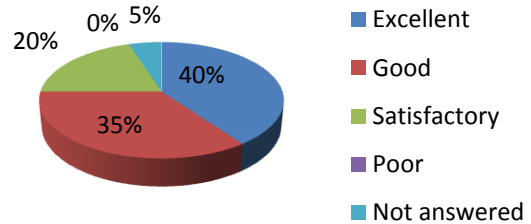
Accuracy / format / length / style of audit report



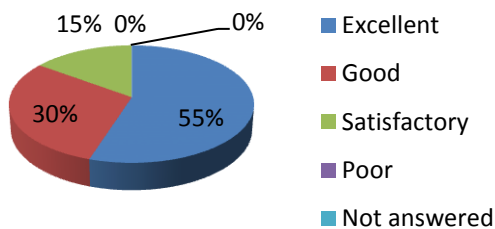
Relevance of audit opinions / conclusions



Agreed actions are constructive / practical



Overall rating for Internal Audit service



The overall ratings in 2019 were:

| | 2019 | | 2018 | |
|--------------|------|-----|------|-----|
| Excellent | 11 | 55% | 10 | 45% |
| Good | 6 | 30% | 10 | 45% |
| Satisfactory | 3 | 15% | 1 | 5% |
| Poor | 0 | 0% | 1 | 5% |

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

3.0 Self Assessment Checklist – 2019

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.

The current working practices are generally considered to be at standard. However, a few areas of non-conformance have been identified. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant and 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. See Improvement Action Plan below. |
| 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 |

| <u>Conformance with Standard</u> | <u>Current Position</u> |
|---|--|
| | the respective client officers (and 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? | Whilst reliance may be placed on other sources of assurance there is no formal process to identify and assess these sources. |

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.

An external assessment of Veritau internal audit working practices was undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

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 audit committee chairs.

A copy the external assessment report was reported to this committee on 6 February 2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS⁵ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014. However, the report did include some areas for further development. These areas, and initial draft proposed actions, are summarised below.

⁵ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

5.0 Improvement Action Plan

The external assessment identified a number of areas for further consideration and possible improvement. The following action plan has been developed to address these recommendations:

| Assessors Recommendation | Proposed Action | Responsibility | Action By |
|--|--|----------------------|-----------------|
| <p>Guidance from the IIA recommends that the Audit Committee (Board) “Meets with the Head of Internal Audit at least once a year without the presence of management.” This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a ‘purest’ approach and hold at least one meeting a year with the Audit Committee or Chair without management being present. The HoIA audit should consider if Veritau should adopt a similar approach or be satisfied that such meeting will take place should it become necessary to do so. (Attribute Standard 1111).</p> | <p>While IIA guidance recommends this approach, there is no explicit requirement for annual meetings in the standards. And existing audit charters for each client already recognise that the Head of Internal Audit will meet with members of the relevant committee in private, as required.</p> <p>No formal changes to current arrangements are proposed. Although formal annual meetings will be arranged if individual committees express a preference for this arrangement.</p> | <p>NA</p> | <p>NA</p> |
| <p>The self-assessment identified that Council CEO’s or Audit Committee Chair do not contribute to the performance appraisal of the HoIA. The</p> | <p>The chair of the Veritau board will be asked to consider whether further input from client Chief Executives and Chairs of Audit Committees (or equivalent) is needed to</p> | <p>Veritau Chair</p> | <p>May 2019</p> |

| Assessors Recommendation | Proposed Action | Responsibility | Action By |
|--|---|---|-------------------|
| <p>responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chair of the Board may want to consider the introduction of a 360-degree feedback process when assessing the HoIA's performance. (Attribute Standard 1100).</p> | <p>meet the requirements of the standards.</p> | | |
| <p>While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be given to priority ranking audit work. (LGAN requirement).</p> | <p>All work included in annual audit plans is considered a priority for audit in the coming year. However, it is recognised that further prioritisation may support decision making, for example where changes to audit plans are required.</p> <p>As part of the development of audit plans for 2019/20, we will explore how audits included in each plan are given a priority rating.</p> | <p>Deputy Head of Internal Audit and Audit Managers</p> | <p>April 2019</p> |
| <p>Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping</p> | <p>A review of potential sources of assurance for each client will be undertaken during the course of 2019/20. This will be used to assess the scope for more</p> | <p>Deputy Head of Internal Audit and Audit Managers</p> | <p>April 2020</p> |

| Assessors Recommendation | Proposed Action | Responsibility | Action By |
|--|--|------------------------|---------------------------|
| exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (Attribute Standard 2050). | detailed assurance mapping at each client; and to help develop a standard approach if appropriate. | | |
| It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (Attribute Standard 1320). | <p>Actions included in 2018/19 annual reports will be SMART.</p> <p>Progress against actions will be reported to the Veritau and VNY boards during the course of the year.</p> | Head of Internal Audit | June 2019 (annual report) |

The following areas will continue to be a priority in 2019/20:

- Further development of in-house technical IT audit expertise
- Investment in new data analytics 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

We also plan to review the current assurance categories to ensure they remain fit for purpose.

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.



Selby District Council
Counter Fraud Annual Report
2018/19

Counter Fraud Manager:
Deputy Head of Internal Audit:
Head of Internal Audit:
Date:

Jonathan Dodsworth
Richard Smith
Max Thomas
30th July 2019

Background

- 1 Fraud is a significant risk to the public sector. Annual losses are estimated to exceed £40 billion in the United Kingdom.
- 2 Councils are encouraged to prevent, detect and deter fraud in order to safeguard public finances.
- 3 Veritau are engaged to deliver a counter fraud service for Selby District Council. The service aims to prevent and deter fraud through maintaining a counter fraud policy framework, helping to maintain and improve controls, and raising awareness of fraud both internally and with the public. The counter fraud team proactively and reactively investigates any fraud or related criminality affecting the council. Veritau deliver counter fraud services to the majority of councils in the North Yorkshire area as well as local housing associations and other public sector bodies.

Counter Fraud work carried out in 2018/19

- 4 Counter fraud work was undertaken in accordance with the approved plan. A summary of activity is included in annex A of this report. The counter fraud team detected £38.8k of loss in 2018/19. Investigations led to £22k of actual savings being produced for Selby District Council. Overall, 50% of investigations resulted in a successful outcome.
- 5 Across 6 local authorities in 2018/19 Veritau detected £594k of fraud against its clients and produced £539k in actual savings.

COUNTER FRAUD ACTIVITY 2018/19

The tables below show the total number of fraud referrals received and summarises the outcomes of investigations completed in the last financial year.

| | 2018/19 (Full Year) | 2018/19 (Target: Full Year) | 2017/18 (Full Year) |
|--|--------------------------------|--|--------------------------------|
| % of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked). | 50% | 30% | 44% |
| Amount of actual savings (quantifiable savings - e.g. CTS and CTAX) identified through fraud investigation. | £22,474 | £14,000 | £22,195 |

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Caseload figures for the period are:

| | 2018/19 (Full Year) | 2017/18 (Full Year) |
|-------------------------------------|--------------------------------|--------------------------------|
| Referrals received | 112 | 81 |
| Referrals rejected | 61 | 43 |
| Number of cases under investigation | 12 | 15 ¹ |
| Number of investigations completed | 20 | 41 |

¹ As at 31/3/18

Summary of counter fraud activity:

| Activity | Work completed or in progress |
|-----------------------------------|---|
| Data matching | <p>The 2018/19 National Fraud Initiative began in the last financial year. A range of council data was gathered and sent to the Cabinet Office in October 2018. Over 950 matches have been released. The matches will be reviewed by the counter fraud team and council colleagues.</p> <p>The council participated in an NFI Business Rates pilot alongside regional partners in 2018. The exercise identified two businesses that were incorrectly receiving Small Business Rate Relief (SBRR) which resulted in savings for the council. A further two properties were sent to the Valuation Office Agency (VOA) for revaluation.</p> <p>The NFI are conducting a second pilot which will, for the first time, match HMRC data to council data. This became possible following the adoption of the Digital Economy Act 2017. The data from HMRC will provide information relating to possible undeclared income, capital, household composition and property ownership. These new matches will be issued in 2019/20.</p> |
| Fraud detection and investigation | <p>The service continues to use criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity in the last financial year included:</p> <ul style="list-style-type: none"> • Council Tax Support fraud – In 2018/19 the counter fraud team received 67 referrals for suspected CTS fraud. Eight investigations in this area were completed and fraud and error of over £13k was detected. Two people were issued with warnings relating to their conduct. • Council Tax/Non Domestic Rates fraud – 38 referrals for possible council tax and business rates fraud were received in 2018/19. Six investigations were completed and fraud and error of over £9k was detected. One person was issued a warning last year. • Housing fraud – The team received 4 referrals for investigation in the last financial year. One property was recovered following an investigation where a tenant was found to be illegally subletting a property, and one warning was issued relating to false information provided on a housing application. |

| Activity | Work completed or in progress |
|------------------|--|
| | <ul style="list-style-type: none"> • Internal fraud – One case of possible fraud in this area was reported in 2018/19, but no fraud was identified. • External fraud – A successful mandate fraud was perpetrated against the council in 2018/19. This attack was found to have originated from abroad. The loss to the council due to this fraud was £17k, however £4k was recovered through the bank when the crime was detected. • Parking Fraud – One person was issued a warning after an investigation found a blue badge being misused by a third party in a Council car park. |
| Fraud liaison | <p>The fraud team acts as a single point of contact for the Department for Work and Pensions (DWP) and is responsible for providing data to support their housing benefit investigations. The team have dealt with 139 requests on behalf of the council in 2018/19.</p> <p>Joint working with the DWP on certain benefit fraud cases began in the Yorkshire and Humber region in June 2019. No investigations have been instigated under the new arrangements yet.</p> |
| Fraud Management | <p>In 2018/19 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • In May 2018, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2017/18 meeting the council's obligation under the Local Government Transparency Code 2015. • The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in June 2018. The information provided has contributed to a recently released report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it. • Area specific fraud awareness training has been delivered to the HR and Benefits teams this year. In addition a short update on counter fraud work was delivered at an all staff briefing. |

| Activity | Work completed or in progress |
|----------|---|
| | <ul style="list-style-type: none">• During this year's National Fraud Initiative data gathering exercise, the counter fraud team has confirmed that, as part of the council's legal obligation, privacy notices are in place to facilitate data processing.• As part of International Fraud Week in November 2018, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week.• In February 2019 meetings were held with the Department for Work and Pensions (DWP) to discuss joint working arrangements.• In March 2019 a message was included in the annual council tax and business rates billing encouraging residents to report any suspicions of fraud to the fraud hotline.• The counter fraud team alerts council departments to emerging local and national threats through a monthly bulletin and specific alerts over the course of the year. |



Report Reference Number: A/19/3

To: Audit and Governance Committee
Date: 30 July 2019
Author: John Raine, Head of Technical Finance
Lead Officer: Karen Iveson, Chief Finance Officer, (s151)
Executive Member: Councillor Cliff Lunn, Executive Member for Finance and Resources

Title: Statement of Accounts 2018/19

Summary: The purpose of this report is to enable Councillors to undertake an examination of the Council's financial accounts for the financial year 2018/19 and seek approval of them.

Recommendations:

Councillors approve the 2018/19 Statement of Accounts

1. Introduction and background

- 1.1 The Accounts and Audit Regulations 2015 require members to approve the Council's audited statutory accounts by 31st July 2019 following the financial year-end.
- 1.2 The accounts have been produced under the requirements of International Financial Reporting Standards (IFRS).

2. The Report

- 2.1 The Statement of Accounts represents the culmination of the formal financial reporting obligations placed upon the Council and the content of the Accounts presented is largely prescribed by the statutory and professional guidance.
- 2.2 The audited Council's Statement of Accounts for 2018/19 is attached for approval at Appendix A. The Accounts have been prepared in accordance with the code of Practice on Local Authority Accounting in the United Kingdom 2018/19 (the code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

- 2.3 It is important that the Council has sound financial, governance and resource management arrangements in place to ensure that the resources are available and used to support the Council's priorities, improve services and secure value for money for our citizens.
- 2.4 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny."
- 2.5 To assist Councillors in this regard, an explanatory paper is attached at Appendix B.
- 2.6 The Statement of Accounts also contains a Narrative Statement which highlights the key financial issues during 2018/19, and considers these in the context of the Council's future financial challenges and objectives.
- 2.7 Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Chief Finance Officer prior to the meeting so that a response can be prepared, or discuss any such matters as necessary and appropriate at the meeting of the committee.
- 2.8 The accounts were made available for public inspection from 31st May 2019 to 12th July 2019, and the auditor was available to answer queries regarding the accounts during this period. No queries were received.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

None as a consequence of this report.

3.2 Financial Issues

The financial implications are as given in the report.

4. Conclusion

- 4.1 Production of the Annual Statement of Accounts is a statutory requirement. The Statement of Accounts is the financial expression of the Council's overall worth and financial standing.

5. Background Documents

None

Contact Officer:

Michelle Oates – Senior Accountant

Appendices: TO FOLLOW

Appendix A: 2018/19 Statement of Accounts

Appendix B: Explanatory paper to the Accounts

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Agenda Item 11



Report Reference Number: A/19/4

To: Audit and Governance Committee
Date: 30 July 2019
Author: Phil Jeffrey; Audit Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Risk Management Annual Report 2018/19

Summary:

The report provides a summary of risk management activity in 2018/19 and proposed actions to be taken in 2019/20.

Recommendation:

Councillors note the risk management activity undertaken in 2018/19 and comment on the proposed actions for 2019/20.

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 risk workshop was held in May 2018 with the Extended Leadership Team. The session has resulted in a revised and refreshed Corporate Risk Register (CRR).
- The Risk Management Annual Report 2017/18 was reported to the Audit and Governance Committee in July 2018.
- The Council's CRR was reported to the Audit and Governance Committee in July 2018 and January 2019.
- A review of the Risk Management Strategy was completed and reported to the Committee in January 2019.
- Specific risk management support was provided to the Celebrating Selby 950 project, including facilitation of a risk identification workshop in March 2019.
- Project risk management training was delivered to the Council's corporate project managers, also in March 2019.
- Officers have been reminded to update Service Based Risk Registers to ensure they accurately reflect existing and emerging risks.
- Veritau has supported managers to review risks in their service areas and to identify mitigating actions where necessary.

2.2 Further specific activity planned for 2019/20 includes the following.

- Continued development of the Council's risk architecture, particularly in relation to risk communication and reporting.
- A health check review of the risk management framework and the provision of feedback.
- Annual review of the Risk Management Strategy.
- Regular reporting of the Corporate Risk Register to Extended Leadership Team and to Audit and Governance Committee.
- Continuation of the risk drop in and training sessions for officers and members.
- Veritau will continue to work with officers to ensure the development of risk management information recorded on the Pentana system will help to ensure risk management is integrated into the culture and working practices within the Council.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

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

3.2 Financial Issues

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

4. Conclusion

- 4.1 Overall, a number of actions have been taken in order to further embed sound risk management processes within the Council. Work to be undertaken in 2019/20 will ensure that risk management continues to develop at all levels of the Council.

5. Background Documents

Risk Management Strategy – revised Jan 2019.

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

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

Appendices:

No appendices.

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Report Reference Number: A/19/5

To: Audit and Governance Committee
Date: 30th July 2019
Author: Phil Jeffrey, Audit Manager (Veritau)
Lead Officer: Karen Iveson – Chief Finance Officer (S151)

Title: Corporate Risk Register 2018-19

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 2019.

Recommendation:

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

Reasons for recommendation

The Audit and Governance Committee has responsibility for overseeing the implementation of an effective risk management framework and reviewing the effectiveness of risk management.

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 Pentana system. Appendix A shows details of the corporate risks currently included in the system. The following information is included:

- Title of the risk.
- Risk description.
- Individual risk scores.

- Risk owner – identifies the officer responsible for monitoring the risk. This is a member of the Leadership Team.
- Causes of the risk identified.
- Consequences of the risk identified.
- 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 current score of 12 or over require a formal action plan.
- Original risk rating – identifies the risk level before any treatment.
- 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.

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 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.

2.4 The risks have been reviewed and updated by officers since the last committee meeting.

2.5 There a total of 12 risks on the Council's Corporate Risk Register for 2018-2020. This includes 3 risks (down from 5 at January 2019) with a score of 12 or more (high risk). The systems and technology risk has reduced from 12 to 9 and the failure to deliver corporate priorities risk has reduced from 12 to 8. In addition, the economic environment risk has increased from 12 to 16. One new risk (No Deal Brexit) has been added to the register since it was previously reported to this committee in January 2019.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

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

3.2 Financial Issues

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

4. Conclusion

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

5. Background Documents

Risk Management Strategy.

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

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

Appendices:




Appendix A – Corporate Risk Register July 2019

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Selby District Council Corporate Risk Register

Overview: July 2019

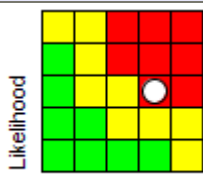
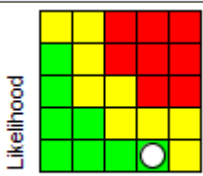
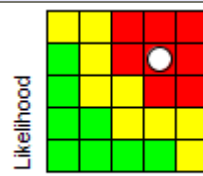
| Risk Status | |
|---|-------------|
|  | High Risk |
|  | Medium Risk |
|  | Low Risk |

| Status | Code | Previous Risk Score (January 2019) | Current Risk Score | Title |
|------------|---|---------------------------------------|--------------------|---|
| Page 95 |  SDC_CRR_008 | 12 | 16 | Economic Environment |
| |  SDC_CRR_003 | 12 | 12 | Financial Resources |
| |  SDC_CRR_004 | 12 | 12 | Organisational Capacity |
| |  SDC_CRR_002 | 10 | 10 | Health and Safety Compliance |
| |  SDC_CRR_014 | 12 | 9 | Systems and Technology |
| |  SDC_CRR_017 | 9 | 9 | Managing Partnerships |
| |  SDC_CRR_000 | 12 | 8 | Failure to deliver corporate priorities |

| Status | Code | Previous Risk Score (January 2019) | Current Risk Score | Title |
|---|-------------|------------------------------------|--------------------|--|
|  | SDC_CRR_006 | 8 | 8 | Managing Customer Expectations |
|  | SDC_CRR_007 | 8 | 8 | Fraud & Corruption |
|  | SDC_CRR_018 | n/a | 4 | No Deal Brexit |
|  | SDC_CRR_001 | 3 | 3 | Failure in corporate governance arrangements |
|  | SDC_CRR_013 | 2 | 2 | Information Governance/Data Protection |


| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|--|----------------|
|  | 16 | Economic Environment | Poor net economic growth. | Dave Caulfield |
| Causes | | <ul style="list-style-type: none"> Negative impact of Brexit transition Potential of Strategic Development sites not realised Labour shortages Skills shortages Delays to infrastructure development/spending | Consequences <ul style="list-style-type: none"> Impact on reputation and willingness by business to engage Inward investment reduces Decrease in employment opportunities Potential negative impact on business rates income Increased demand for services Increased demand for interventions to stimulate economic growth | |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> Proactive engagement with LEPs to influence economic growth programmes. increase levels of discussion and support both internally and externally to reinforce the positive impacts associated with industrial growth Engagement with key businesses to understand future challenges and opportunities to identify where the Council can provide additional support. Engagement with key partners to influence investment programmes and decisions. | | |

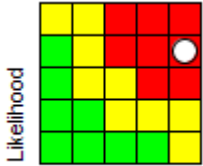

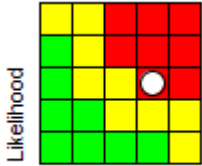
Page 97

| Risk Assessments | | | |
|--|--|--|-------------|
| Original Risk Rating | Target Risk Rating | Current Risk Rating | |
|  <p>Likelihood</p> <p>Impact</p> <p>12</p> |  <p>Likelihood</p> <p>Impact</p> <p>4</p> |  <p>Likelihood</p> <p>Impact</p> <p>16</p> | |
| Notes | | | Review Date |
| 19-Jun-2019 The Council continues to work hard with partners and developers to stimulate local economic activity and there are strong positives in terms of the granting of permission for creative uses at Church Fenton and occupier interest in Sherburn2. The Council is actively promoting the regeneration and improvement of our town centres and places through bids to FHSF, TCF and High Streets HAZ | | | 01-Apr-2019 |


and work on an LCWIP. Key sites are also being brought forward for development, including Olympia Park.

However, inward investment into the region (apart from Leeds) has slowed significantly in the last year and the risks of a highly damaging brexit remain very real. This is outside our control but could seriously damage the levels of investment and growth in the district and the suite of strategic employment sites that are being brought forward.

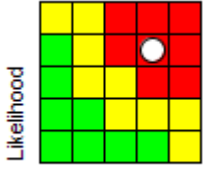
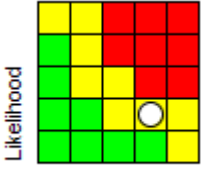
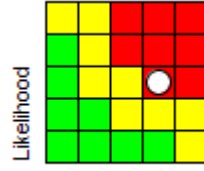
| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|---|--|
|  | 12 | Financial Resources | The Council's financial position is not sustainable beyond 2021. | Karen Iveson |
| Causes | | <ul style="list-style-type: none"> • Poor financial planning • Funding cuts/ Investment Strategy • Poor spending • Poor decisions • Partnership contract (goes awry) • Fair Funding Review (demonstrate why costs) • Over commitment (i.e. Northamptonshire) • Economic - high inflation/increased demand • Loss of control in service delivery • Political environment changes | Consequences | <ul style="list-style-type: none"> • Unable to deliver its Corporate Plan ambitions and Statutory functions • Unable to meet financial commitments (long/medium/short term) • Unable to set a balanced budget as required by legislation. • Central Government intervention • Forced to make unplanned service reductions which impact on residents and businesses. • Significant reputational and political change. |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> • Long term financial strategies (GF & HRA) setting out high level resources and commitments and owned by Council members. • 3 year budget underpinned by reasonable assumptions (inflation, interest rates etc). • Effective in year budget management arrangements in place. • Savings plan approved with supporting delivery plans for each saving. • Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases. | | |


| Risk Assessments | | |
|---|---|---|
| Original Risk Rating | Target Risk Rating | Current Risk Rating |
|  <p>Likelihood</p> <p>Impact</p> <p>20</p> |  <p>Likelihood</p> <p>Impact</p> <p>9</p> |  <p>Likelihood</p> <p>Impact</p> <p>12</p> |

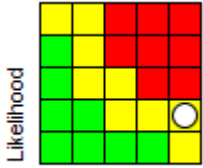

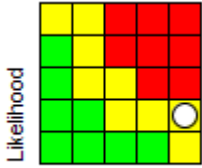
| Notes | Review Date |
|---|--------------------|
| <p>July 2019 No change to the score - financial uncertainty remains pending the reform of local government funding and the reset of the current business rate retention system which is now expected to be delayed as result of the national political landscape and uncertainty over Brexit. In the absence of a clear forward funding settlement for local government, the Council's medium term financial plan to 2021/22 shows an annual savings requirement of circa £2m. A risk assessed savings plan is in place with savings front loaded. However, delivery plans in key areas of transformation are still to be implemented and whilst Selby is at 'safety net', income from business rates growth remains high risk.</p> | <p>15-Jul-2019</p> |

| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|---|----------------------|
|  | 12 | Organisational Capacity | Lack of organisational capacity and resilience to effectively deliver agreed outcomes and objectives for now and for the future. | Julie Slatter |
| Causes | | <ul style="list-style-type: none"> • Loss of staff • Pay scales • Skills • Wrong structure • Succession planning • Motivation • Culture • Poor leadership • Ineffective management • Failure to prioritise | Consequences <ul style="list-style-type: none"> • Increased cost of delivery • High churn • Slowing pace • Loss of talent • Poor delivery of priorities • Impact on reputation • Political frustrations • Failure to deliver outcomes • Low resident satisfaction • Loss of confidence from partners and businesses • Staff stress and dissatisfaction • Poor services | |
| Page 101 | | | | |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> • Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing. • Working with partners to lever capacity and expertise – e.g. Better Together. • Utilising Programme for Growth to secure short/medium term capacity to deliver Council priorities – e.g. Economic Development function. • Peer Challenge; Staff Survey; IIP Assessment all identified improvement and building blocks in place – but needs a strategic approach to addressing challenges • Spec for OD Strategy being developed • Concerns expressed in IIP assessment re: HR/OD capacity to deliver – to be addressed | | |


Risk Assessments

| Original Risk Rating | Target Risk Rating | Current Risk Rating | Review Date |
|---|---|---|--------------------|
|  <p style="text-align: center;">16</p> |  <p style="text-align: center;">8</p> |  <p style="text-align: center;">12</p> | <p>18-Jun-2019</p> |
| <p>Notes</p> <p>18-Jun-2019 Budget agreed for 2019/20</p> <p>Service improvement review progressing in Planning</p> <p>Strategy (People Plan) drafted - need to deliver on leadership and skills priorities</p> <p>Digital strategy being delivered - 2019/20 will see significant progress around digital workforce</p> | | | |

| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|--|---|--|
|  | 10 | Health and Safety Compliance | Failure to comply with Health and safety legislation. | June Rothwell; Julie Slatter |
| Causes | | <ul style="list-style-type: none"> Incident involving a member of staff, visitor or member of the public Incident involving council property or on council owned land. HSE or third-party investigation. Non-compliance with Health and Safety legislation. | Consequences | <ul style="list-style-type: none"> Actual or potential injury or loss of life. Environmental degradation. Financial loss / impact on value of assets. Reputational damage. |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> Health and Safety Policy and Plan for 2017/18 has been reviewed and is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous. Health and safety due diligence assessment on service areas and contractors. Public liability and property insurance. Risk management system in place to manage equipment, contractors, property and environmental and health and safety risks. Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance. Risk assessing, and then managing accordingly, every property and asset. Statutory checks to ensure regulatory HS&E Compliance. Event Safety Plan for all events managed by external consultants. | | |


| Risk Assessments | | |
|---|--|---|
| Original Risk Rating | Target Risk Rating | Current Risk Rating |
|  <p>Likelihood</p> <p>Impact</p> |  <p>Likelihood</p> <p>Impact</p> |  <p>Likelihood</p> <p>Impact</p> |
| 10 | 10 | 10 |

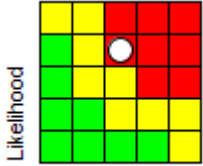

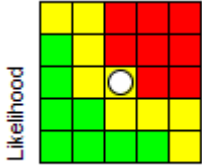
| Notes | Review Date |
|---|--------------------|
| 06-Jun-2019 Impact and likelihood remain unchanged. | 06-Jun-2019 |

| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|--|--|--|
|  | 9 | Systems and Technology | Lack of investment in the right technology and systems. | Stuart Robinson; Julie Slatter |
| Causes | | <ul style="list-style-type: none"> • Failure to invest /keep up to date • Lack of knowledge to specify what we need • Fraud - internal theft of data or sabotage of system/data • Lack of training • Poor implementation • Policies not up to date • Not utilising fully | Consequences | <ul style="list-style-type: none"> • System fails - cannot deliver (or less than optimal) • Fraud or financial impact • ICO action/fine • Wasted money/resources • Loss of critical data • Reputational damage and/or un-defendable claims |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> • Digital Strategy and Implementation Plan drafted – expected to be approved by Executive July 2019. Focus on: • Digital customers – channel shift/self service and meeting changing expectations • Digital workforce – using technology to transform how • Digital foundations – maintaining modern, secure systems and infrastructure and strengthening governance and resilience • Strategy will ensure IT investment is aligned to business needs and requirements. • Programme supported by clear business cases and benefit realisation reports. • Continue to maximise opportunities for partnership working – e.g. through Better Together - which will deliver on shared ICT resources. | | |

| Risk Assessments | | |
|----------------------|--------------------|---------------------|
| Original Risk Rating | Target Risk Rating | Current Risk Rating |
| <p>12</p> | <p>4</p> | <p>9</p> |


| Notes | Review Date |
|--|--------------------|
| <p>18-Jun-2019 Cyber security training being delivered across the council - reducing the potential likelihood</p> <p>New, off site, digital, back up solution implemented - reducing potential impact</p> <p>Strengthened DR arrangements - eg new firewalls and remote access solution - reducing the impact</p> <p>key systems, eg Northgate, IDOX upgraded to latest versions</p> <p>PSN compliance retained</p> <p>New hardware roll out planned for autumn 2019</p> <p>Windows server upgrades scheduled for summer 2019</p> <p>Page 106 365 roll out commences autumn 2019</p> <p>Training programme commences autumn 2019</p> | <p>18-Jun-2019</p> |

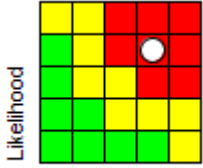
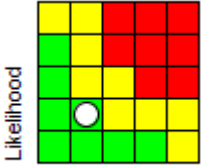
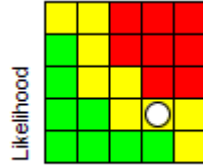
| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|---|---|
|  | 9 | Managing Partnerships | Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc). | Dave Caulfield |
| Causes | | <ul style="list-style-type: none"> • Poor relationship management • Political buy in • Performance Management • Clarity of Purpose • Commissioning/contract management • Lack of Shared objectives • Due Diligence • Partnership governance | Consequences | <ul style="list-style-type: none"> • Service Failure - quality of delivery • Reputational • Loss of Service • Impact on customers/residents from lack of partnership resources • Conflicting priorities • Unable to gain additional resource/staff/funding • Capacity - ventures • Overspending • Legal challenge and costs • Conflicting governance • liability of additional cost/spend. |
| | | Controls or Mitigating Actions in Place <ul style="list-style-type: none"> • Targeted work with key developers and investors. • Close working with the LEP's to identify potential investment opportunities. • Close involvement in shaping the asks within any Devolution deal. • Re-structure to increase capacity in economic development, regeneration and partnerships. | | |

| Risk Assessments | | |
|---|---|--|
| Original Risk Rating | Target Risk Rating | Current Risk Rating |
|  <p style="text-align: center;">12</p> |  <p style="text-align: center;">4</p> |  <p style="text-align: center;">9</p> |


| Notes | Review Date |
|--|--------------------|
| <ul style="list-style-type: none"> • The Council proactively works with key partners in a number of ways and is building up a growing reputation as an outward-looking and proactive organisation who delivers through working with others. • There is a partnerships policy in place and successful partnerships delivering across a range of outcomes such as health, economic growth, housing, arts/culture/heritage etc. • Recent examples of success include: <ul style="list-style-type: none"> - the Selby 950 programme which is being delivered by a multi-partner steering group and funded by a range of key partners including SDC, Arts Council, Heritage Lottery Fund and key businesses such as Drax. - the Economic Partnership - which is delivering better Council to Business and Business to Business working in the district and has delivered major events, workshops, the Selby district Business Week and the recent Apprenticeship Awards run jointly with Selby College. It also includes Key Account Management of our major employers to help address any issues and develop stronger joint working. - the partnership with Homes England which is securing significant investment into infrastructure, affordable homes, bringing empty properties back into effective use and regenerating key sites for new homes. | <p>15-Jul-2019</p> |

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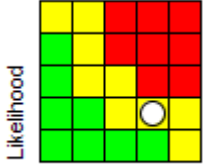
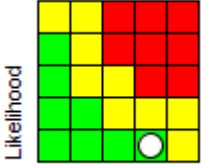
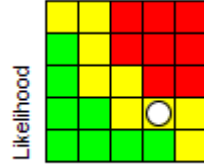
| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|--|---|
|  | 8 | Failure to deliver corporate priorities | The Council fails to deliver its corporate priorities as set out and approved by Councillors. | Janet Waggott |
| Causes | | <ul style="list-style-type: none"> Lack of prioritisation Priorities not reflected in service plans Windfalls re direct priorities Political and/or external factors Capacity/single point of failure Lack of clarity over corporate priorities | Consequences | <ul style="list-style-type: none"> Poor performance - impacting on residents Poor reputation - residents and partners Political instability Staff morale decreased Missed opportunities for funding Partnership not fulfilled |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> Refreshed Corporate Plan (approved April 2018); Clear priorities – cascaded via PDRs/1:1s Shared with wider workforce via Staff Briefings Corporate Comms Plan being developed – priorities agreed Delivery via service plans – currently being drafted by Heads of Service in conjunction with employees Monitoring via Leadership Team as programme board Executive oversight through quarterly corporate performance monitoring (also subject to quarterly Scrutiny) | | |

| Risk Assessments | | | |
|---|---|--|-------------|
| Original Risk Rating | Target Risk Rating | Current Risk Rating | Review Date |
|  <p>Likelihood</p> <p>Impact</p> <p>16</p> |  <p>Likelihood</p> <p>Impact</p> <p>4</p> |  <p>Likelihood</p> <p>Impact</p> <p>8</p> | |
| Notes | | | |


| | |
|--|--------------------|
| <p>18-Jun-2019 Performance framework now approved. Year end performance shows general improvement.</p> <p>Budget approved</p> <p>Service plans drafted for 2019/20 - need to finalise and share</p> <p>LT and Exec workshops underway in advance of developing next corporate plan</p> <p>OD Strategy (People Plan) drafted - need to implement in 2019/20</p> <p>Delivery of digital strategy underway.</p> | <p>18-Jun-2019</p> |
|--|--------------------|

| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|--|---|
|  | 8 | Managing Customer Expectations | Inability to meet customers' demand for services. | Stuart Robinson; Janet Waggott |
| Causes | | <ul style="list-style-type: none"> Lack of clear standards/standards not being met Staff not demonstrating core values/behaviours Poorly trained staff/ineffective learning Staff not empowered to take decisions Ineffective front to back office processes Lack of resources/resources not aligned to priorities Poor services | Consequences | <ul style="list-style-type: none"> Poor customer satisfaction. Quality and timeliness of service suffers. Sustainability of service. Increased customer complaints. Impact on Elected Members. |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> Increase community delivery. Channel shift to self-service. Re-design services using quality data. Develop structured multi-agency partnerships. Right first time services to remove avoidable work. | | |

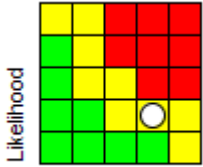

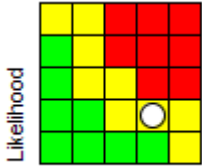
Page 11


| Risk Assessments | | |
|--|---|--|
| Original Risk Rating | Target Risk Rating | Current Risk Rating |
|  <p>8</p> |  <p>4</p> |  <p>8</p> |
| Notes | | Review Date |

| | |
|--|-------------|
| 18-Jun-2019 Contact centre move scheduled for autumn 2019 - underpinned by new technology to support channel shift | 18-Jun-2019 |
|--|-------------|

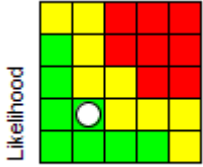

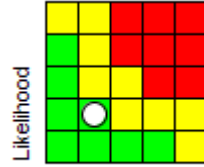
| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|--|-------------------------------|--|---------------------|
|  | 8 | Fraud & Corruption | Incident of fraud and/or corruption occurs within the Council. | Karen Iveson |
| Causes | <ul style="list-style-type: none"> • Low staff morale • Debt (Individual) • Lack of vigilance by staff • System weakness - unknown • Failure to report changes • Incorrect information | Consequences | <ul style="list-style-type: none"> • Financial and reputational loss. • Potentially more fraud (gaps not closed) | |
| Controls or Mitigating Actions in Place | <ul style="list-style-type: none"> • Counter fraud arrangements reviewed through annual self-assessment. • Counter Fraud and Corruption Strategy and Policy to be reviewed regularly. | | | |

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| Risk Assessments | | | |
|--|--|---|--------------------|
| Original Risk Rating | Target Risk Rating | Current Risk Rating | |
|  <p>Likelihood</p> <p>Impact</p> <p>8</p> |  <p>Likelihood</p> <p>Impact</p> <p>8</p> |  <p>Likelihood</p> <p>Impact</p> <p>8</p> | |
| Notes | | | Review Date |
| <p>July 2019 – No change to score - arrangements for the detection and prevention of fraud are in place but there is pressure on current resources. Additional counter fraud days have been agreed within the overall total resources available for Internal Audit activity. Workloads are being monitored and contingencies are available should further support be required.</p> | | | 15 July 2019 |

| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|--|----------------------|
|  | 4 | No Deal Brexit | <p>The Council fails to prepare effectively for the impact of a no deal Brexit on our communities and the delivery of council services.</p> <ul style="list-style-type: none"> . Lack of awareness and/or understanding . Failure to engage effectively with emergency planning partners . Failure to consider the impact of key issues potentially arising . Failure to plan, resource the plan and implement the plan . Failure to communicate – to all stakeholders | Janet Waggott |
| Causes | | Consequences | | |
| | | <ul style="list-style-type: none"> . Increase in costs . Failure to secure adequate resources, e.g. staffing . Failures/reductions in service delivery – and subsequent reduction on customer satisfaction . Civil unrest | | |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> . Horizon scanning – including how other local councils are responding – with regular updates to LT/HOS . Agreed roles and responsibilities – Chief executive as strategic lead (emergency planning ‘gold’) . Full participation in LRF planning activities - including reviewing the LRF risk assessment matrix and updating the LRF of any changes . Communications plan | | |

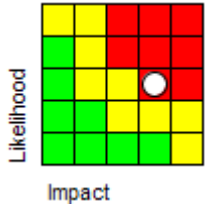
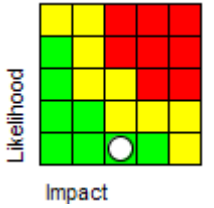
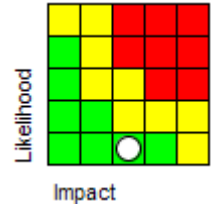
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| Risk Assessments | | | | | |
|---|--|--|--|---|--------------------|
| Original Risk Rating | | Target Risk Rating | | Current Risk Rating | |
|  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">4</p> | |  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">4</p> | |  <p style="text-align: center;">Likelihood</p> <p style="text-align: center;">Impact</p> <p style="text-align: center;">4</p> | |
| Notes | | | | | Review Date |
| <p>23-Jun-2019 Assessed risk remains low - will keep under review.</p> <p>Participated in the NYLRF review in advance of MHCLG recommencing EU Exit reporting systems prior to October.</p> | | | | | 23-Jun-2019 |

| | |
|--|--|
| Continue to receive, review and where necessary share Yorkshire and Humber EU Exit Hub Updates | |
|--|--|

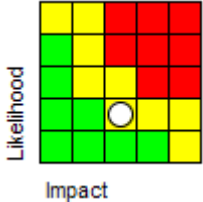
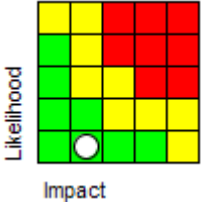
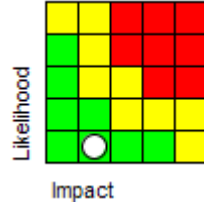
| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|--|---|--|
|  | 3 | Failure in corporate governance arrangements | The Council's governance and transparency of decision making is not effective and does not align with the Council's required flexibility to adapt. | Bernice Elgot |
| Causes | | The changing agenda and drive towards commercialisation requires the council to be 'fleet of foot' which may impact the ability to be accountable and transparent and legally compliant. | Consequences | <ul style="list-style-type: none"> • Councillors and managers may make decisions outside their accountability. • The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage. • Budgets may be overspent and outcomes may not improve. |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> • Constitution reviewed and updated annually including rules on decision making, access to information rules, contract procedure rules and financial procedure rules. • Governance training programme delivered for management team | | |

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| Risk Assessments | | | |
|--|--|---|--------------------|
| Original Risk Rating | Target Risk Rating | Current Risk Rating | |
|  <p style="text-align: center;">12</p> |  <p style="text-align: center;">3</p> |  <p style="text-align: center;">3</p> | |
| Notes | | | Review Date |
| 18-Jun-2019 Constitution updated for 2019/20 AGS revised | | | 18-Jun-2019 |

| Status | Risk Score | Risk Title | Description | Risk Owner |
|---|------------|---|--|--|
|  | 2 | Information Governance/Data Protection | Non-compliance with the Freedom of Information and General Data Protection Regulation acts. | Bernice Elgot; Stuart Robinson |
| Causes | | <ul style="list-style-type: none"> • ineffective and/out of date policies • staff not aware and/or trained • ineffective communication • lack of an Information Asset Register and associated roles and responsibilities | Consequences | <ul style="list-style-type: none"> • Loss or inappropriate use of personal data and information. • Damaged reputation. • Financial penalty. |
| Controls or Mitigating Actions in Place | | <ul style="list-style-type: none"> • 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. | | |

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| Risk Assessments | | | |
|---|--|---|--------------------|
| Original Risk Rating | Target Risk Rating | Current Risk Rating | |
|  <p style="text-align: center;">6</p> |  <p style="text-align: center;">2</p> |  <p style="text-align: center;">2</p> | |
| Notes | | | Review Date |
| 18-Jun-2019 Corporate Information Governance Group in place an meeting regularly DPO in place Info Security sweep of offices undertaken and recommendations addressed | | | 18-Jun-2019 |

| | |
|---|--|
| Potential data breaches being reported/investigated | |
|---|--|

Agenda Item 14

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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of the Local Government Act 1972.

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