



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 23 OCTOBER 2019**
Time: **5.00 PM**
Venue: **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 - 8)

To confirm as a correct record the minutes of the Audit and Governance Committee held on 30 July 2019.

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

5. Audit Action Log (Pages 9 - 10)

To review the Audit Action Log.

6. Audit and Governance Work Programme (Pages 11 - 14)

To note the current Work Programme and consider any amendments.

7. Local Government and Social Care Ombudsman Annual Review Letter 2018-19 (A/19/7) (Pages 15 - 122)

To receive the report, which asks the Committee to note the Local Government and Social Care Ombudsman's Annual Review Letter 2018/19 for Selby District Council.

8. Internal Audit, Counter Fraud & Information Governance Progress Report 2019-20 (A/19/8) (Pages 123 - 170)

To note the progress on delivery of internal audit, counter fraud and information governance work; and approve the revised audit charter.

9. External Audit Progress Report (A/19/9) (Pages 171 - 182)

To consider the External Audit Progress Report.

10. External Annual Audit Letter 2019 (A/19/10) (Pages 183 - 200)

To consider the External Annual Audit Letter 2019.

11. Admittance of Scarborough BC to Veritau North Yorkshire (A/19/11) (Pages 201 - 204)

To consider a report on the admittance of Scarborough BC to Veritau North Yorkshire.

12. 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.

13. Consideration of Internal Audit Reports (A/19/12) (Pages 205 - 222)

To consider the Internal Audit report which relates to Performance Management.



Janet Waggott, Chief Executive

<p>Dates of next meeting (5.00pm) Wednesday, 29 January 2020</p>

Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065
ddrury@selby.gov.uk.

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Minutes

Audit & Governance Committee

Venue:	Committee Room, Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Tuesday, 30 July 2019
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), K Franks, E Jordan and J Mackman
Officers present:	Karen Iveson (Chief Finance Officer), Julie Slatter (Director of Corporate Services and Commissioning), Peter Williams (Head of Finance), Nicola Hallas (Manager, Mazars LLP), Phil Jeffrey (Audit Manager, Veritau), Jonathan Dodsworth (Counter Fraud Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources), and Catherine Dent (Mazars LLP)
Public:	0
Press:	0

1 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillor's Duggan, Brook and Reader. Councillor Welch attended as Councillor Duggan's substitute and Councillor Jordan attended as Councillor Brook's substitute.

2 DISCLOSURES OF INTEREST

There were no disclosures of interest.

3 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 10 April 2019.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 10 April 2019.

4 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair welcomed the new members of the Committee.

The Chair indicated that he would be amending the order of business to allow agenda item number 9, Annual Report of the Head of Internal Audit 2018-19 to be considered first as agenda item number 8; the rest of the business would follow as set out in the agenda.

5 START TIME OF AUDIT & GOVERNANCE COMMITTEE MEETINGS

It was proposed and seconded that the start time of the Audit and Governance Committee meetings for the 2019/20 municipal year be 5.00 pm.

RESOLVED:

To approve the start time of the Audit and Governance Committee as 5.00 pm for the 2019/20 municipal year.

6 AUDIT ACTION LOG

The Committee heard that there were no outstanding audit actions from 2018-19. The Democratic Services Officer explained the purpose of the audit log for the benefit of the new members.

RESOLVED:

To note the Audit Action Log.

7 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme. The Chair explained that the work programme was normally standing items, however if additional items were identified during the course of the year, they could be added by the committee as necessary.

RESOLVED:

To note the Work Programme.

8 ANNUAL REPORT OF THE HEAD OF INTERNAL AUDIT 2018-19 (A/19/2)

The Committee received the report, presented by the Audit Manager, Veritau, which provided a summary of the internal audit and counter fraud work carried out during the year 2018-2019.

The Audit Manager confirmed that the overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council was that it provided Reasonable Assurance. It was further confirmed that a total of 96% of reports were completed to draft report stage by the end of April 2018, which exceeded the performance target for Veritau of 93%.

Discussion took place regarding the setting of the Veritau performance target and it was queried whether the performance target set by Veritau should be raised. The Chief Finance Officer assured the Committee that regular meetings were held with the Auditors to monitor progress of the respective audits, and added that all agreed actions had a target date which if not met were followed up by Veritau to ascertain the reason they had not been completed.

The Committee queried why the audit of Community Engagement, planned for quarter four of 2018-19 had been cancelled. The Audit Manager explained that the service had requested a deferral to early 2019-20, which had been agreed with the Chief Finance Officer due to the relatively short delay.

The Committee questioned if they could propose items to be added to the internal audit plan 2019-20. The Chief Finance Officer explained that the proposed audit plan had been approved at the previous Committee meeting on the 10 April 2019. It was further explained that Veritau had a fixed number of days committed to complete the work agreed in the audit plan; therefore any new item would have to be prioritised over an existing planned audit.

The Chair queried if the audit of the Economic Development Framework had been completed, as the due date was outlined as 31 July 2019, however the narrative stated that the work was currently underway. The Audit Manager was unable to confirm that the action had been completed but stated that he would contact the responsible officer and circulate the response to the Committee.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity in 2018-19, which highlighted that actual savings of £22k had been achieved through fraud investigation.

RESOLVED:

- i. **To note the report.**
- ii. **To ask the Democratic Service Officer to circulate the internal audit plan 2019-20 to the Audit and Governance Committee.**

9 EXTERNAL AUDIT COMPLETION REPORT 2018-19 (A/19/1)

The Council's external auditor Mazars LLP presented the report and
Audit & Governance Committee – Minutes

explained that it set out a summary of the external audit progress for 2018/19. Members noted that some audits had still been in progress at the date the report had been published however, these audits had now been completed apart from Property, Plant and Equipment.

In reference to the risk relating to the 'Management override of control' the Committee noted that there were no risks found, and that there had been no significant matters encountered in completing the audit. In relation to the 'Defined Benefit Pension Liability Valuation', the Manager, Mazars LLP explained that the valuation of the Local Government Pension Scheme relied on a number of assumptions, the reasonableness of the assumptions used to determine the figures had been reviewed as part of the audit work, and no issues had been identified with the basis of the estimation technique.

The Committee was informed that in relation to the risk relating to 'Property, Plant and Equipment, an error had been identified in the value of Council Dwellings. For one group of Council Dwellings, the value in the asset register did not agree to the value provided by the valuer, this resulted in a £2.2m understatement in the valuation of Council Dwellings.

The Members noted that eight assets had been identified where the value in the asset register did not agree to the value provided by the valuer. This had resulted in an overstatement of assets in the financial statements of £334k; as this was below the materiality threshold, the Council had not adjusted the financial statements for this error.

The Committee received an update on the six internal control recommendations which had been made in the previous year; all the recommendations had been actioned. It was confirmed that the Council would be issued with a value for money conclusion for the 2018/19 financial year; no significant risks had been identified, and there had been no threats to Veritau's independence.

The Committee queried the officer's title, Finance and Corporate Services Director, under the draft auditors report in appendix B, and again on page 16 of agenda item number 10; it was confirmed that the responsibilities sat with the Chief Finance Officer, and therefore the wording should be amended.

RESOLVED:

To note the report.

10 STATEMENT OF ACCOUNTS 2018-19 (A/19/3)

The Chair drew Members' attention to the revised Statement of Accounts 2018-19 that had been circulated for this item.

The Committee received the Statement of Accounts, presented by the Chief Finance Officer. It was explained that this was a technical set of statements, with a narrative statement which set out the responsibilities of

both the District Council and the Chief Finance Officer, along with a chart showing where the income received in the year of £50.230m came from.

In response to a question regarding the New Homes Bonus, it was confirmed that this was a grant awarded by the government, and credited to the income and expenditure statement.

The Committee noted that there was a £59k surplus on the General Fund after budgeted activities for the year, and that the Housing Revenue Account (HRA) had a surplus of £1.5m; with a saving of £374 on interest payable as additional borrowing to support the Housing Development Scheme was not necessary.

The Chief Finance Officer highlighted that £11m had been spent on the Council's Capital Programme as detailed on pages 10 and 11 of the report.

Members queried whether there were any anticipated threats on the horizon, the Chief Finance Officer explained that central government had yet to put forward funding propositions for the next financial year, however reductions were expected to continue for the foreseeable future; and the Brexit process was creating additional uncertainty but the situation was being closely monitored.

In response to a question regarding investing in the District Wealth Fund, members were informed that the Council's treasury function was supported by North Yorkshire County Council, who invested on the Council's behalf, with a shared investment strategy and a list of approved bodies to be invested with. It was further confirmed that a range of options were required with balanced long and short term investments, ensuring that the investment risk was effectively managed. The Chief Finance Officer queried whether members would welcome a training session on the treasury function, to which they agreed.

A number of questions were asked in relation to the Housing Revenue Account (HRA); it was confirmed that a rental income shortfall of 49k had occurred due to the volume of void properties and the length of time to bring the properties back into use.

The Committee approved the Statement of Accounts.

RESOLVED:

To approve the Statement of Accounts 2018-19.

11 RISK MANAGEMENT ANNUAL REPORT 2018-19 (A/19/4)

The Committee received the report from the Audit Manager, Veritau, which summarised the risk management activity during the year 2018/19, whilst also showing planned work for the current 2019/20 municipal year.

Members noted that over the past year, in addition to supporting

managers to review risks in their service areas, project risk management training had been delivered to the Council's corporate project managers; and a risk workshop had been held with the Extended Management Team which had resulted in a revised and refreshed Corporate Risk Register (CRR).

In response to a query regarding major incidents within the District which created a significant risk to the public, the Chief Finance Officer explained that the Council had individual service risk registers which were reviewed regularly, and also relied on the vigilance of the planning enforcement team, officers and councillors to highlight any areas of concern.

It was further explained that the Council had a disaster recovery arrangement and that risks were assessed as part of the annual budget process. For incidents beyond the Councils control the government provided emergency financial assistance under the Bellwin Scheme, which reimbursed local authorities for costs incurred on, or in connection with, their immediate actions to safeguard life and property as a result of a disaster or emergency in the district.

RESOLVED:

To note the report.

12 CORPORATE RISK REGISTER (A/19/5)

The Committee received the report, presented by the Audit Manager, Veritau, who explained that the report provided an update on the movements which had taken place within the Corporate Risk Register since it was last reported to the committee in January 2019.

RESOLVED:

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

13 PRIVATE SESSION

It was proposed, and seconded, that the Committee sit in private session due to the nature of the business to be transacted.

RESOLVED:

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 described in paragraph 3 of Schedule 12(A) of the Act.

14 CONSIDERATION OF INTERNAL AUDIT REPORTS (A/19/6)

The Audit Manager from the Council's internal auditors Veritau presented the report, which advised that an audit had been completed on 17 July 2019 and the overall opinion was that the controls within the system only

provided "Limited Assurance". As such, the findings had been brought to the Committee for presentation and discussion.

The Committee was presented with details of the fraud incidents that had affected the Council, and a number of questions were asked of officers in relation to the incidents.

The Director of Corporate Services & Commissioning informed the Committee that actions had been agreed to address the issues identified, and further confirmed that the priority one action had already been implemented, with the other actions currently in progress.

The Committee was satisfied that appropriate action was being taken.

RESOLUTION:

To note the report.

The Chair of the Audit and Governance Committee and the Chief Finance Officer signed off the Statement of Accounts.

The meeting closed at 6.40 pm.

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Audit and Governance Committee: Action Log 2019/20

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
30 Jul 2019	8 - Annual Report of the Head of Internal Audit 2018-19	To ask the Audit Manager, Veritau to ascertain whether the audit of the Economic Development Framework had been completed, as the due date was 31 July 2019, however the narrative stated that the work was currently underway.	The Democratic Services Officer circulated the response received from the Audit Manager. The audit of the Economic Development Framework has not been completed and a revised date will need to be agreed.	Audit Manager, Veritau	Complete
30 Jul 2019	8 - Annual Report of the Head of Internal Audit 2018-19	To ask the Democratic Services Officer to circulate the Internal Audit Plan 2019-20 to the Committee	The Democratic Services Officer circulated the Internal Audit Plan 2019-20 to the Committee	DSO	Complete

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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>		
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
	Admittance of Scarborough BC to Veritau North Yorkshire	To receive a report on the admittance of Scarborough BC to Veritau North Yorkshire.

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

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Report Reference Number: A/19/7

To: Audit and Governance Committee
Date: 23 October 2019
Status: Non-Key Decision
Ward(s) Affected: All
Author: Danielle Stanley, Trainee Solicitor
Lead Executive Member: Councillor Mark Crane, Leader of the Council
Lead Officer: Alison Hartley

Title: Local Government and Social Care Ombudsman Annual Review Letter 2018-9

Summary:

This report provides councillors with the Local Government Ombudsman's Annual Review Letter 2019 for Selby District Council for consideration.

Recommendations:

To note the content of the letter and provide any comments for consideration by the Leadership Team.

Reasons for recommendation

To ensure that lessons are learned from any service failures or findings and to ensure openness and transparency.

1. Introduction and background

The office of Local Government Ombudsman (now the Local Government and Social Care Ombudsman "LGSCO") was established under the Local Government Act 1974. The Ombudsman deals with complaints against Local Authorities amongst other public bodies such as national parks, fire authorities, police and crime commissioners and other Government bodies.

The LGSCO is the final stage for complaints, as the complainant must have first progressed through the internal complaints procedure before the Ombudsman will accept a complaint. Therefore complaints to the Ombudsman often represent only a small proportion of the total number of complaints made.

The Ombudsman usually cannot look at a complaint if:

- it is made more than 12 months since the knowledge of the issue arose
- the complainant is not personally affected, e.g. the issue affects most people in the area
- the complainant has not been caused an injustice
- it is about personnel matters (such as employment or disciplinary issues)
- the complainant has the right of appeal or can take legal action and the LGO thinks it is reasonable for them to do so. This might be to:
 - a tribunal (such as the Housing Benefit Appeals Service)
 - a government minister (such as a planning appeal)
 - the Courts

Each year the Ombudsman issues an annual report. An annual summary of the complaints made in the previous 12 months including the resultant decisions is provided to each local authority.

2. The Report

- 2.1 Nationally the Ombudsman service reported that it registered **18,896** complaints and enquiries, compared to **19,215** in 2017/2018. This equates to a 2% decrease. Furthermore, the Ombudsman carried out **4,331** detailed investigations in 2017/18, compared with **4,458** in 2018-19. Of the detailed investigations, it upheld **58%**, which is a 1% increase from 57% in 2017/18.

The area in which it upheld the highest proportion of investigations was Benefits and Tax (69%). The lowest proportion was Planning and Development (37%). The Annual report at Appendix A (enclosed for information purposes) commends the culture of learning from complaints. This report details some of the landmark cases completed, where the outcomes extend well beyond the individual complainant. The LGSCO states that there were some examples of councils not being as receptive to putting things right without significant pressure from its office. However, despite these challenges, and even though recommendations are non-binding, there were no formal incidents of non-compliance from councils to recommendations last year.

- 2.2 The LGSCO is clear that when viewing data for individual councils, it is important to understand the volume of complaints does not, in itself, indicate the quality of a council's performance. High volumes of complaints can be a sign of an open, learning organisation, as well as sometimes being an early warning of wider problems. Low complaint volumes can be a worrying sign that an organisation is not alive to user feedback, rather than always being an indicator that all is well. Complaint figures should be used as the start of a conversation, rather than an absolute measure of corporate health of an authority.
- 2.3 The LGSCO Annual Report for Selby states that 15 complaints and enquiries were made against the District Council with 15 decisions being made. In some instances the matter is referred back to the council for a local resolution. This often occurs where the person has not yet complained to the Council or has

not completed the internal complaints process before approaching the Ombudsman. With regards to Selby District Council there were 5 referrals back to the Council for a local resolution. Similarly there were 6 instances where matters were closed after initial enquiries. This is because the Ombudsman's office will assess the complaints received before coming to a decision on whether they merit a detailed investigation or not. In 1 case advice was given by the LGSCO and 3 cases progressed to detailed investigation. In relation to the 3 detailed investigations; two were upheld. In relation to matters referred to the Ombudsman Service in 18/19, the majority of cases concerned planning and development.

- 2.5 By comparison, in 2017/2018, the number of complaints and enquiries received by SDC was 23 (with decisions made on 21); there were 9 instances of complaints and enquires being referred back to the Council for a local resolution and in 5 instances the matters were closed after the initial enquiry. 5 cases progressed to detailed investigations however none were upheld. In 2 cases advice was given by the LGSCO.
- 2.6 The LGSCO Annual Letter notes that they were pleased to deliver complaint handling courses to Council's during the year and welcomes investment in good complaint handling training.

3. Implications

3.1 Legal Implications

None.

4.2 Financial Implications

None.

4.3 Policy and Risk Implications

None.

4.4 Corporate Plan Implications

None.

4.5 Resource Implications

None.

4.6 Other Implications

None.

4.7 Equalities Impact Assessment

None.

5. Conclusion

The information provided in the Annual Review Letter assists the Council in improving performance and understanding the needs of local residents.

6. Background Documents

None

7. Appendices

Appendix A – LGSCO Annual Report

Appendix B – Annual Letter from the LGO dated 24 July 2019

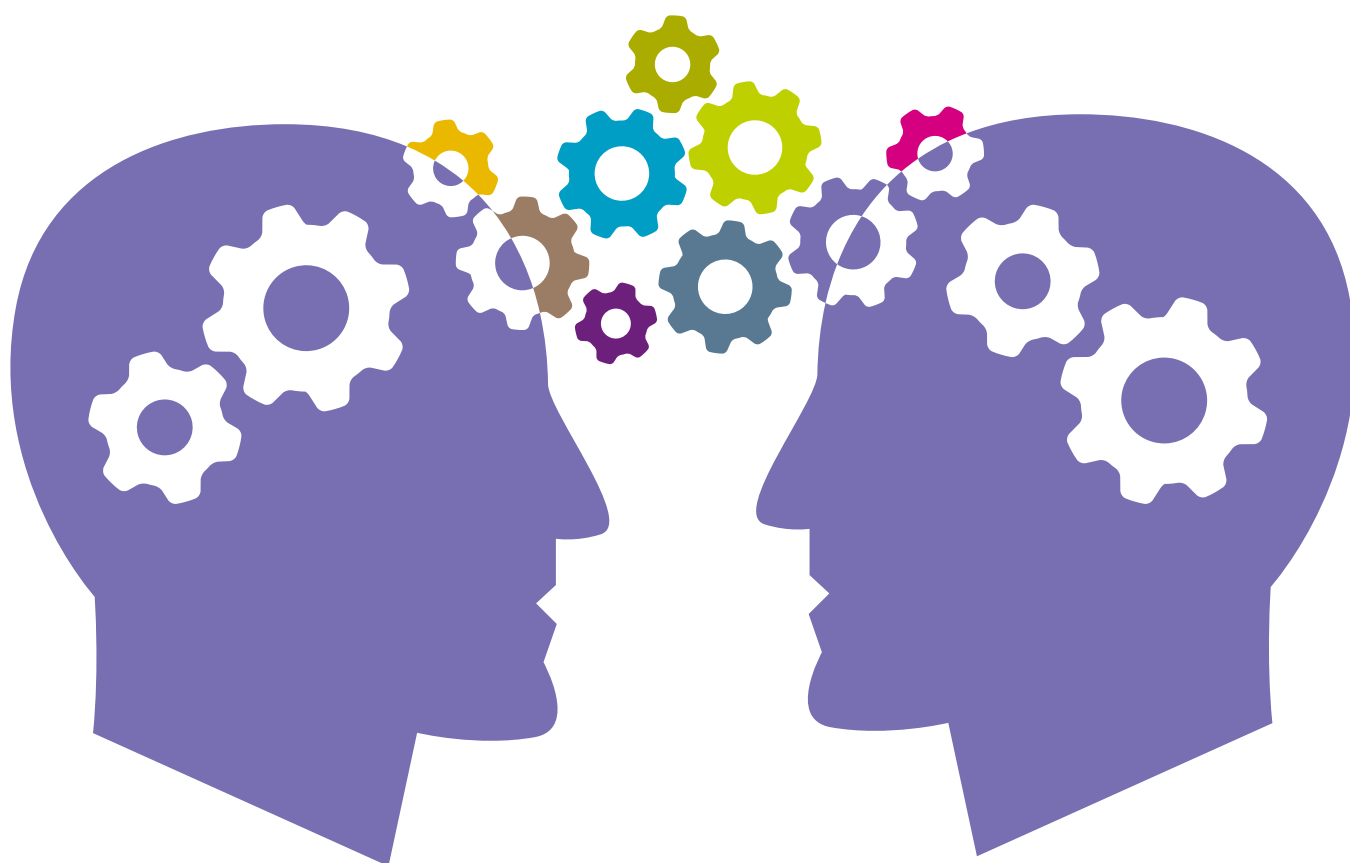
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Local Government &
Social Care
OMBUDSMAN

Commission for Local
Administration in England

Sharing the learning



Annual report and accounts
2018-19

Commission for Local Administration in England

Local Government and Social Care Ombudsman

Annual Report & Accounts 2018-19

(for the year ended 31 March 2019)

Accounts presented to the House of Commons pursuant to Section 7 of the Government
Resources and Accounts Act 2000

Annual Report presented to Parliament pursuant to Section 23A(3A) of the Local Government Act
1974 as amended by Section 170(1)(5) of the Local Government and Public Involvement in Health
Act 2007; and pursuant to Section 34S(5) of the Local Government Act 1974 as amended by
Section 35 of the Health Act 2009

Accounts presented to the House of Lords by Command of Her Majesty

Ordered by the House of Commons to be printed in July 2019

HC2241



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ISBN 978-1-5286-1178-7

CCS0319930482 07/19

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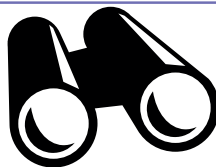
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Foreword



I am pleased to present the Annual Report and Accounts for the Commission for Local Administration in England (also known as the Local Government and Social Care Ombudsman) for the year ended 31 March 2019.

This year we have again performed strongly against our objectives. In particular, I welcome the increased amount of work we have done to share the lessons from our investigations to help councils and care providers improve their services. This has rightly been a focus for us this year. If we simply go around fixing peoples' problems one by one, service providers do not get the most value from our work and they miss opportunities to make improvements. Our latest survey results show many councils welcome our reports and use them to drive forward change, so I want to encourage even more of this proactive behaviour towards complaints.

Too often, the discussions around complaints centre on the simplistic notion of numbers received. So I'm pleased we will soon launch our interactive map publishing more information about the nature of, and compliance with, our recommendations to remedy injustice. This is another important learning tool to add to the resources we already provide, and we are

proud to be the first UK ombudsman scheme to publish such an extent of data on the impact of our investigations.

Our public interest reports are the backbone of our work to share learning, and this year we continued to issue them weekly. Some gained national attention. For example, the widely reported problems around council services for people with Special Education Needs and Disabilities (SEND) was a debate to which we could contribute crucial insight from people experiencing these services first hand.

We published numerous reports of children and young adults missing out on the education they're entitled to, because of serious delays in councils completing Education, Health and Care plans. We are seeing a worrying rise in the number of investigations that warrant a public interest report in this area.

“By the nature of what we do, our reports often throw a light on examples of the worst failings. Despite that, councils on the whole deserve credit for working constructively with us to remedy injustices and learn.”

We gave evidence to the Housing, Communities and Local Government Select Committee for its inquiry into children's services, using our insight from SEND investigations. I welcome the increasing opportunities we are getting to share our findings on other similar platforms with parliamentarians and policy makers.

By the nature of what we do, our reports often throw a light on examples of the worst failings. Despite that, councils on the whole deserve credit for working constructively with us to remedy injustices and learn.

One of our SEND cases, for example, was a key factor in a council's decision to inject significant resources into local services. Another example was a council agreeing to our recommendations to pay all the Special Guardians on its books the correct allowances, and rightly backdating them to recognise what hundreds of people had missed out on. We know the financial cost for this was considerable.

I'm fully aware the last decade has been one of the most challenging for local authorities. So I was pleased to publish a thematic report looking at the impact on our complaints of the huge changes councils have gone through in response to these pressures.

This is the most extensively researched report we have done, based on some 40 real case examples showing systemic problems linked to service change. There is much learning to be had here, and my key message to councils is to not throw out the rule book, even when working under such unprecedented conditions.

That report is a good example of how the complaints we investigate are becoming increasingly complex. With more of the clear-cut problems often resolved before coming to us, we are seeing more cases showing underlying problems with systems, policies and the way procedures are being applied.

This is no more true than in adult social care. Beside the backdrop of an aging population and reductions in council funding, factors such as new delivery models, commissioning arrangements, and integration with health services are requiring us frequently to invest more time in getting to the root causes of fault.

The impact on our organisation is twofold. It is becoming increasingly challenging to meet our targets for the speed of decisions. While we managed to meet or exceed them this year, the

level of unallocated cases we are currently working with is more than we would like, and remains difficult to reduce. The other impact is the pressure on our staff, and we have started work in our business plan, to foster a collective approach to staff well-being and encourage teams to express their views and needs in this area.

Given the limited resources we work with, we offer excellent value to the public purse. In fact, the Minister for Local Government, Rishi Sunak MP, talking at the Select Committee session on our proposals to strengthen local redress systems, commented we are "probably the most efficient ombudsman in the United Kingdom."

But in having such a lean operation, we are also working at, and beyond, the margins of our capacity. The current landscape offers a stark reminder that we remain susceptible to changing levels of incoming complaints. It would be disappointing to be unable to maintain the same quality of service and continue to share as much learning from our cases, because of a lack of resources.

As always, I leave the final thanks to our staff. It is the commitment and skill of everyone working for us that enables me to present such a positive picture of performance in 2018-19.



Michael King

**Chair, Commission for Local
Administration in England**

**Local Government and Social
Care Ombudsman**

Who we are, what we do

The Local Government and Social Care Ombudsman (LGSCO) is the final stage for complaints about councils, all adult social care providers (including care homes and home care agencies) and some other organisations providing local public services. We are a free service.

We help to make sure these organisations are accountable, by ensuring they put things right for service users when things have gone wrong. This might be where a local authority has failed to provide the level of service the public can rightly expect to receive, or where it has not acted properly in carrying out its functions.

Our remit provides a one-stop-shop for complaints about adult social care, including both publicly and privately funded services. This means the public does not have to navigate complex processes in what is often a confusing social care system.

We do not take sides. We provide an independent and impartial view on a complaint - we are neither a consumer champion nor a representative for service providers.

Public services and social care providers should be able to resolve complaints directly without requiring people to escalate their complaint to us. For this reason, we usually expect the complaint to be raised with the body concerned before we will look at it. However, the public can rest assured there is a fair and independent Ombudsman who they can turn to if their complaint is not resolved.

As a result of resolving complaints and providing a remedy for individual injustice, we gather significant evidence of wider failings in public and social care service delivery. If these are not addressed, the public will face the same problems and need to raise the same concerns time and time again. In highlighting

these types of issues, we play an important part in improving public and adult social services by helping local government and care providers to learn from mistakes. We also work closely with partners in other ombudsman schemes, the advice sector, in Parliament and in public services to share the learning from our work.

The Executive Team is responsible for the day-to-day management of our operations. The work of the Executive Team is overseen by the Commission for Local Administration in England ("the Commission"), which is chaired by the Local Government and Social Care Ombudsman, Michael King. The Commission operates as the board of the LGSCO. It sets the strategic priorities for the organisation and provides scrutiny and challenge on our performance against those priorities.

Who we are, what we do




The Local Government Ombudsman was established by Parliament for two very clear purposes:

To remedy injustice - through our independent and impartial investigations we are able to secure a remedy for people that have experienced injustice as a result of the actions or inactions of a local service.

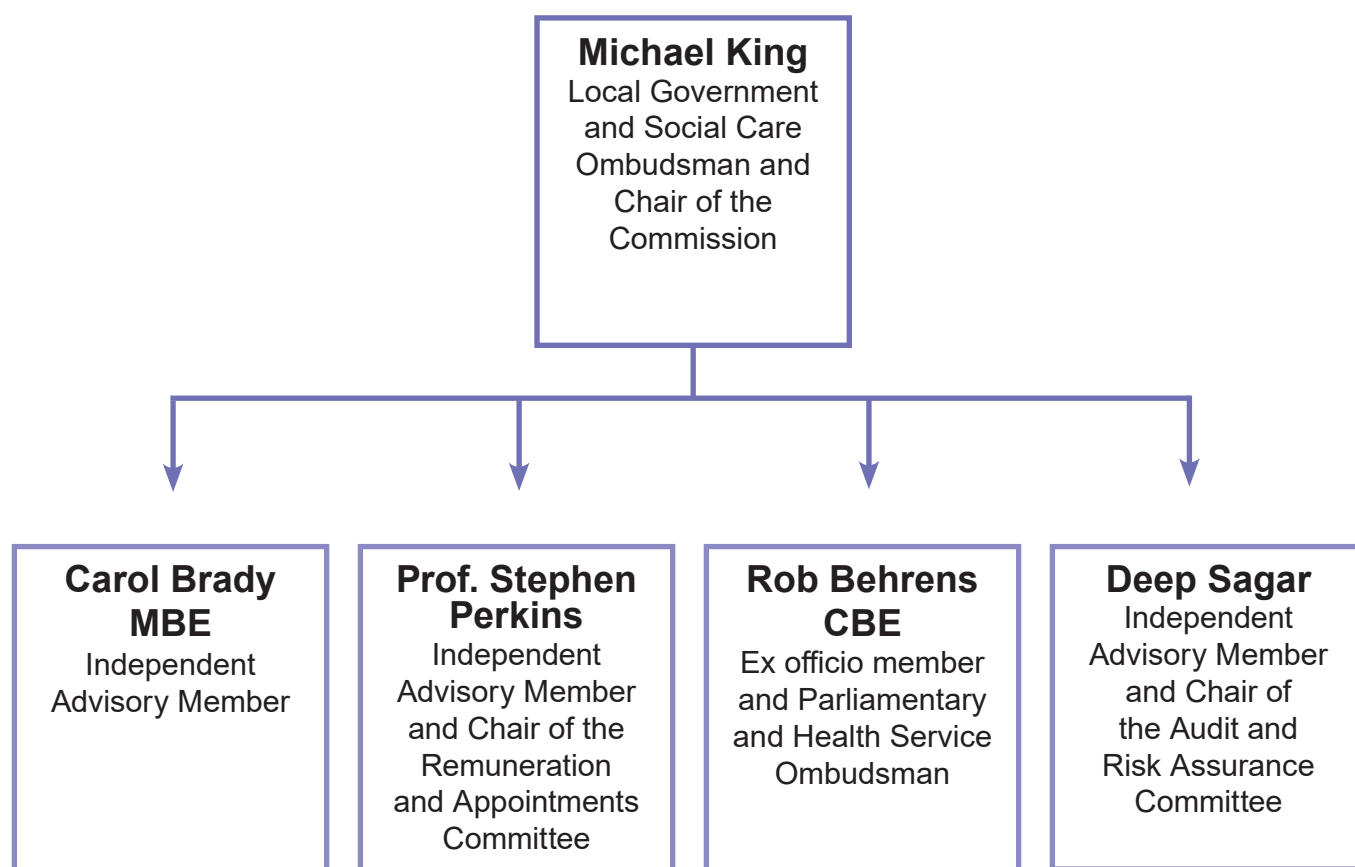
To improve local services - by sharing the learning from our investigations with all service providers, and by supporting democratic scrutiny of those services, we ensure that complaints become a tool for local service improvement. In meeting these dual roles, the Commission has set four strategic objectives against which we measure our performance.



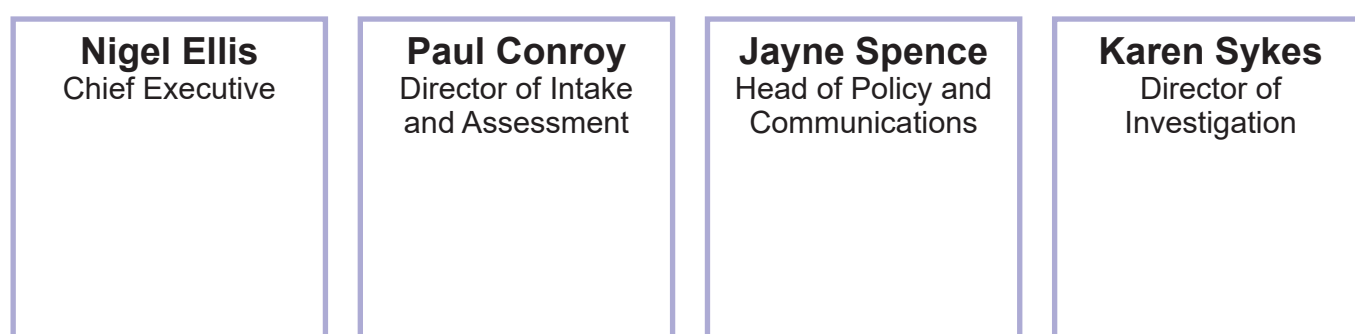
How we investigate

		
Step 1 Initial Check	Step 2 Initial investigation (assessment)	Step 3 Detailed investigation
<p>We carry out some basic checks, like whether:</p> <ul style="list-style-type: none"> ! the council or care provider has had the chance to consider the complaint ! it looks like we might be the right people to help at this stage 	<p>We decide whether to investigate the complaint by checking if:</p> <ul style="list-style-type: none"> ! the issue is something the law allows us to look into and; ! there is good reason for us to formally investigate 	<p>We make a decision on whether the organisation was at fault by:</p> <ul style="list-style-type: none"> ! investigating what happened, and what should have happened, according to the laws and policies in place at the time ! making recommendations to put things right if necessary

Membership of the Commission



The Executive Team



Key numbers 2018-19



5

**select committee inquiries
to which we gave evidence**



50

**reports and guidance
published**



78%

**cases completed within
three months**



1,000+

**people trained in good
complaint handling**



99.4%

**of our
recommendations
implemented**



1,241

**recommendations made
to improve services for
the wider public**

Chief Executive's performance report

Performance Overview

We are pleased to report a strong performance against our four Strategic Objectives.

Strategic Objective 1: our service is easy to find and easy to use

We exceeded or met our time targets for the speed of our investigations: 78% of investigations were completed within 13 weeks (against a target of 65%); 90% of investigations were completed within 26 weeks (against a target of 85%); and 99% of investigations were completed within 52 weeks (against a target of 99%). This means more than three quarters of our cases are completed within three months.

We made some headway in reducing the number of cases waiting to be allocated at the investigation stage of our process. But the corresponding increase in unallocated cases at the assessment stage contributed to us not meeting our aspirational target of making all assessment decisions within 20 working days. On average we took 31.8 days.

Our customer satisfaction survey results remained in line with the previous year's, broadly meeting our targets. This year we saw a welcome slight uplift in the proportion of people remaining neutral or satisfied with the service they received, even if they disagreed with the outcome of their complaint. Acting on feedback, we also created a new board to oversee our written communications with people using the service, in an effort to explain our processes more clearly and consistently.

We received more complaints about our service this year. This has been partially attributed to us developing a more accurate process for recording these cases. Despite the uplift, there was a similarly small percentage of cases in

which we acknowledged we could have done something better.

Strategic Objective 2: we remedy injustice through impartial, fair and rigorous investigations

The vast majority of our decision statements met our key standard for being reasonable and defensible. In the three review exercises carried out, the results ranged between 89% and 95%.

We saw a slight increase in the amount of people asking for us to review their decision (752) but in only 5% of cases (39 in number) did we apologise and for it not being up to the standards we expect to provide.

We found councils and care providers implemented 99.4% of our recommendations. There was only one instance of issuing a formal notice of non-compliance with our recommendations, which was against a care provider.

Strategic Objective 3: we use what we learn from complaints to help improve local services

We published three Focus Reports on important topics from our casework, including a report, drawing on more than 40 case studies, about the impact on our complaints from the way local government has changed in response to budget pressures. We also published three guidance documents aimed at practitioners.

We were invited to give evidence to five different parliamentary inquiries, including the Housing, Communities and Local Government Select Committee's dedicated session about our suggestions for improving local redress systems.

We continued with an expanded programme, established in the previous year, of public interest reports to help share the lessons from our complaints. We published 44 reports with some achieving widespread national attention. The media coverage of our published investigation decisions increased significantly thanks to our weekly newsletters highlighting the most recent cases.

We undertook considerable preparatory work to launch a new graphical interface in 2019-20 which will publish more intelligence about the impact of our recommendations and assist councils in learning.

Our effective complaint handling training courses continue to increase in popularity, and we trained more than 1,000 council and care provider staff this year.

Our annual surveys of councils and care providers demonstrated our casework is used effectively to support learning and improvement of services. More than 50% of councils who responded say they use our focus reports and annual reviews to review their practices.

Strategic Objective 4: we are accountable to the public and use our resources efficiently

We managed our finances effectively, and operated sound controls, meaning we spent within budget and continued to offer good value to the public purse.

Our IT systems remained secure against security breaches and downtime was limited to levels of normal tolerance. We carried out improvement work to our network with new server systems.

Our accounts have been prepared on a going concern basis.

Managing Risk

The Executive Team leads how we monitor and mitigate against risks that impact our ability to meet our strategic objectives. This is overseen by the Commission and the Audit and Risk Assurance Committee.

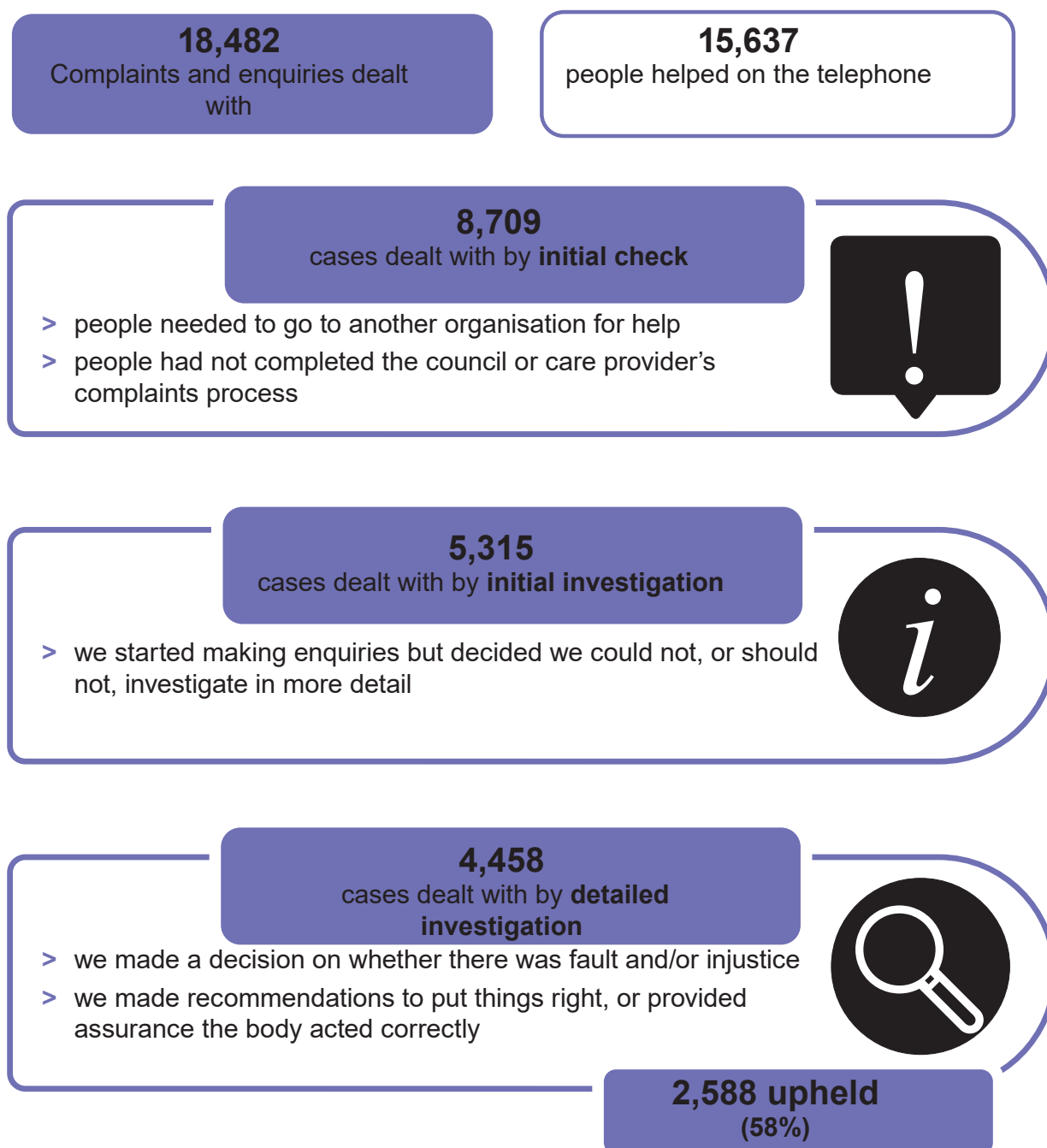
Using a Red/ Amber/ Green system, four of our seven strategic risks were deemed to be managed well, and marked as green at the close of the year. The only risk marked red, was around the relatively high number of cases waiting to be allocated an investigator. Despite a focused effort, it has not been possible to reduce the amount with the resources currently available to us.

The two strategic risks marked as amber were about having the resources available to do our job, as touched on above, and the challenges in working with combined authorities and managing complaints spanning both health and social care.

Contextual data: Casework trends

We closely monitor the amount and composition of complaints and enquiries we receive, and investigate. They are not measures of performance and we include them here for contextual purposes.

Complaints and enquiries dealt with in 2018-19



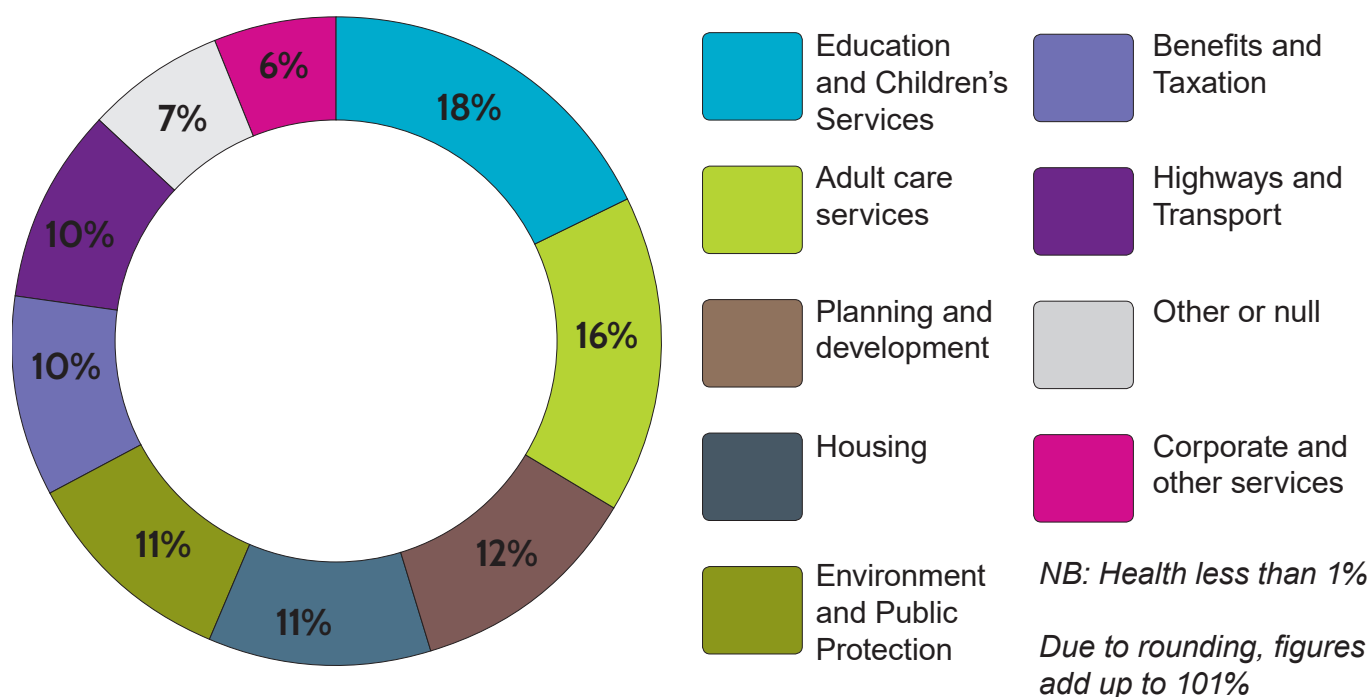
Strategic Objective 1:

our service is easy to find and easy to use

Comparisons with the previous year

Measure	2018-19	2017-18	Change
Complaints and enquiries received	18,896	19,215	2%↓
Decisions made	18,482	18,822	2%↓
Cases dealt with by an investigation	4,458	4,331	3%↑
Uphold rate for investigations	58%	57%	1%↑

Composition of complaints and enquiries received in 2018-19



The composition of our complaints and enquiries remained very similar to the previous year. The main difference was that complaints and enquiries received about Highways and Transport became a smaller proportion of our total caseload (from 12% to 10%).

Uphold rates for complaint types

The area of work where we upheld the highest proportion of detailed investigations is Benefits and Tax (69%), followed by Adult Social Care (66%), and Education and Children's Services (65%). We upheld the lowest proportion of detailed investigations in Planning and Development (37%).

How we measure our performance

We look at:

- > The speed of our investigations, based on casework management system reports
- > Results from our customer surveys on satisfaction with our service
- > The outcomes from complaints about our service

Speed of Investigations

The graphic below shows we performed strongly in meeting our targets for the overall speed of our investigations, particularly in the proportion of cases completed in 13 and 26 weeks. We complete more than three quarters of cases in three months. Our Intake Team also processed more than 99% of incoming complaints and enquiries in 24 hours.

Cases completed by	Target	Actual	Performance
13 weeks	65%	78%	Exceeded
26 weeks	85%	90%	Exceeded
52 weeks	99%	99%	Met

We also have a target for the amount of ongoing cases older than 52 weeks open at any given time. At the end of the year this was at 72 cases, against a target of 60.

This year we focused our efforts on reducing the time for complaints to be allocated to an investigator. We had partial success in this area, by moving the bulk of this time to an earlier point in our investigation process, which is better for people using our service. However, the overall time is still longer than we would like it to be.

After making our initial checks when complaints first come into us, this year we took 31.8 days, on average, to make enquiries and decide if we were going to investigate someone's complaint in more detail (an assessment decision). This length of time is good compared to typical timescales in the Ombudsman sector, however we aspire to an intentionally challenging target of completing all assessment investigations within 20 working days. Finding a way to reduce the number of unallocated complaints we have at any given period would help us to achieve this.

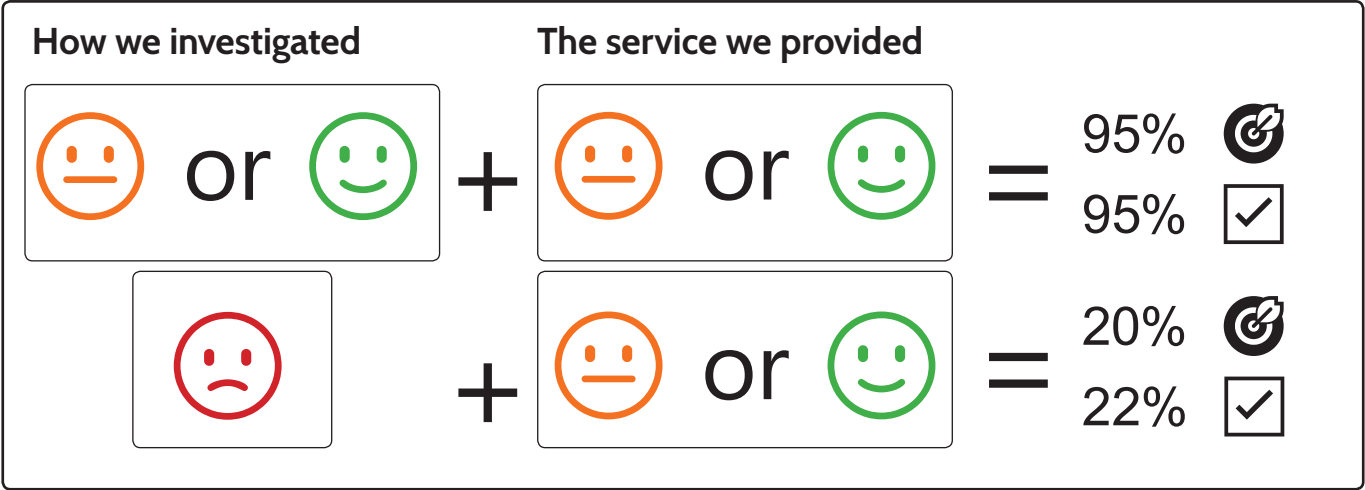
Customer satisfaction with our service

In the ombudsman sector, the level to which customers are satisfied with the service they receive is strongly linked to how satisfied they are with the outcome of their complaint. To objectively assess satisfaction with our service, regardless of the outcome, we set different targets based on whether a complainant says they are satisfied or dissatisfied with the outcome of their complaint. This year we met or exceeded both measures (see chart overleaf).

Strategic Objective 1:

our service is easy to find and easy to use

Customer satisfaction survey results



Reviewing our written communications

This year we set up an Editorial Board to act on feedback from people who use our service – through our satisfaction survey and our advisory forum – who tell us one area we could improve, is how we explain our investigation process.

The board has oversight of all written communication touch points with complainants and bodies in jurisdiction, and has the authority to shape the way we explain our process. It looks at documents from the perspective of the customer. Its key aims are to provide only the information required at that point in the process; ensure consistency with other documents; and use an empathic tone, without compromising neutrality. While not influencing the outcome of any complaints, it hopes to make using our service clearer and more satisfying for people.

To date, the board has reviewed many of the key letters and fact sheets used in the typical customer journey through our process. To ensure what we say remains consistent, we will issue them for staff use in one batch, which will happen in the early part of 2019-20.

Complaints about our service

We received 235 complaints about our service in 2018-19. In 74 of these cases, we acknowledged we could have done something better and apologised. This compares with 165 complaints about our service received, and 45 upheld, in the previous year.

The increase is partially attributed to improved recording practice this year. In addition, while the overall number has increased, the proportion in which we acknowledged we could have done something better is similar in percentage terms (31% in 2018-19, 27% in 2017-18).

Our External Reviewer independently reviews a sample of complaints about our service (see page 52 for more details). This year he highlighted no significant areas of concern, and only recommended some minor procedural improvements limited to the individual cases reviewed.

There were no rulings from the Information Commissioner’s Office that required us to take action over a data loss.

How we measure our performance

We look at:

- > The quality of our decision statements, based on management reviews
- > Results from our customer surveys on satisfaction with our decisions
- > The outcomes from requests to review our decisions
- > How we achieve remedies to our satisfaction

Quality of our decision statements

We monitor the quality of our decision making every four months by reviewing a sample of decision statements. We do this against a range of criteria, including the quality of the decision making, the consistency of the outcome, and how clearly we explained the decision.

During 2018-19, most of our decisions met our key standard for being reasonable and defensible. In the three reviews carried out results ranged between 89% and 95%. This standard demonstrates we have come to a sound decision in these cases.

Against our intentionally more challenging target, of whether the statement meets every one of our written standards, the majority (between 74% and 77%) of sampled decisions did. This tougher benchmark is for identifying areas to improve and, as such, measures factors like whether a statement follows our prescribed structure, meets internal guidance, and excludes superfluous detail.

Review requests

We will review someone's decision if they show it was based on inaccurate facts or new evidence has arisen that would have affected what we decided. We always give people the opportunity to comment on a draft decision, so the number of review requests we receive is relatively small.

In 2018-19 we received 752 requests to review our decisions. This is an increase from the previous year's number of 698. We found our decision was not up to the expected standard in only 39 cases (just 5% of all review requests), and we apologised and did further work to bring them up to standard. This may include revising the wording of statements or carrying out further investigative work, but only in very rare circumstances will it result in us coming to a substantially different decision than we did previously. Reviews of decisions are carried out by a senior manager unconnected with the case.

Strategic Objective 2:

we remedy injustice through impartial, fair and rigorous investigations

Achieving Remedy

Our powers, to make recommendations to remedy injustice, recognise the democratic accountability of locally elected councillors. Councils and care providers are not legally bound to implement our recommendations, but they almost always do. Following our investigations we ask the bodies concerned for confirmation and evidence of actions taken. This year, 99.4% of our recommendations were implemented.

In the rare scenario that a council or care provider formally decides not to implement a recommendation, we will hold them accountable through a public report. The final stage of the process is the body publishing a statement explaining why they have chosen not to comply.

There was only one such instance this year, where we published an Adverse Findings Notice against a care provider – Corden Assist Ltd, trading as Bluebird Care (Wandsworth) – which refused to apologise and pay a token amount to a family for the failings we'd found in the homecare it provided to their elderly relative. We promoted this in the press and shared it with the regulator, Care Quality Commission (CQC), to inform their inspection programme. This case resulted in us discussing with CQC how we could work together to better hold providers to account for non-compliance with our recommendations, with plans for CQC to feature our Adverse Finding Notices on the inspection ratings section of their website.

How we measure our performance

We look at:

- > The impact of our casework in the media and with stakeholders
- > Analysis of the type of recommendations we make
- > The popularity of our effective complaint handling training programme
- > Our annual survey seeking the views of bodies in jurisdiction about how they learn from our investigations

Impact of our casework

Public interest reports

We do many things to support learning from our casework, so that bodies in jurisdiction can improve and make services better for everyone.

A common tool is a public interest report about a council, which we decide to publish when there is:

- > Recurrent fault
- > Significant fault, injustice or remedy
- > High volume of complaints about one subject
- > Significant topical issues covered (e.g. new legislation)
- > Systemic problems and/or wider lessons to be learnt
- > Non-compliance with a recommendation

This year we carried on in the vein of the previous year by publishing more public interest reports than in the recent past. Of the 44 public interest reports we published, similar to last year, the majority were about adult social care; education and children's services; and councils' housing and homelessness services.

However, we covered a wider range of topics this year, with reports, for example, about noise nuisance; parking charges and Blue Badge eligibility. The topic in which we saw a worrying uplift, was problems with Education, Health and Care (EHC) Plans for children with Special Educational Needs and Disabilities (SEND). In addition, we published one Adverse Findings Notice against a care provider (see page 14 for more details).

Some of our public interest reports received widespread media coverage this year and demonstrated how our investigations can instigate changes that have a positive effect on services. For example, we published a [report](#) about Cornwall Council in which a homeless young man was housed in a tent, which was the subject of a BBC radio documentary. Later it was confirmed the council was going to invest significant funds in accommodation suitable for housing young people.

We also published [two reports](#) about boys with Special Education Needs in Norfolk being left without suitable education due to the council failing to complete their EHC plans on time. The council accepted our recommendations to make a wide range of service reviews, and our reports were also closely linked to the council's decision to invest a further £120m into services for children with SEND.

Strategic Objective 3:

we use what we learn from complaints to help improve local services

Investigation decisions

We publish all our investigation decisions (except the small number of cases where to do so would compromise anonymity of the people involved). We hold five years' worth of decisions, and now have some 42,000 available to view through our online, searchable [database](#). This resource is regularly used by bodies in jurisdiction to help improve services or complaint handling.

This year we enjoyed a substantial increase in the amount of news coverage of our decisions. This has been driven by our newsletters which highlight the week's recently published cases in our main topic areas. In particular, the new Local Democracy Reporters who have been set up in regional newsrooms, have increased the scrutiny and reporting of local government working in the local press. Many of these reporters use our newsletters to report on our cases in their area.

Stakeholder engagement

We share evidence from our investigations with Parliament, government departments and others to help drive improvements in local services and ensure the lived experience of those who complain to us informs public policy debates.

This year we were invited to give oral evidence to five parliamentary inquiries. This included the Ombudsman appearing before the Housing, Communities and Local Government (MHCLG) Select Committee dedicated session to examine our proposals for strengthening local redress systems and reform of ombudsman systems. An Assistant Ombudsman appeared before the Justice Select Committee as part of its inquiry about the regulation of bailiffs. Another Assistant Ombudsman gave evidence to the MHCLG Select Committee for its inquiry

into children's services. As a result of this sustained work, we are increasingly seeing individual Members of Parliament from across the political spectrum, and other stakeholders, drawing upon our body of evidence as part of their own contributions.

During the year, we also contributed to several notable consultations which impacted on our work. This included the review of local government ethical standards by the Committee on Standards in Public Life. This put forward several proposals for reform, including an explicit recommendation to expand our role in investigating complaints about councillor conduct.

Strategic Objective 3: we use what we learn from complaints to help improve local services

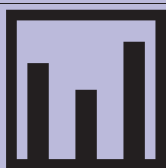
Providing excellent value

Beyond remedying injustice for people through our investigations, we do lots of work and produce a wealth of resources to encourage learning from our work. These include:



[Decisions database](#)

An online resource holding five years' worth of our cases, easily searched and filtered by theme, area, issue and more



[Publishing data](#)

Publishing complaints data about councils and care providers



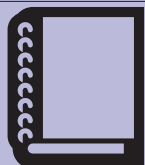
[Focus Reports and Guidance Notes](#)

Sharing the intelligence from our cases where we find systemic problems in certain areas, or useful learning for service practitioners



[Newsletters](#)

Subscription service to stay in touch with our latest news and cases published on our website



[Complaint handling training](#)

How to learn from our experienced investigators to improve complaint handling, with specialist courses for care providers and in key subject matters



[Care provider resources](#)

Template complaint procedures and documents for providers to adapt for their own use



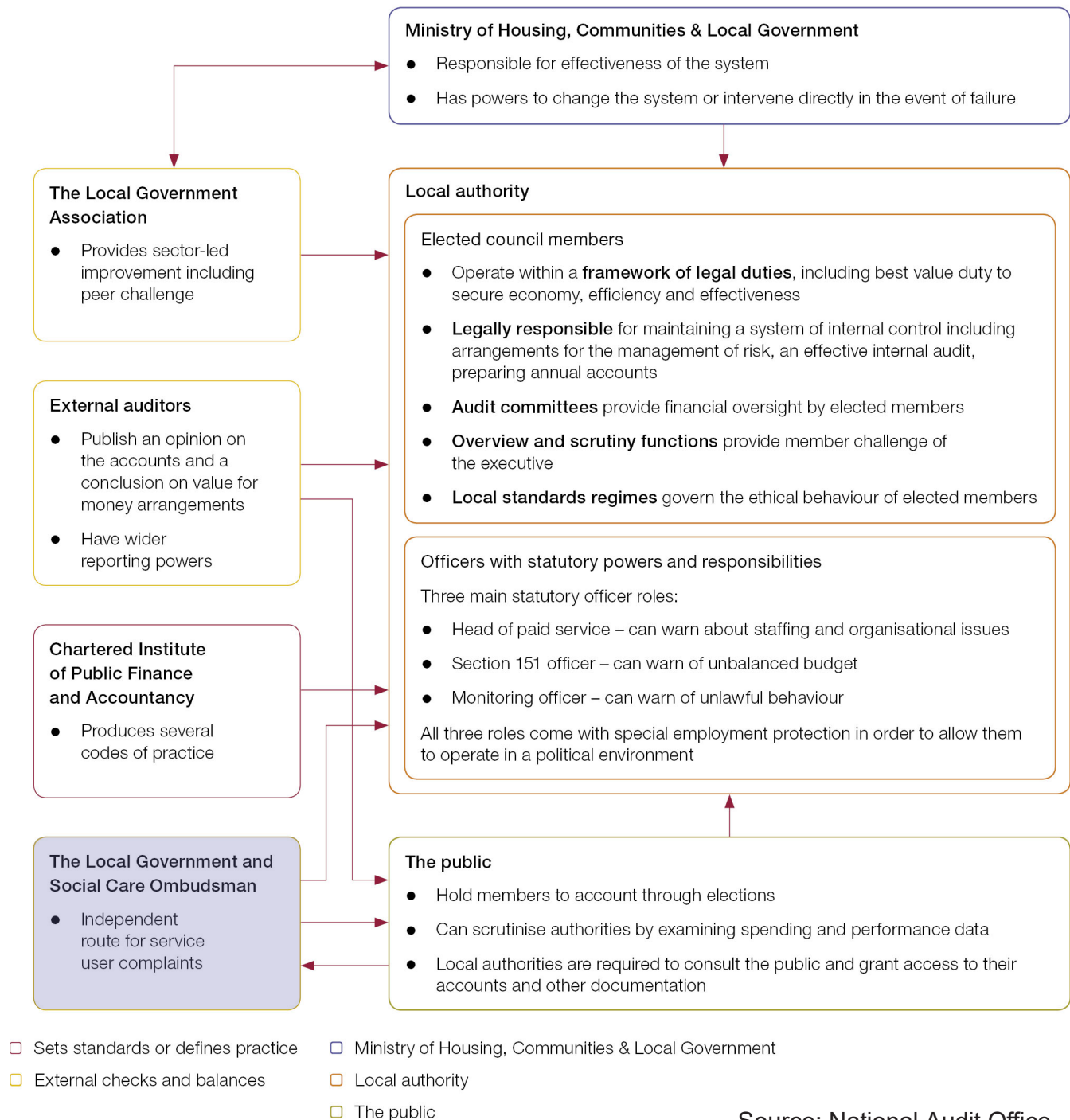
[Influencing policy](#)

We proactively contribute to public consultations and developing policies when we can add value by sharing useful insight of peoples' experiences of public services

Strategic Objective 3: we use what we learn from complaints to help improve local services

The National Audit Office (NAO) published a report calling on the government to improve its oversight of local governance systems to help local authorities deal with austerity pressures. The report described us in positive terms as part of the core governance framework for ensuring accountability of local authorities.

Core local governance framework



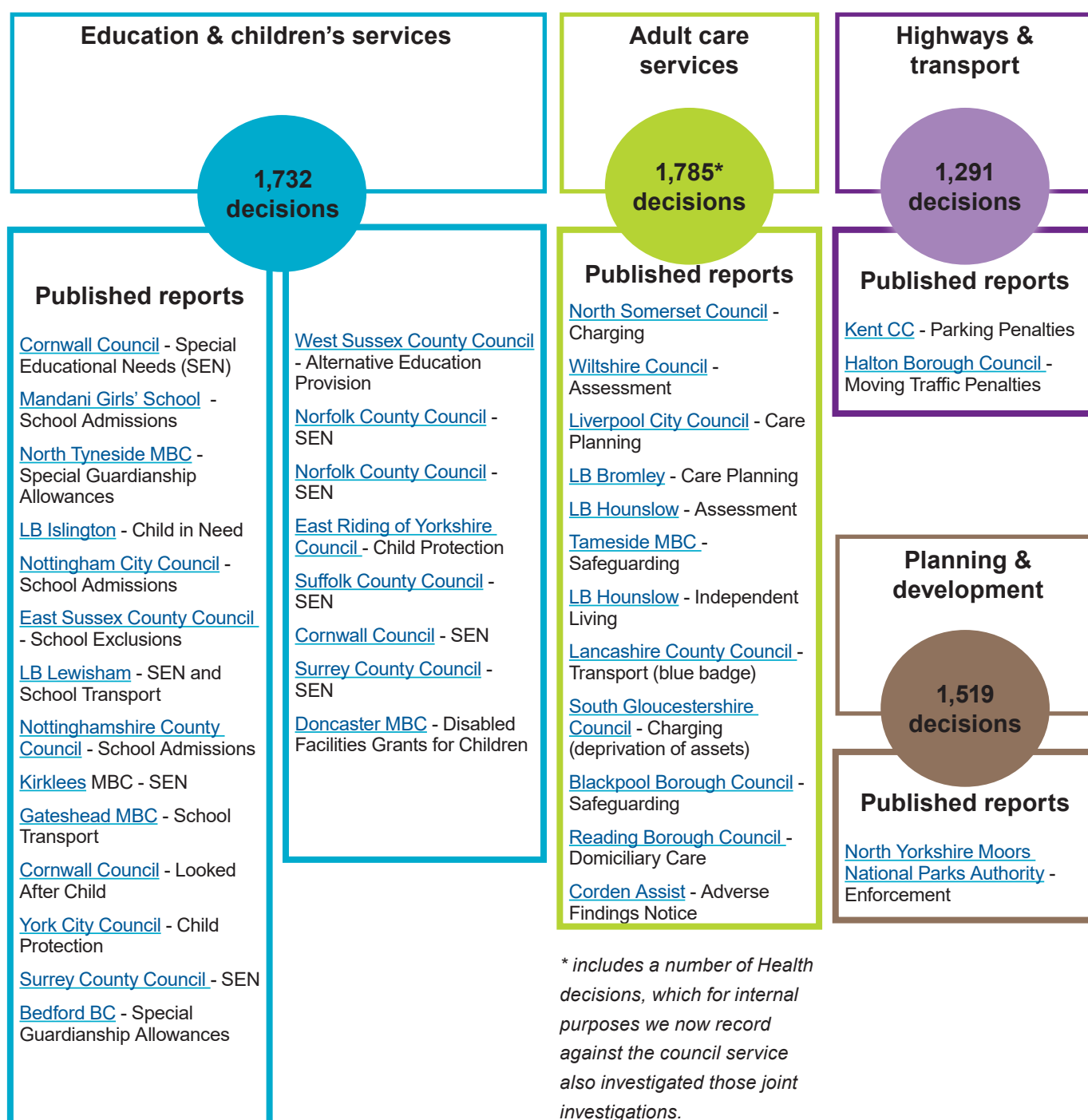
Source: National Audit Office

Strategic Objective 3: we use what we learn from complaints to help improve local services

Decisions and reports

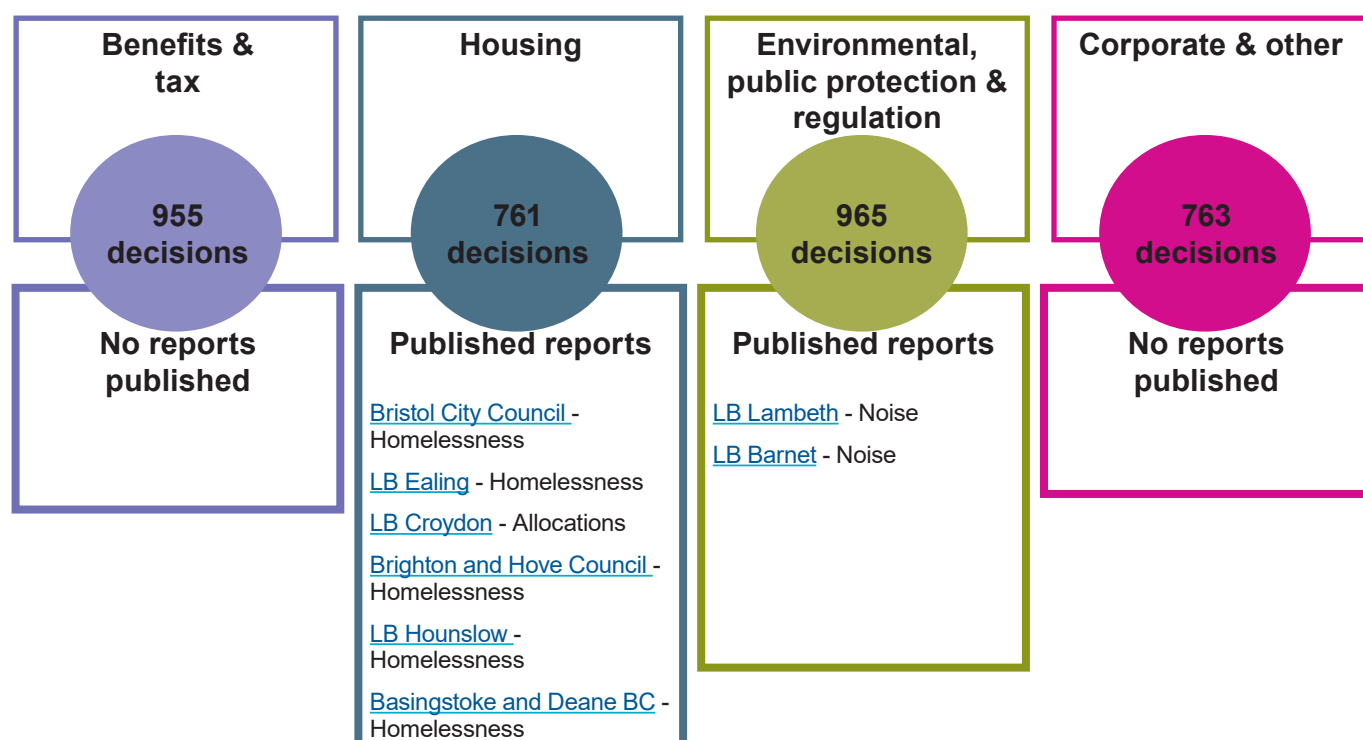
Our decisions are published at www.lgo.org.uk/decisions and can be searched by theme, key word, category, decision outcome, date and organisation.

Our press releases to highlight our public interest reports can be found at www.lgo.org.uk/information-centre/news



Strategic Objective 3:

we use what we learn from complaints to help improve local services



Strategic Objective 3: we use what we learn from complaints to help improve local services

Thematic Reports

When our investigations find systemic issues, we publish thematic Focus Reports based on major topics. This year we published three:

Firm Foundations: complaints about council support and advice for special guardians

We highlighted that some councils are failing to provide the right support to carers and children subject to Special Guardianship Orders. A lack of clear information and support is leaving some people to make uninformed decisions about the long-term implications of becoming a special guardian, despite willingly providing a secure life for some of society's most vulnerable children.

The report was launched alongside a case about an individual council that agreed to repay more than 170 special guardians the financial support they should have received, following the recommendations in our investigation.

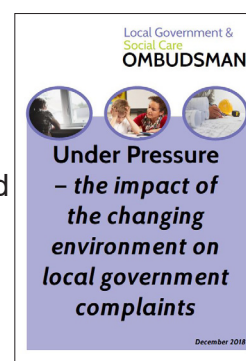


Under Pressure: the impact of the changing environment on local government complaints

We challenged local authorities not to throw out the rule book when redesigning services in the face of budget and resource pressures. In the most extensive research report we have done to date, we shared our insights from nearly 40 case studies in which we identified systemic problems stemming from councils changing the way they provided services. The report demonstrates how the stark reality of local government changes over the last decade

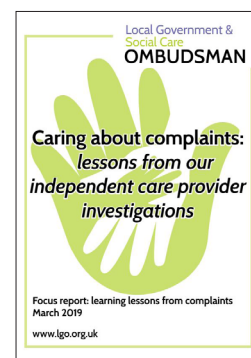
are playing out in the complaints we see. We identified four key areas where ineffective planning for change could lead to service failure for local people:

- > Accommodating longer backlogs
- > Reviewing eligibility criteria
- > Using new partnerships and delivery arrangements
- > Restructuring and redesigning services



Caring about complaints: lessons from our independent care provider investigations

Our first focus report aimed specifically at the independent care provider sector, shares the lessons from our complaints to help providers improve services. Since gaining powers to investigate adult social care providers almost 10 years ago, the number of complaints we've received has increased year on year. The report credits this partially to the proactive behaviour of an increased number of providers referring people to us in their complaints processes – and encourages more to emulate this. It also informs providers unaware of the Ombudsman about the difference between our role and that of the regulator, the Care Quality Commission.



Strategic Objective 3:

we use what we learn from complaints to help improve local services

Guidance for Practitioners

This year we developed our new programme of shorter documents to share lessons from our cases, directly with practitioners, on issues that don't warrant an expansive Focus Report. We published:

- > **Guidance on Recording Planning Decisions** – this shared our insights from planning complaints where councils have failed to explain properly the reasons for decisions or overlooked material planning considerations
- > **Guidance on Summer Born Admissions** – this clarified our position on the correct decision-making process admission authorities must follow, when dealing with applications from parents to admit their summer born child to school out of their normal age group
- > **Principles of Good Administrative Practice** – we revised our existing guidance, in consultation with the sector, while taking the opportunity to align them with those used by other UK Ombudsmen – in particular the Parliamentary and Health Service Ombudsman (PHSO)

Recommendations to improve services

In addition to sharing the lessons from our work as widely as possible, we also try to address service improvement directly through our recommendations.

While each investigation is decided on its own merits, we always look for opportunities to recommend actions for the organisation concerned that will improve its services for the many, as well as the person that complained.

We call these *service improvement recommendations*, and they may include things such as reviewing policy or practice, staff training or actions to improve awareness among staff.

We made 1,241 service improvement recommendations in 2018-19. While this is a significant increase on the previous year (730), this is attributed to better recording of the volume and types of recommendations we make, resulting from our work to publish remedies data next year (see next section for more details).



Strategic Objective 3: we use what we learn from complaints to help improve local services

Scrutinising complaints data

We published the latest of our annual reviews of both areas of our jurisdiction. The Annual Review of Adult Social Care Complaints 2017-18 acknowledged our growing concern about how some authorities are balancing the need to manage finances with how they assess and charge for care. It highlighted a shift in our findings from one-off mistakes to problems with whole systems and policies, or procedures being incorrectly applied. The report released all our data on adult social care complaints for the previous year.

Our Annual Review of Local Government Complaints coincides with us writing to local authority chief executives with a summary of the complaint statistics about their authority, and feeding back on any good or poor performance in responding to our investigations. All letters and complaints data are published on our website. Last year's review (for the year 2017-18) highlighted the power of a single complaint to improve things for many people. It revealed we made 21% more recommendations to improve services for the wider public.

This year we undertook considerable work to prepare for the launch of a new interactive map on our website in 2019-20. This will display increased information for each council about complaint statistics and crucially the nature of, and compliance with, our recommendations. This work involved trialling our remedies data with a group of pilot councils and developing the way we record this information internally.

Complaint handling training

We have a well-established and successful training programme for local authorities and independent care providers to help improve local complaint handling. In 2018-19 we delivered 71 courses; 65 courses to local

authorities and 6 to care providers. We trained more than 1,000 people throughout the year.

As well as our in-house courses, we continued to expand our offer of 'open courses' delivering three open courses for local authorities and two for care providers. These improve access to our courses by allowing smaller numbers of delegates to attend from different organisations. We will continue to offer open courses to care providers and local authorities in the future.

We received universally positive feedback from our in-house and open courses with over 85% of delegates saying the course improved their practice and directly contributed to their work. Our programme is currently growing in popularity, shown by the fact we already had nearly 50 courses booked for 2019-20 at the end of this year.

We have also developed our complaint handler network by establishing an online hub on the public sector online peer network, Knowledge Hub. This allows complaint handlers to post questions, share best practice and work collaboratively. We can also host webinars, Q&As and share our learning from complaints direct with complaint handlers.

How bodies in jurisdiction learn from our investigations

We carry out a survey of council and care providers each year, to help evaluate the extent to which they use our reports and resources to drive service improvement.

Overleaf are the significant findings from the responses we received this year.

Strategic Objective 3:

we use what we learn from complaints to help improve local services

Councils

“The [Ombudsman’s new] principles of good administrative practice are being included in our new staff guidance document”



99%

think our investigations had some impact on helping to improve local public services



34%

think our visibility has increased



8.4/10

(average score) for our investigations being impartial, fair and rigorous



8.3/10

(average score) for our investigations being clear, consistent and proportionate



51%

review practices in light of the lessons from our focus reports and reviews of complaints

Strategic Objective 3:
we use what we learn from complaints to help improve local services

Care Providers

“We now have the single statement for care providers [that LGSCO produced] displayed on our website.”



93%

think our investigations had some impact on helping to improve adult social care



44%

think our visibility has increased



8.9/10

(average score) for our investigations being impartial, fair and rigorous



8.7/10

(average score) for our investigations being clear, consistent and proportionate



78%

referred people to us in their complaints processes – showing there is more work to be done

Strategic Objective 4:

we are accountable to the public and use our resources efficiently

How we measure our performance

We look at:

- > Our financial performance and control frameworks
- > Our value for money
- > Continuity of our IT services
- > How we remain transparent and open to public accountability
- > Our impact on the environment

Financial performance

We maintained sound governance and ensured efficient and effective delivery of our core business throughout 2018-19. Full details of performance against these measures are contained within the Accountability Report and Financial Statements later in this document. Our Executive Team monitors financial performance against individual budgets on a monthly basis and reports variances to the Commission. Our net expenditure for 2018-19 was £13.276m (see page 64) which was an increase of £0.542m compared to 2017-18.

We have been working with our sponsor department, the Ministry of Housing, Communities and Local Government (MHCLG), in a manner consistent with the approach set out in the Framework Agreement, which was last updated in December 2017. The Chair, Chief Executive and Head of Finance continue to meet MHCLG officials on a regular basis.

Like all public bodies, we were allocated funding for the current 2016-20 spending review period. Within this period, our funding has been subject to a proposed 30% cut to reflect anticipated savings from the creation of a single public service ombudsman. The delay in introducing legislation, however, has meant

these savings are not possible in this spending review period. Following discussions with the sponsor department, where we assessed all potential savings and funding alternatives, the department confirmed a 'status quo' budget for 2018-19 and has also agreed the same basis for 2019-20. This is on the basis we will continue to operate as a standalone body.

In addition to the budget agreed for 2019-20, we have submitted a business case to MHCLG to request extra ongoing funding for additional investigative staff (see page 31).

Value for money

We continued to offer value for money by constantly looking for efficiency savings. We operate with the lowest cost per complaint when benchmarked against comparable organisations (£911). In 2019, during a Select Committee hearing, the Minister for Local Government highlighted that we are "*probably the most efficient ombudsman in the United Kingdom.*"

Continuity of IT systems

This year, our IT systems were sufficiently secure, and not breached by any cyber-attacks. We did not see any personal data compromised through IT failures. An Internal audit report gave us assurance against nationally recognised cyber security standards, with the second highest rating (moderate). We implemented new systems to further protect our network from viruses and 'phishing' attacks.

Systems downtime over the year was minimal and within our strict levels of tolerance. We continued to improve the reliability and performance of our systems with the addition of new servers and storage. Our use of digital innovation was further developed as part of our corporate strategy.

Strategic Objective 4: we are accountable to the public and use our resources efficiently

Ensuring accountability

Our board – the Commission for Local Administration in England – sets our budgets and business plans, and its work is scrutinised by the Audit and Risk Assurance Committee, and the Remuneration and Appointments Committee (see pages 46-50 for more detail on the work of these committees).

We publish the minutes and non-confidential papers for these meetings on our website for independent scrutiny. We also publish our staff procedural manuals and guidance so the public can understand the processes we follow in coming to a decision.

Our publication scheme explains the information we publish, and we carry out an annual exercise to assess it against Information Commissioner's Office (ICO) requirements, which is reported to our Executive Team.

The act of laying our Annual Report and Accounts in Parliament is a key way of remaining publicly accountable. This year's accounts have been audited by the National Audit Office without qualification.

Environment and Sustainability

We aim to reduce the impact of our business on the environment in a sustainable way.

This includes trying to reduce travel through improved video conferencing facilities and telephony for remote working.

The buildings we occupy are part of the Government estate and we share floorspace with other organisations. Therefore we are unable to report statistics on how our business individually has an impact on the environment. We take an active part in all building-wide sustainability initiatives at all three sites.

Equality, diversity, inclusion and staff matters

We are committed to eliminating any barriers preventing or deterring people from accessing our service. We tell complainants they can request adjustments to the way we work at any point in our process.

In our own employment, we fully support the principles of equality, diversity and the respect of human rights. All staff, regardless of age, disability, gender, race, religion or belief, sexual orientation, or any other irrelevant distinction, receive equal pay for the same or broadly similar work, for work rated as equivalent and work of equal value. We use National Joint Council pay scales.

We have a workstream within our Business Plan which looks at the well-being of our staff. This year we surveyed staff on their views on good well-being, which is informing future work, and we carried out a number initiatives including offering mindfulness sessions.

Our well-being work sits under the wider project to develop a culture of learning. This year we started a three-year business plan project to move towards becoming a learning organisation, which focuses on a range of areas including recruitment and inductions; reward and recognition; and personal development (see p34 for more details).

We work with the staff trade union and have an elected staff committee which considers and makes recommendations on matters affecting staff. This ensures regular communication between the management team and staff representatives.

Strategic Objective 4:

we are accountable to the public and use our resources efficiently

The status of the LGSCO in the year ahead: explanation of the adoption of the going concern basis

In December 2015, the Government published 'A public service ombudsman: government response to consultation'. This document emphasises Government's intention to create a single public services ombudsman, integrating the existing jurisdictions of the Local Government and Social Care Ombudsman (LGSCO) and the Parliamentary and Health Service Ombudsman (PHSO). On 5 December 2016, a Draft Public Services Ombudsman Bill was published setting out proposed details for such a body.

It is the view of the Commission's Accounting Officer that these proposals do not change the going concern status of LGSCO in 2019-20. Informing a judgement about the overall status of the organisation, the Accounting Officer has continued to keep these matters under review and has considered the steps that would be required to implement these proposals,

along with the inevitable uncertainties that exist around the timetable and outcome of the proposed changes. It does not appear likely that the Bill will be considered by Parliament during 2019. Even then the operational integration of the LGSCO and PHSO schemes would take at least a further 18 months during which time the LGSCO would need to continue to function as a standalone body operating in its own jurisdiction.

Given this context, the Commission and its Accounting Officer are satisfied these proposals do not give rise to a material uncertainty around the Going Concern status of LGSCO at this stage. The Commission's accounts have therefore been prepared on a going concern basis.

Nigel Ellis
Chief Executive Officer

8 July 2019

Accountability report: Directors' report

Leadership and direction

The Commission for Local Administration in England meets regularly, in the form of a Board, to oversee the work of the LGSCO, to provide advice and constructive challenge. The Board sets the strategic direction for the organisation by agreeing the Strategic Objectives, three-year Corporate Strategy, Annual Business Plan and Annual Budget. It also scrutinises, and advises on, the performance of the LGSCO. The chair of the Board is Michael King, the Local Government and Social Care Ombudsman. The Parliamentary and Health Service Ombudsman, Rob Behrens, attends meetings as an ex officio member of the Commission. The Board also has three independent advisory members: Carol Brady MBE, Deep Sagar and Prof. Stephen Perkins. The Secretary to the Commission is Nigel Ellis, LGSCO's Chief Executive and Accounting Officer, who has prepared this report on behalf of the Commission. Further information about governance can be found in the Governance Statement later in this report.

The Executive Team is responsible for managing and leading the work of the LGSCO. Its primary purpose is to ensure that LGSCO fulfils its statutory functions and its core strategic purpose: 'To remedy injustice and help improve local services'. Its membership reflects that purpose by bringing together the most senior managers responsible for the casework and its impact. It is chaired by the Chief Executive, includes the Ombudsman, the Director of Intake and Assessment, the Director of Investigation and the Head of Policy and Communications. Meetings are monthly and the Executive Team makes key decisions about staffing, operational policy, risk, business planning, finance, accommodation, technology, data, and other issues about delivery against our aims.

The Executive Team delegates some of these operational decisions to other committees, where it is appropriate to so. So, for example, separate committees meet regularly to focus on: casework policy; performance and quality; delivering efficient corporate support; disseminating learning from investigations; how we use information and IT and looking after the health, safety and well-being of our staff. This helps to facilitate inclusive and effective decision-making, and good communication, whilst also ensuring members of the Executive Team maintain oversight of important areas of work.

The Leadership Team is a larger group including managers from all parts of LGSCO, which helps to shape the future direction of our work but is not primarily a decision-making body. The Leadership Team's role is to share information and to act as a forum for cross-cutting management discussions, consultation, and the development of ideas. Meeting agendas avoid long lists of transactional business items, and focus instead on sharing information and providing time for in-depth discussion between managers.

Staffing

LGSCO relies on 172 staff to carry out its functions. Every month, the Executive Team reviews any changes in the actual number of staff in post, comparing this to the agreed staffing establishment allowed for in the budget. The variance in the actual number of staff against the “fully staffed level” has been kept to an absolute minimum over the year, through early planning of recruitment programmes. At the end of the year, we were 98.0% staffed, which is similar to the position in other months. We continue to ensure we make the most of available resources whilst at no time over-spending the total staffing budget.

As is usually the case, turnover of staff has been relatively low over the year, at 4.8%. As soon as any vacancies arise, unless there is some reason to review the arrangements, our immediate priority is to commence recruitment so that workforce ‘gaps’ can be avoided.

The percentage of days lost due to sickness remains extremely low at 2.3%. This is well below the average for comparable organisations, which we use as a benchmark. While this position is extremely positive, we are still committed to engaging with staff to ensure the working environment is as positive as it can be, and have embarked on a major programme of work looking at practical measures to further improve the well-being of our staff.

Accommodation

LGSCO has three office locations: Coventry; York; and London. Each of these is located in shared accommodation in government owned buildings, which provides cost-effective office space without the need for private leases. As a result of having three sites, and a proportion of staff working from home, LGSCO relies on technology and modern, flexible, working arrangements to conduct its business, communicate effectively and deliver its services direct to the public.

Sponsor arrangements

LGSCO’s sponsor department within government is the Ministry for Housing, Communities and Local Government (MHCLG). The details of the sponsorship relationship are set out in a Framework Document. The latest version of this document was agreed in December 2017 and this informs the nature of the arms-length relationship, which emphasises the independence of the LGSCO scheme, whilst also ensuring that governance arrangements are appropriate.

The Framework Document recognises the personal authority of the Ombudsman in relation to complaints and investigations and, importantly, does not impose any restrictions on the independent exercise of the Ombudsman’s statutory functions. The Chair and Accounting Officer, staff and members of the Commission have all continued to act in accordance with the terms of the agreement throughout the year, and ensured that practical working arrangements with MHCLG have remained clear.

Over the course of the year LGSCO has attended regular meetings with MHCLG, including quarterly Accounting Officer meetings, participated in meetings between different ‘arms-length bodies’, which are hosted by MHCLG officials, and exchanged regular correspondence. In addition to business-as-usual activities, the main focus during the year has been on a business case submitted by LGSCO in August 2018 for additional core funding. MHCLG indicates that a final decision on funding should be given shortly.

Budget

Following significant budget reductions in recent years, LGSCO operates an extremely lean business model. Management and corporate support costs are stripped back and resources are focussed on operational staff, delivering core statutory functions. The vast majority of expenditure is incurred on staffing and accommodation. The remaining spend, only a small part of which could be considered discretionary, amounts to less than 10% of the budget. As a result, we have limited resilience to respond to unexpected pressures arising from changes in demand for our service, fluctuations in our capacity to meet that demand, or disruptions in core systems such as network availability.

We have recognised that, even with the fundamental redesign of our service delivery, the significantly reduced budget now available is simply insufficient to deliver our statutory functions. With this in mind, we submitted a detailed business case to MHCLG during the year, asking for a modest increase of core funding of just below £700,000, in order to avoid backlogs building up. Indications are that a formal decision should be received shortly. An indicative standstill budget of £11,325,000 has been agreed by MHCLG for 2019-20 (2018-19: £11,085,000).

Pension arrangements

LGSCO staff are eligible for a defined benefit pension provided by the Local Government Pension Scheme. Most staff have chosen to be members of this scheme, which is operated on behalf of LGSCO by the Local Pensions Partnership (LPP).

The funding position of the scheme at any point in time can be estimated but the results (as to

whether the scheme is assessed to be in deficit or surplus) can be extremely volatile as the estimate can be done on different bases, and is very sensitive to changes in assumptions, for example on life expectancy, asset returns, and future levels of inflation.

The Directors estimate that at 31 March 2019 the scheme has a surplus of approximately £14.2 million when measured on the basis used for the purposes of calculating future contribution rates (at 31 March 2018 there was an estimated surplus of approximately £14.0 million on this basis).

The Commission remains committed to managing and funding the pension liabilities through working with MHCLG, who are the ultimate guarantor of the LGSCO scheme. The scheme continues to admit new members.

In the Financial Statements, the pension deficit is calculated on a different basis using a range of assumptions chosen by management, with advice from the actuary, in accordance with International Accounting Standards (IAS 19). These assumptions are more conservative than those used for the purposes of calculating future contribution rates, and they result in a significant increase in the estimated liabilities of the scheme. Under this basis, the scheme has a deficit of £22.8 million at 31 March 2019 (2018: £25.2 million). This deficit is shown in the Statement of Financial Position on page 65 and more details are available in Note 13 to the Accounts on page 78.

Employer payments to fund the ongoing scheme and reduce any deficit are determined every three years by the scheme actuary and are calculated on the basis used for the purposes of calculating future contribution rates that will target a funding level of 100% in the medium term. The scheme actuary last completed a triennial valuation as at 31 March

2016 and issued a schedule of payments covering the three years from 2017-18. The actuary determined that the contributions only needed to cover the normal ongoing liability and did not need to include any element of deficit repayment, as had been the case in the previous three-year schedule. For 2017-18 to 2019-20 the rate of Employer contributions is 13.76% of pensionable salaries. A new triennial valuation will be undertaken at 31 March 2019 and this will determine Employer contributions from 1 April 2020 onwards.

The scheme is a multi-employer scheme with employers from the education, charity, local government and private sectors. As many unrelated employers participate in the scheme, there is an orphan liability risk where employers leave the scheme but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

In the unlikely event that the Commission withdrew from the scheme, or the scheme was wound up, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary. The Executive Directors estimate that the Commission's liability (and ultimately MHCLG's liability) would be approximately £68m (2018: £55m) in this event.

Procurement

LGSCO regularly reviews its arrangements for services and contracts, and makes use of the procurement opportunities available through the Crown Commercial Service, where it is appropriate to do so. This year we completed a review to ensure all contracts and services delivered are GDPR compliant and, where data processing is undertaken we issued schedules

to our suppliers asking for further details about how they are processing data. Following our introduction of a central contracts and services register for recording and monitoring last year, we have now introduced an automated system where managers who are responsible for contracts are informed to start a procurement process at the agreed trigger date.

Significant procurement activity for 2018-19 included a replacement payroll and HR information system, and replacing all multifunction printers. Both were through Crown Commercial Services framework agreement.

Payment of suppliers

LGSCO has continued its commitment to ensuring prompt payment to its suppliers; demonstrated by adherence to an agreed target to pay 98% of suppliers within 30 days. Performance against this standard is reported at each meeting of the Audit and Risk Assurance Committee. This year LGSCO met its target, making 98% of supplier payments on time (98% in 2017-18).

Losses and special payments (audited by the Comptroller and Auditor General)

During the year no losses or special payments were made (2017-18: £nil).

Legal and litigation

We are always happy to address any complaints or concerns about our staff conduct, or our decisions, as a means of avoiding costly litigation. But in certain circumstances, it is possible for complainants to pursue judicial review if they feel our decisions are in some way procedurally wrong. This process is not an appeal against the Ombudsman's decision as the Court will not exchange its view for ours, but – if people are successful – it has the effect of quashing the

decision and requiring us to re-take it.

During the course of the year, LGSCO was notified of 14 potential judicial reviews through the issuing of a pre-action protocol (a process that the Court expects parties to use before lodging an application for judicial review). Of these, just one went on to issue proceedings. There were a further two judicial review claims lodged with the Administrative Court where the pre-action protocol had not been followed. In all three cases permission was refused for a substantive hearing, as the Ombudsman's decision was considered to be sound. We also dealt with three County Court claims where individuals were seeking compensation for alleged breaches of public sector duties or purported negligence. None were successful. In all cases where we successfully defend such actions, we look to recover our reasonable costs.

LGSCO has continued to receive external legal advice and representation from Bevan Brittan LLP, based on an annual retainer agreement. This arrangement has worked well for investigators and managers alike.

Corporate strategy

This year, LGSCO embarked on a new three-year corporate strategy based on our four strategic objectives, which are:

- > Our service is easy to find and easy to use
- > We remedy injustice through impartial, fair and rigorous investigations
- > We use what we learn from complaints to help improve local services
- > We are accountable to the public and use our resources efficiently

The new strategy was published at the beginning of the year. It set out how we would build on the excellent work already undertaken, and further innovate and modernise our service, without losing sight of the core casework responsibilities or compromising our defining principles of independence, impartiality and fairness.

Transparency was at the heart of the strategy, with commitments to publish more information and create even greater openness about the way we work, our processes, and the decisions and recommendations we make.

In particular, the new strategy emphasised the importance of moving the national conversation about our work away from a simplistic focus on complaint volumes. Instead it turns the spotlight on the value we can add for the wider public, through recommendations to improve services and by sharing learning from our investigations.

The strategy also focused on investment in our staff and our supporting technology to create a modern, accessible service with a learning culture that helps our staff do a tough job with confidence and pride, working in collaboration with other bodies.

Business plan

Our 2018-19 business plan was firmly rooted in the commitments we have made in the corporate strategy, to ensure we stay on track with our longer-term ambitions. As usual, work activities were initially considered at an off-site meeting involving all managers and members of the Commission so that we have a clear overview of the scope of the work before detailed preparation starts, and we can be confident that this is in line with the corporate strategy. Following this, each initiative is allocated to a senior responsible officer and a delivery lead who work together, often with the support of a small team of other staff, to set out the business objectives and benefits, significant delivery milestones, and, crucially, the success criteria and performance measures.

Business Plan projects involve staff who are already heavily engaged in our core work, but who nevertheless show the necessary determination and dedication to deliver their initiatives. The plan for 2018-19 included 23 distinct programmes of work, which covered a combination of core service provision and developmental initiatives to improve the effectiveness of our work, particularly in light of the reductions in our overall budget.

As with previous years, the Executive Team was responsible for monitoring progress against the work programmes and reviewed this on a monthly basis, providing additional support or reallocating resources where necessary. Detailed narrative updates were reported to the Commission every quarter, along with a red/amber/green rating to indicate overall progress.

By the end of the year, nearly all the business plan initiatives were formally signed off as being fully completed, helping to move us forward against our longer-term goals.

For example, we delivered a business-wide upgrade to our computer systems and introduced changes to make our email system more resilient and secure.

Throughout 2018-19 we worked hard to improve the quality of our data and completed an extensive pilot exercise with a number of councils, to prepare for the publication of improved information about our recommendations on our website.

In addition to our efforts to maximise the impact of our casework, we successfully extended the sharing and promotion of our learning in some targeted areas working with scrutiny organisations, councils, prisoners and prison charities, including drawing up a new working agreement with the Prisons and Probation Ombudsman.

We undertook a triennial review of our enabling legislation, consulting with key stakeholders and drafting and reviewing our policies with MHCLG.

Becoming a learning organisation

One of the most important commitments in this year's business plan was to start a three-year project to become a "learning organisation": a place where people work collectively to enhance their capacity to create results they really care about. We set out to improve our service by identifying and sharing learning arising from our experiences, so we can work smarter, innovate and become more efficient. Staff from different parts of LGSCO volunteered to take part in a number of initiatives:

Recruitment and induction

Our focus was on making sure we recruit in the most thoughtful way; that people know what's expected of them, and what we can offer, before they even get to the interview. Also, preparing our new starters in the best possible way; providing practical hands-on support, as well as making the most of their skills and ideas from the moment they join us. We are also developing a statement which sums up the full range of benefits (e.g. flexitime, training and development) involved in working for the LGSCO to be shared with all staff and help with recruitment.

Reward and recognition

We want to ensure that individual contributions are appropriately recognised and rewarded, and that people feel valued as well as being committed to the values of LGSCO. With this in mind, we did more to publicise positive contributions and celebrate when things went well, as well as recognising and thanking individuals for what they have done, in a timely way.

Professional and personal development

Training is crucial for every role in LGSCO but in the past, we have tended to concentrate on knowledge and information rather than skills. So, we began to work with staff to identify a set of core competencies needed to perform key jobs. This can be used to develop practical skills-based training to help to ensure individuals are confident in their roles, as well as developing skills which could be transferable to other settings, to help people progress.

How we manage

Good management can make all the difference to our experience of work. Our staff survey highlighted how important it is for managers to treat people as individuals but at the same time, show consistency and fairness in the way they tackle the difficult issues. Our managers are focusing on how to achieve this but rather than relying on external consultants, they are working together in a reflective way, to build on their strengths and to think and learn together as a group about how their behaviours can have a positive impact across the organisation.

Knowledge Management

It is particularly important in our organisation that staff have ready access to information which is accurate, up-to-date and relevant to the kinds of complex situations they need to deal with on a daily basis. We are further developing our intranet guidance, to make sure it links together in a helpful way: induction materials, casework guidance, our published reports, and our legal advice have all been linked where it helps users to get the answers they need easily and quickly. We are also looking at different ways of sharing information online or using video, where that might help.

Well-being at work

We spend a large proportion of our lives at work; it should be as meaningful as possible, so every member of staff can genuinely flourish and achieve their full potential. This benefits individuals and the LGSCO. We believe well-being is not just about the environment. It comes from doing a job well, and knowing we have the necessary skills, support and encouragement from those around us. It is not passive; everyone is responsible for their own well-being, for working constructively with others, and for making improvements where

necessary. We have begun to encourage staff to express their own views and needs about well-being and are responding positively wherever we can: whether it's about taking time for mindfulness sessions, helping to manage stress or providing sit/stand desks to help avoid problems associated with sedentary working.

Joint working with other public bodies

We work hard to collaborate with other bodies wherever this will lead to improvement. This might be by encouraging innovation, learning from the experiences of similar bodies, improving our professional practices or avoiding the unnecessary duplication of time, effort and resources. Similarly, it might mean direct co-operation with other ombudsman schemes or regulatory bodies working in similar areas, to simplify or otherwise improve access to public services, improve efficiency between different complaints systems or foster collaboration when designing new programmes of work.

Health and Social Care Regulators

LGSCO has continued to participate in a forum of regulatory and Ombudsman organisations involved in health and social care. During the year we participated in the launch of the Emerging Concerns Protocol. We know that sharing concerns at the right time can make it easier to make links between pieces of information that tell members of the forum that a problem is emerging. The protocol strengthens the mechanisms that allow this information to be shared and allows LGSCO and others to fulfil our collective role better of protecting members of the public when serious concerns arise.

The Care Quality Commission

LGSCO continues to operate an information sharing agreement and memorandum of understanding with the health and social care regulator, the Care Quality Commission (CQC). This helps both bodies to have a properly informed view of social care organisations and take a joined-up approach to improving care services. For example, we share our final decision statements with CQC wherever a potential breach of the nationally agreed minimum standards of care is identified as part of our investigation. This has enabled CQC inspectors to record a range of actions taken including contacting the provider to follow up agreed actions, raising the issue at the next inspection or undertaking targeted inspections.

There are also links between the two organisations' websites to help people find the information they require quickly. This is supported by the sharing of events, new initiatives and technical reports in each organisation's newsletter.

Our Intake Team have maintained their links with CQC's Customer Service Centre to improve signposting, and to efficiently transfer members of the public by phone from LGSCO to CQC if they wish to register a complaint and vice versa. This year we helped more than 4,000 people reach the right service. In addition, we are now able to track complaints from transfer to investigation decision.

Ofsted

Our relationship with Ofsted continues to be positive and constructive. We are in the process of updating our information sharing protocol to ensure it is GDPR compliant and also reflect our increasing concerns about Special Education Needs complaints. The protocol will be amended, to enable us to share information about actions councils have taken to comply with recommendations if we remain concerned that systemic issues have not been fully resolved. This will potentially help inform future Ofsted inspections in deciding which areas to prioritise and what the focus of an inspection needs to be.

The Housing Ombudsman

The Housing Ombudsman Service (HOS) is responsible for complaints about certain housing matters, including complaints about local authorities acting as a landlord of social housing. We continue to work closely with the HOS under a memorandum of understanding. This sets out a common approach to jurisdictional boundaries between our schemes, early handling and signposting of complaints and other forms of joint working. This year we collaborated with HOS to update the memorandum of understanding to reflect changes introduced by GDPR. We have also introduced a new process for sharing personal data with HOS. This year we re-directed more than 2,000 people to HOS because their enquiry was more relevant to that service. We continue to look for opportunities to work together to ensure housing complaints are made to the correct Ombudsman scheme and to identify cases for joint investigation.

The Parliamentary and Health Service Ombudsman

LGSCO has continued to support the formation of a single Public Service Ombudsman, which would bring together the work currently undertaken by LGSCO and the Parliamentary and Health Service Ombudsman (PHSO) into a new body with a modern legislative structure. Since the Government introduced a Draft Bill in December 2016 to create such a body, we have worked in close liaison with the PHSO to explore ways in which we can prepare for the changes. Although, since then, parliamentary time has not been found to take the Draft Bill forward, and this now may not happen for some time, we continue to work closely with PHSO, where practical, and where it provides a better service to members of the public and bodies within our jurisdiction.

Both organisations share their draft business plans as they are being developed to ensure we can discuss potential new developments at the earliest stage. So, for example, we have committed to, and are working towards, collecting information about our performance using the same measures, and publishing this jointly so that it becomes easier for the public to understand.

But perhaps the biggest single challenge faced by people who rely on our two organisations is when a single complaint spans the divide between health and social care, and the apparent failings are not limited to one body but involve two or more different bodies who should be working together to support service users. Rather than replicating these potential divisions – by treating the two parts of such a complaint separately – LGSCO and PHSO have created a single team of professional staff and allocate such a case to a single investigator who can look at both sets of issues in one joint investigation. This specialist team is managed

by LGSCO and has the delegated authority of both Ombudsmen to look at matters whether they relate to the NHS, local government or privately funded social care. It is proving to be challenging and often complex work but this relatively new endeavour is helping some of our most vulnerable citizens navigate through problems which have had a significant impact on their lives.

The Ombudsman Association

We continue to be an active member of the Ombudsman Association. For example, we helped to develop a service standards framework for Ombudsmen schemes to improve their performance and demonstrate the quality of the service they provide (see page 51 for more details). As part of the re-validation process, we were asked to conduct a detailed review of our guiding principles (independence, fairness, effectiveness, openness and transparency, accountability, governance, and principles of good complaint handling) to demonstrate adherence to the Ombudsman Association criteria. When we received formal re-validation, the Validation Committee commented on the high quality of the application and that it was supported by comprehensive, publicly available information. The Association also particularly highlighted the reduction in LGSCO's funding in recent years, stating: *"Whilst LGSCO are to be commended for how they have adapted to this hugely significant cut in resources, the Executive did note their concern of the challenges this presents to LGSCO to provide an effective service"*.

One of the ways in which we share good practice and keep up-to-date with developments elsewhere in the Ombudsman network is through regular participation in special interest groups supported by the Ombudsman Association. During the year we participated,

for example, in groups focused on: developing effective 'first contact' services for members of the public; improving standards in relation to casework; sharing approaches to supporting and developing staff; sharing understanding of legal issues affecting Ombudsman schemes; collaborating on policy issues and sharing ideas and good practice on communications. This has helped to inform our approach in many areas of common interest and resulted in specific initiatives such as a publicly available database on legal issues and a competency framework for casework staff.

Peer review

Following discussions at the Ombudsman Association, we undertook a peer review of the Public Services Ombudsman for Wales (PSOW). Over three days, we spoke with a range of staff from PSOW, and considered process and policy documents and working practices. The review was deliberately high level with broad scope, with the aim of identifying areas to improve efficiency and service levels.

After reviewing the information gathered, we produced a report setting out findings and recommendations. Officers from PSOW then visited LGSCO to explore in more detail the main differences in the way our respective organisations work, with the intention to develop specific actions for improvement and positive change. This was achieved but it was also notable how closely aligned we were in the way we work and the services we provide. The peer review was a two-way process to learn from one another. Remaining open-minded and inquisitive and asking questions about the way we do things enabled both parties to identify opportunities to improve. For example, we have revised some of our standard letter templates and are developing guidance on how we integrate human rights into our casework. PSOW said about the review:

“Whilst the greatest value from the peer review will arise from the focussed changes and improvements taken forward by PSOW, the review by a knowledgeable and experienced critical friend has already proved to be positive in prompting challenge and helping to identify areas for improvement”. We have asked PSOW to conduct a reciprocal peer review of our activities and will report the results in next year’s annual report.

Statement of Commission's and Accounting Officer's Responsibilities

The Permanent Secretary for Housing, Communities and Local Government has appointed the Chief Executive as Accounting Officer of the Commission. The Accounting Officer has responsibility for:

- > the day-to-day operations and management of the organisation;
- > propriety and regularity in the handling of public funds;
- > keeping proper records;
- > safeguarding the organisation's assets;
- > confirming all steps that ought to have been taken, have been taken to make himself aware of any relevant audit information;
- > establishing the auditors have been made aware of relevant audit information;
- > the Annual Report and Accounts, including confirming these are fair, balanced and understandable;
- > the organisation's use of resources in carrying out its functions as set out in Managing Public Money, published by the HM Treasury.

Under the Accounts Direction (the most recent version of which appears in Annex A), the Secretary of State for Housing, Communities and Local Government, with the consent of the HM Treasury, has directed the Commission for Local Administration in England to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The Accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Commission and of its net resource outturn, application of resources, changes in Taxpayers' Equity and cash flows for the financial year.

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and, in particular, to:

- > observe the Accounts Direction issued by the Secretary of State for Housing, Communities and Local Government, including the relevant accounting and disclosure requirements;
- > apply suitable accounting policies on a consistent basis;
- > make judgements and estimates on a reasonable basis;
- > state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements; and
- > prepare the financial statements on a going concern basis.

Governance statement

The Commission: membership and responsibilities

The Commission for Local Administration in England

The Commission for Local Administration in England is the independent statutory body created under the powers in the Local Government Act 1974 to operate the Local Government and Social Care Ombudsman scheme.

The Commission is responsible for:

- > ensuring high standards of corporate governance are in place;
- > ensuring that effective and efficient arrangements are in place for the delivery of the LGSCO service;
- > setting and monitoring the strategic objectives of LGSCO, the three-year corporate strategic plan, and the annual business plan;
- > approving and monitoring annual accounts and financial estimates;
- > ensuring all statutory and administrative requirements for the use of public funds are complied with, as advised by the Accounting Officer;
- > overseeing the management of risk and internal control mechanisms, advised by the Audit and Risk Assurance Committee;
- > agreeing the remuneration and benefits framework within which LGSCO operates, advised by the Remuneration Committee.

During 2018-19, the Commission was chaired by Michael King, the Local Government and Social Care Ombudsman. Rob Behrens CBE was also an ex officio Commission member as part of his role as the Parliamentary and Health Service Ombudsman. As well as

these two Commission members, there were three independent advisory members of the Commission: Carol Brady MBE, who also led on health, safety and well-being of staff; Deep Sagar, who also chaired the Audit and Risk Assurance Committee; and Prof. Stephen Perkins, who also chaired the Remuneration and Appointments Committee. The Chief Executive and Accounting Officer attended all Commission meetings in an advisory capacity, together with other senior staff as required.

The Ombudsman

The Ombudsman is a Crown appointment who serves for a fixed term of seven years; as already stated, this post was held by Michael King throughout the year. The organisation exists to investigate complaints against councils, social care providers and others, to provide advice and guidance on good administrative practice and, under the Local Government Act 1974, the personal authority to investigate these complaints is vested in the Ombudsman. However, on a day-to-day basis, decisions on casework are made on behalf of the Ombudsman by staff throughout the organisation, in line with a detailed scheme of delegation. This is an important document as it sets out which decisions can be made by which members of staff, thus enabling the organisation to operate efficiently and in line with its statutory duties.

Therefore, all casework matters such as conducting investigations, exercising statutory discretion, determining the outcome of complaints, recommending remedies, and publishing casework outcomes are determined by staff through a scheme of delegation or by the Ombudsman himself. The exercise of these quasi-judicial functions is independent

of the Commission, government, and local government, and can only be challenged by way of judicial review.

So, the accountability of the Ombudsman as Chair of the Commission is to the Secretary of State for Housing, Communities and Local Government but accountability in relation to casework matters is direct to Parliament.

The governance of the Commission and the Local Government Act 1974

The Commission's powers and duties are set out in the Local Government Act 1974 and have been summarised in a practical guidance note, which was discussed by the Commission during the course of the year, to ensure that there was a clear and common understanding of the statutory powers and responsibilities, and how these are reflected in the work of the Commission. A Framework Document sets out the arrangements for the governance of the Commission and the respective responsibilities and accountability of the Commission, its Chair, the Accounting Officer, the Secretary of State for Housing, Communities and Local Government and officials in the Ministry for Housing, Communities and Local Government (MHCLG).

Back in 2013, the governance arrangements were the subject of an independent review carried out by Robert Gordon on behalf of the then Secretary of State for Communities and Local Government. Robert Gordon was complimentary about the arrangements in place and noted the governance arrangements are effective in managing the LGSCO. However, he also noted that the Local Government Act 1974 required reviewing and bringing up-to-date at the earliest opportunity. This would, for example provide a proper statutory basis to operate with one Ombudsman (there were previously three) and would also be an opportunity to create

a single unified Public Service Ombudsman service. In December 2016, the government published a Draft Bill, to achieve this. However, the Draft Bill has not proceeded since that point and is unlikely to be considered during the forthcoming parliamentary session. In the meantime, LGSCO continues to look for opportunities to incorporate the governance changes proposed in Robert Gordon's review and raised these issues formally with Government during the year through a triennial review of LGSCO's legislative framework. LGSCO has also highlighted the need for legislative change to the Select Committee for Housing, Communities and Local Government, most recently in March 2019.

The work of the Commission

Commission and committee attendances in 2018-19 are shown below.

Present	Commission meetings (5 in total)	Audit and Risk Assurance Committee meetings (4 in total)	Remuneration Committee meetings (3 in total)
Michael King (Chair and Commission member)	5	4	3
Rob Behrens CBE (Commission member and Parliamentary and Health Services Ombudsman)	3	N/A	N/A
Carol Brady MBE (Independent Advisory Member)	5	4	2*
Prof. Stephen Perkins (Independent Advisory Member and Chair of the Remuneration and Appointments Committee)	5	4	3
Deep Sagar (Independent Advisory Member and Chair of the Audit and Risk Assurance Committee)	5	4	3

** Carol Brady MBE was asked to be a member of the Remuneration and Appointments Committee at the committee's meeting on the 31st May 2018. The first attended meeting was held on the 7th December 2018.*

At each of its meetings, the Commission had oversight of the progress made against the annual business plan, achievement against key performance indicators, progress in relation to published quality and service standards, expenditure against the agreed budget and a range of highlight reports on key issues. Reports use a combination of narrative commentary on issues which need highlighting and graphs, showing changes over the course of time. The Commission also oversees strategic risk, advised by the Executive Team and the Audit and Risk Assurance Committee.

Before formal business meetings, the Commission undertakes a focused discussion workshop session, looking at issues pertinent to its work or of particular interest. Over the year, these workshop sessions have included:

- > **Casework Impact:** the Commission considered the role and work of the LGSCO Casework Impact Group including the criteria and process for developing focus reports.
- > **The role and aims of the Commission:** a ‘plain English’ overview of the powers and duties of the Commission arising from our legal framework. The Commission discussed how it can best work together to help the LGSCO realise its strategic aims.
- > **Frontline services in Local Government, pressures and issues:** the Commission identified the importance of hearing first hand those working in local government. A “Link Officer” from a local authority was invited to share insight with the Commission about the pressures and experiences of working with the LGSCO and the effect of the changing landscape in local government.
- > Commission members also attended a two-day meeting with LGSCO managers in which the members helped to develop the corporate strategy and new business plan.

Commission and committee performance

Members of the Commission, along with the Chair, are responsible for managing their own personal development to ensure they develop and build on their skills and knowledge, in line with their roles. Support is provided to Commission members as requested, based on individual needs.

In July 2018, the Commission held a dedicated session to reflect on its role, to consider its performance in relation to meeting LGSCO’s

strategic aims and how best to judge effectiveness. This resulted in an agreed set of priorities for the next 3-5 years.

Quality standards

LGSCO has seven quality and service standards, which are published on our website:

1. Our service is easy to access, we take full account of what people tell us and treat them with courtesy and respect.
2. We deal with each case promptly, from first contact to final decision.
3. The remedies we recommend are proportionate and appropriate.
4. We exercise our discretion fairly and consistently and are transparent about the process we follow.
5. Our investigations and assessments are impartial and we make clear, evidence-based decisions.
6. Our record keeping is accurate and we ensure that the data we hold is kept secure and confidential.
7. We use the outcomes of complaints to promote wider service improvement and learning.

LGSCO monitors adherence to these standards through regular reporting to management committees. There are several different indicators for each standard – 37 in total – which show whether we are meeting the standard. The status of each is regularly updated to Red (standard not met), Amber (standard just missed) or Green (standard met). These ratings are reported to the Commission at each of its meetings, along with a commentary about any changes and,

crucially, action being taken where necessary. This provides the Commission with oversight of quality ratings and adherence to service standards.

There was a high level of adherence in the majority of areas this year. At the end of the year, one rating was red, 11 were amber and 26 were green. Any actions were taken where necessary in a timely manner.

Principles of public life

The 7 Principles of Public Life, also referred to as the Nolan Principles, remain important for all LGSCO staff. On a day-to-day basis, the principles shape and provide guidance on objectivity and accountability, and encouraging impartial and transparent decision-making.

Register of interests

Members of the Commission and LGSCO's senior executives are required to complete a declaration of interests disclosure form which are published on its website. In 2018-19, there were no conflicts of interest that might compromise LGSCO's independence or reputation.

Details of members' interests are available on the register of interests at www.lgo.org.uk/information-centre/about-us/who-we-are/our-boards/commission

Staff survey

Our most recent staff survey was conducted in the previous year and the results published on our website. This year staff were asked to discuss what everyone could do to act on the feedback. We used the thoughts and ideas from those discussions, along with the themes from the survey to produce a detailed action plan. A sub-group of our Leadership Team is leading the work to track progress against the plan.

Some of the key areas we acted on this year include reviewing the performance measures for investigative staff, how we recognise and reward great work, how we can work together to improve our working environment and sharing more information about the Executive Team roles.

We have also focused on making it easier for staff to find the information they need to do their jobs, by reviewing the functionality of our staff intranet and updating our casework subject guidance. We are due to run our next staff survey at the start of 2020.

Gifts and hospitality

Our policy is to not accept any gifts, hospitality or benefits from third parties which might be seen to compromise the personal judgement or integrity of our members or staff. A register is maintained for any gifts or hospitality that are received and which are not of a trivial nature. In 2018-19, no gifts or hospitality were received or offered that contravened the Commission's policy or were of an exceptional value.

Staff provided details throughout 2018-19 to the Committee and Governance Clerk who updated the register as and when required. The register is published on the LGSCO website at: www.lgo.org.uk/information-centre/about-us/who-we-are/our-structure

Corporate Governance in Central Government Departments: Code of Good Practice 2017

In so far as the Code applies, the Commission has applied the principles of the Code which requires that bodies operate according to the principles of good corporate governance in business, leadership, effectiveness, accountability and sustainability.

The Audit and Risk Assurance Committee: membership and responsibilities

The Commission has the benefit of an Audit and Risk Assurance Committee that advises the Commission and Accounting Officer. Deep Sagar is an independent member of the Commission and the Chair of the Audit and Risk Assurance Committee. Other members of the Committee included Carol Brady MBE and Prof. Stephen Perkins. The Commission Chair also attends meetings in an advisory capacity. The Accounting Officer, Head of Finance and representatives of our internal and external auditors, and a representative from our sponsor department, Ministry of Housing, Communities and Local Government, also attended Committee meetings. The minutes of meetings, together with any recommendations, and the Committee's annual report, are reported to the Commission.

The Audit and Risk Assurance Committee advises the Commission on matters of:

- > probity
- > regularity (including compliance and financial reporting)
- > prudent and economical administration
- > efficiency and effectiveness as identified by internal and external audit
- > performance of the Commission's system of internal control
- > monitoring and scrutinising the work completed during the year by the Government Internal Audit Agency, the Commission's internal auditors.

Over the course of the year, the Committee met four times. In undertaking its duties, the Committee has regard to the HM Treasury Audit and Risk Assurance Handbook and the good practice principles.

In 2018-19 the LGSCO undertook a joint procurement for an internal audit service from 2019-20 with PHSO. This value for money exercise was overseen by the Committee throughout the year. The Committee has been involved in reviewing the strategic risk register and risk management policy including risk appetite. The Committee continued to monitor strategic risks and was satisfied risks were being effectively managed (see page 48 for more details). The Committee reviewed actions taken forward from the National Audit Office (NAO) facilitated Committee Effectiveness Review undertaken in 2017-18 and agreed that best practice would be shared and the development of a light touch appraisal process for Committee members. A 'deep dive' of strategic risk 2 gave the Committee the opportunity to look in depth at our approach to managing the risk related to the quality of casework, professionalism of staff and service users' trust in our service.

The 2018-19 internal audit plan contained four agreed audits, the details of which and associated assurance opinions are set out in the table on page 47.

The Committee monitored audit recommendations at its meetings and received regular reports on fraud and other financial matters such as the percentage of suppliers paid on time and the number of retrospective purchase orders raised. The Accounting Officer, with the Head of Finance, undertook the annual fraud assurance exercise which involved managers from Leadership Team looking at key business risks and reviewing whether they are effectively managing risk, adhering to the Fraud and Bribery Policy including non-financial fraud, bribery and corruption, and are complying with

financial regulations and financial instructions. Managers confirmed there were no significant areas of concern. Their assurance that there had been no incidents of fraud or bribery during 2018-19 was included in the minutes with their assurance that they had no material concerns about the operation of LGSCO controls in relation to fraud, bribery, financial control and risk. In addition, the Committee also received an annual statement of Gifts and Hospitality to provide assurance that policy was being followed.

The Audit and Risk Assurance Committee produced an annual report on its work, which was presented to the Commission. The Committee reported there were no significant issues arising this year. The Committee also reviewed the draft Annual Accounts for 2018-19, including this Governance Statement, and submitted comments on these before their approval by the Commission. The Committee was pleased to note the accounts were completed on time and in accordance with the agreed NAO timetable.

The Committee is satisfied with the comprehensiveness, reliability and integrity of the assurances it has received from GIAA as internal auditor, and with the service provided by the NAO as external auditor. The Committee also notes the GIAA opinion and the assurances GIAA have provided are sufficiently comprehensive to meet the Commission's needs. – To be provided by ARAC

In the Committee's opinion and taking into account all evidence received, the Accounting Officer can be satisfied that the control framework, governance arrangements and risk management processes for which he is responsible are operating effectively and are appropriate to the Commission's needs.

Internal Audit

The Commission's Internal Audit provider for the year was the Government Internal Audit Agency (GIAA). Work this year included an agreed programme of four audits informed by strategic objectives and priorities identified by the Executive Team, and follow-up work arising from recommendations from audits. The Audit and Risk Committee monitored progress against the actions at all Committee meetings. The GIAA provides assurance on a four-point scale: Substantial; Moderate; Limited; Unsatisfactory. To undertake this work, the GIAA and the external auditors, the National Audit Office, had access to the Audit and Risk Assurance Committee and its Chair, the Commission and its staff, as appropriate.

Audit	Assurance level
Financial controls	Substantial
Key Performance indicators	Substantial
Cyber Security	Moderate
General Data Protection Regulation *GDPR)	Moderate

The financial controls audit looked into the effectiveness and adequacy of our framework of governance, risk management and financial controls. It included testing the operation of controls using a sample of transactions and approvals.

The audit on Cyber Security provided an independent and objective assurance on the framework of governance, risk management and control relating to the important issue of cyber security. In undertaking this audit, internal audit reviewed systems and procedures, documentation and tested controls.

The General Data Protection Regulation (GDPR) compliance audit looked at the processes and systems in place to ensure that personal data holdings and related processing activities are compliant with the GDPR.

The final audit of key performance indicators involved reviewing the process in which the LGSCO identified and agreed the key performance indicators and the processes in place to ensure that the KPI information reported is accurate, timely and reported to the right individuals.

All audit recommendations were monitored by the Executive Team. Management responses were discussed and recorded, then fed back to GIAA. Recommendations arising from audit reports and management responses were reported at each meeting so that the Audit and Risk Assurance Committee could monitor progress and implementation. At the end of the year, the majority of recommendations were in progress or have been implemented. Actions that have not yet been completed will be carried forward into 2019-20.

Based on the work undertaken during 2018-19, the Head of Internal Audit provided the Audit and Risk Assurance Committee with the following overall assurance assessment:

*“On the basis of the work completed this year and my knowledge of the governance, internal control and risk management frameworks within the LGSCO, I am able to provide a **moderate** level of assurance.”*

There were no findings that materially compromise the LGSCO's system of internal control and there were no qualifications to this opinion.

Risk Management

We regularly monitor and review a set of strategic risks which can affect our ability to deliver our strategic objectives. This work is led by the Executive Team, and overseen by the Commission along with the Audit and Risk Assurance Committee.

This is achieved by using our strategic risk register and risk assurance map, and being informed by our risk management policy. The key strategic risks and their current rating are shown in the table below:

Risk	Rating
1. We do not deliver a service which is easy to find and use	RED
2. Our investigations are not impartial, fair or rigorous so we fail to remedy injustice	GREEN
3. We fail to use the learning from complaints to help improve local services	GREEN
4. We lose credibility and are no longer trusted to fulfil our purpose	GREEN
5. Our computer systems fail to operate effectively or are unavailable	GREEN
6. We don't have the resources or people needed to do our job	AMBER
7. We fail to stay relevant and do not manage change well	AMBER

The updated strategic risk register was closely monitored by the Commission and the Audit and Risk Assurance Committee (ARAC) throughout the year and shared regularly with MHCLG. In addition, particular areas of risk were selected by ARAC for “deep dive” reviews, as already mentioned in this report (p46).

A more detailed operational risk register, which informs and links to the strategic register, is used by managers. This triggers specific actions to mitigate operational and project risks where necessary. This process was overseen by the Executive Team.

The most significant strategic risk identified this year was the relatively high number of unallocated complaints, covered in Risk 1. We undertook a series of measures to reduce the level but these were only partially successful because of the reduced capacity now available to the organisation. In August, we submitted a business case to MHCLG for additional resources (see page 31 for more details).

The same problems with structural underfunding have been highlighted in relation to strategic risk 6 (we don't have the resources or people needed to do our job), so it was marked as Amber. Risk 7 (we fail to stay relevant and do not manage change well) was also at Amber at the end of the year, due to the ongoing challenges of working effectively with new combined authorities and of managing complaints spanning both health and social care. All other strategic risks were judged to be being managed satisfactorily, with suitable mitigation in place where this was necessary.

The Commission and the Audit and Risk Assurance Committee are satisfied that, during the year, risk was properly managed and effective mitigating action was taken where needed.

Information security

Information security remains a high priority for LGSCO, given the sensitive personal information we hold about people complaining to us and about our staff. The Director of Investigation is the Commission's Senior Information Risk Owner (SIRO) and was responsible for overseeing this business risk during the year, reporting to the Accounting Officer. The SIRO worked closely with the Data Protection Officer, appointed as part of our duties under the General Data Protection Regulation (GDPR), which came into force on 25 May 2018.

The Information Working Group, which involves staff from across the organisation, met four times during the year. The main focus was on compliance with GDPR. This included reviewing the relevant policies and recommending changes to the Information Security Policy and Access to Information Policy. The group developed and kept under review the Information and Personal Data Asset Register, ensuring all assets have an owner and are regularly reviewed. The risk register was reviewed and kept updated. The Group produced a new consent notice and privacy statements, and recommended a process to ensure all current data subjects received a notice, as soon as possible after the implementation of GDPR. Frequently asked questions on GDPR for staff were published on our intranet and updated as issues emerged. All staff received training on GDPR prior to it coming into force.

Our GDPR implementation plan also enabled us to have our policies and processes in place ready for the implementation date. A small number of items were rolled forward into a post-implementation plan and this mainly included further reviews and updates of the GDPR-ready documents in the light of feedback

and reflection. Through the year we received 18 requests under the new GDPR rights – half were requesting erasure of material. However, requests received for access to a subject's personal data and Freedom of Information requests increased by 75%, to more than 350, from a norm of just under 200 each year.

Through our Information Working Group we reviewed data incidents and breaches, identifying learning and implementing individual and organisation-wide changes. An independent audit of our GDPR preparedness provided an assurance that arrangements were largely effective, with just four detailed recommendations, which at the time they were made were either in hand or already completed.

We have ensured that our practices are properly informed by the Government's "Cyber Essentials" framework, developed by the National Cyber Security Centre.

LGSCO is aware of the requirements set out in the Government's Security Policy Framework and operates in line with them, as far as they are relevant to the role and responsibilities of the organisation. There were no significant security risks or Security Policy Framework exceptions during the year.

The Remuneration and Appointments Committee: membership and responsibilities

The Commission's Remuneration and Appointments Committee advises the Commission, its Chair and its Accounting Officer, and makes recommendations on the remuneration of senior staff, and the pay schemes for other staff. In 2018-2019, following the annual review of the Committee's terms of reference and the work of the Learning Organisation business plan initiative, the remit was extended to include providing advice on

senior staff appointments, and scrutiny and advice on our human resources strategy, with a particular focus on people development and succession planning.

The Committee met three times in 2018-19, chaired by Prof. Stephen Perkins. The other members of the Committee were Deep Sagar and Carol Brady MBE (from 31st May 2018). Michael King, Chair of the Commission is also a member. The Head of HR and the Accounting Officer, attended meetings to advise the Committee, except in matters relating to their personal remuneration.

Over the course of the year, the Committee:

- > oversaw the application of the Exceptional Contribution Award Scheme to ensure the scheme had been applied fairly, consistently and in accordance with the prescribed procedure
- > endorsed the Commission Chair's annual appraisal of the Chief Executive's performance
- > monitored and managed its own yearly work plan to ensure it is providing timely advice and engaged in assisting the development of the reward and recognition element of the Learning Organisation business plan initiative
- > advised on succession planning development and listened to action being taken in response to comments raised in the staff survey
- > reviewed its own terms of reference to ensure that this reflected accurately the work of the Committee. This led to the remit of the Committee being extended
- > received information about the Chair of the Commission's performance in 2017-18 and endorsed his objectives for 2018-19.

Adherence to service standards

LGSCO is committed to delivering an excellent service to the people who use our service and to the bodies in our jurisdiction. We implemented the new Ombudsman Association Service Standard Framework in 2017-18, and published the results on our website. We continue to play a leading role on the working group, which looks to share best practice and help Ombudsman schemes benchmark effectively against the framework.

This year, we again reviewed and assessed how well we are meeting the detailed service standards in the framework. We are confident our own quality and standards and internal procedures are aligned with the framework, and we will again publish the results. During the review, we noted a number of new areas of work where we have strengthened our adherence to the framework:

- > We developed a new quality and standards report to analyse data from our redesigned customer satisfaction survey and our surveys of bodies in jurisdiction. We anticipate this will provide a more objective measure for ensuring our remedies are appropriate and proportionate.
- > We are developing a graphical interface for our website, scheduled to be launched in July 2019, which aims to improve public accountability and scrutiny of bodies in jurisdiction by placing greater emphasis on compliance with our recommendations.
- > Following a successful pilot in 2018, we now routinely record all incoming and outgoing telephone calls in our Assessment and Investigation teams. We anticipate this will increase the public's confidence when using our service and will enable us to more effectively respond to service complaints about telephone calls with staff.

- > We have established an Editorial Board to improve our written communications with the people who use our service and the bodies in our jurisdiction (see page 12 for more details).

External advisory forum

While LGSCO is impartial when making judgements on individual complaints, we value the input of different stakeholders when we are considering making changes and improvements to our service. To reflect this, we have an independent advisory forum, members of which are invited to comment on their own experience of our service and give views on proposed changes, providing additional challenge and feedback about our work.

The Forum is primarily made up of members of the public who have used our service but also includes representatives from the advice and advocacy sector and from local authorities. Membership of the Forum is generally for a year, during which three meetings are held.

The most recent meeting of the forum focused on reviewing a range of letters and information leaflets which are currently sent at different stages of our investigation process. These discussions contributed to us creating the Editorial Board, mentioned in the previous section.

We are currently refreshing the membership of the Forum, and the first meeting of the new panel will take place later in 2019-20.

Independent external reviewer

As with previous years, we have had the benefit of an external independent reviewer who has audited a random selection of our case files where the complainant had a reason to express dissatisfaction with some aspect of the case handling, and to feed back recommendations to help the organisation to improve. This helps to ensure staff and managers are responding properly to such complaints, in line with our established quality standards.

Graham Manfield has continued to act as the independent external reviewer and is appointed on a fixed-term basis in this role. Mr Manfield, has experience of serving with the Metropolitan Police and has considerable experience in evidence handling and supervising investigations and complaints about service provision.

Graham Manfield's independent report is set out below.

Statement from the External Reviewer

"I was appointed as the External Reviewer for the Ombudsman in 2014 to look at a sample of service complaints and to report on how well the Ombudsman responded to them, to identify good practice and to make recommendations if necessary. My reviews and recommendations reflect a user-led vision of the Ombudsman's service and are considered as part of the Ombudsman's quality assessment processes to promote wider service improvement and learning.

My reviews in August and February covered a wide range of complaints across all parts of the Ombudsman's process. All of the service complaints had been appropriately addressed by managers. Investigators failing to follow guidance had not been identified by managers

in a small number of cases, all relating to contact with complainants.

I made recommendations to the Ombudsman in respect of five of the 20 service complaints reviewed. The importance of clear, consistent, communication with complainants continues to be highlighted by service complaints including keeping them abreast of progress. The Ombudsman has revised staff guidance to clarify expectations and established an Editorial Board whose purpose is to review standard letters, factsheets and templates. This will be very useful in addressing some of the issues identified in my reviews.

Transparency is an important factor in the handling of service complaints and reflects the guiding principles of the organisation. Recordings of telephone calls relating to service complaints have been only routinely available in respect of the initial intake stage. A selective call recording system was introduced in July and, since December, all incoming and outgoing calls across assessment and investigation teams, in addition to those in the intake team, have been recorded. This is a significant step which will greatly enhance transparency and contribute to public reassurance in the impartiality of the Ombudsman's handling of service complaints."

Graham Manfield External Reviewer

Conclusion

As Accounting Officer, I confirm my satisfaction that the systems of governance, risk management and internal control are operating effectively across LGSCO. The organisation has complied with all relevant external controls and requirements at all times during the year, and has operated in accordance with the Framework Document agreed with the Ministry for Housing, Communities and Local Government.

I am satisfied that LGSCO has managed its resources effectively throughout the year, and these have been focused on delivering a high-quality service in line with statutory responsibilities, the organisation's long-term strategic objectives and the challenging programme of work set out in the 2018-19 business plan, which is published on our website. I can confirm that the systems in place to identify risks are fit for purpose and have helped LGSCO to ensure appropriate and timely action is taken whenever necessary to mitigate the impact of these risks. This is, of course, only made possible by the hard work, skill and dedication of staff working across the organisation, and with the oversight and guidance provided by the Board.

Finally, as has been stated elsewhere in this report, the significant reductions in LGSCO's funding in recent years have an inevitable and significantly detrimental impact on the organisation's ability to deal with the rising demand on our service from the public, particularly where there are unpredictable fluctuations in that level of demand. Despite this, I am satisfied that the available resources are deployed as effectively as they can be and that LGSCO remains clearly focused on delivering our statutory responsibilities to the best of the organisation's ability.

Nigel Ellis
Chief Executive
Officer
8 July 2019

Remuneration and Staff Report

Remuneration and Appointments Committee

During the financial year 2018-19, the Remuneration and Appointments Committee met three times. The committee's activities are reported to the Commission.

The Committee is made up of three members appointed by the Commission:

- > Prof. Stephen Perkins
- > Deep Sagar and,
- > Carol Brady MBE (appointed 31st May 2018).

The Chair of the Commission, Michael King, is also a member. The Committee is advised by the Head of HR and the Accounting Officer, except in matters relating to their personal remuneration.

Remuneration Policy

For 2018-19 a 2.0% pay award was granted with effect from 1 April 2018 (2017-18 - 1.0%).

Ombudsman

The Local Government and Social Care Ombudsman is a Crown appointment whose remuneration is determined by the Secretary of State but funded by the Commission's budget.

Michael King's term of office commenced on 11 January 2017 and runs for a fixed term period of seven years.

Ex officio Commissioner

Rob Behrens CBE is an ex officio Commissioner and the Parliamentary and Health Service Ombudsman (PHSO). The PHSO is not remunerated in respect of his statutory responsibilities as an LGSCO Commissioner.

Advisory Members

The current members are Deep Sagar, Chair of the Audit and Risk Assurance Committee, Professor Stephen Perkins, Chair of the Remuneration and Appointments Committee and Carol Brady MBE.

The members' remuneration consists of a day rate plus out of pocket expenses. No pension benefits are accrued. All members are obliged to give three months' notice to terminate their contract.

The remuneration paid to Advisory Members is based on the number of days to be worked, and determined by the Commission in agreement with the Ministry of Housing, Communities and Local Government (MHCLG).

Senior staff

The four senior staff in the Executive Team (excluding the Ombudsman) are full-time employees of the Commission.

Chief Executive

The Chief Executive has base pay analogous to Senior Civil Service Band 1 and in addition a London weighting based on the National Joint Council for Local Government (NJC) is paid. Movement up the pay band is by annual consolidated awards on base pay. The percentage increase is recommended by the Chair of the Commission to the Commission's independent Remuneration Committee based on government pay policy, the Senior Salaries Review Body recommendations and individual performance. Performance-related bonus payments can also be awarded. These are non-consolidated but pensionable. These

Remuneration of senior staff (audited by the Comptroller and Auditor General)

Name	Position	2018-19				2017-18		
		Salary £000	Bonuses £000 ¹	Pension Benefits £000	Total £000	Salary £000	Restated Pension Benefits £000 ³	Total £000
Michael King	Ombudsman & Chair	135-140	-	18	155-160	135-140	84	220-225
Nigel Ellis	Chief Executive	100-105	0-5	35	140-145	100-105	24	125-130
Paul Conroy	Director of Intake and Assessment	75-80	-	26	100-105	75-80	7	80-85
Karen Sykes	Director of investigation	65-70	-	21	85-90	65-70	(11)	50-55

Notes:

1. Bonuses of £3,267 were paid in 2018-19 (2017-18: £nil)

2. There were no Benefits in Kind paid in 2018-19 (2017-18: £nil)

3. 2017-18 pension benefits have been restated following a recalculation of CETV data at 31 March 2018 by pensions administrators

arrangements operate within the guidance provided by the MHCLG for pay for senior civil servants and the Ombudsman and Remuneration Committee will take full account of those requirements when reaching a decision on pay and bonus.

Directors

Like all staff below the Chief Executive officer, the two Directors are paid on the National Joint Council for Local Government (NJC) rates. Pay is negotiated by the NJC and the Commission implements the award subject to MHCLG approval.

In addition, they may be nominated for an Exceptional Contribution Award, like other staff.

Notice period

Senior staff contracts are open ended, with a 12-week notice period.

Senior Staff Salaries and Bonuses

Composition of remuneration: Salary includes gross salary, reserved rights to London weighting or London allowances; recruitment allowances; private office allowances and any other allowance to the extent that it is subject to UK taxation.

Bonuses are non-consolidated, pensionable performance related payments. They are used to recognise and reward performance against in-year objectives.

The monetary value of benefits in kind covers any benefit provided by the Commission and treated by HM Revenue & Customs (HMRC) as a taxable emolument. This wholly relates to business mileage paid in excess of HMRC rates.

Ombudsman and senior staff pension entitlement details (audited by the Comptroller and Auditor General)

The Ombudsman and his senior staff have the same pension arrangements as other Commission staff as detailed in note 1.7.

	Total accrued pension at 65 & related lump sum	Real increase/ (decrease) in pension & lump sum at pension age	CETV ¹	CETV ¹	Real increase in CETV
	at 31/3/19	2018-19	at 31/3/19	at 31/3/18	2018-19
	£000	£000	£000	£000	£000
Michael King	55-60	0-2.5	1,008	945	24
Lump sum	95-100	(2.5)-0			
Nigel Ellis	15-20	0-2.5	207	171	20
Lump sum	-	-			
Paul Conroy	20-25	0-2.5	307	275	17
Lump sum	20-25	(2.5)-0			
Karen Sykes	20-25	0-2.5	376	343	18
Lump sum	35-40	(2.5)-0			

1. Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the staff member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which the disclosure applies. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the LGPS arrangements. They also include any additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Staff costs (audited by the Comptroller and Auditor General)

	2019	2019	2019	2018
	£000	£000	£000	£000
	Permanently employed staff ³	Others	Total	Total
Wages & salaries	7,082	-	7,082	6,620
Social security	785	-	785	740
Other pension costs ¹	962	12	974	913
	8,829	12	8,841	8,273
Temporary staff	-	79	79	63
Redundancy costs	-	-	-	-
	8,829	91	8,920	8,336
Indirect staffing costs ²	87	-	87	106
Total	8,916	91	9,007	8,442

1. This includes £12,486 (2017-18: £12,121) relating to pension payments to a retired Local Government Ombudsman and a surviving widow.
2. This is related to training costs, payroll bureau fees and staff recruitment costs.
3. Staff costs include the Ombudsman

Staff numbers (audited by the Comptroller and Auditor General)

At the end of March 2019, the Commission employed 171 FTE (excluding one agency worker, and excluding the Ombudsman):

	Male	Female
Senior Civil Service equivalents	1	-
Directors	1	1
Employees	57	111
Total	59	112

	2019	2018
Average number of full time equivalent staff employed:		
Permanently employed	169	162
Other*	3	2
	172	164

Other staff includes short-term contractors and temporary or agency staff.

Staff numbers exclude the Ombudsman as he is not a member of staff, but his remuneration is shown in the 'Remuneration of senior staff' table on page 55.

Reporting of compensation schemes - exit packages (audited by the Comptroller and Auditor General)

There were no redundancies or departure costs in 2018-19 (2017-18 number 0, cost £nil).

Redundancy and other departure costs are paid in accordance with statutory requirements and entitlements based on length of service set out in the Commission's standard contract of employment.

Exit costs are accounted for in full in the year of departure or, where earlier, the year in which a legal or constructive obligation to pay such costs arises. Costs included lump sum payments to the Local Government Pension Scheme, where applicable.

Off payroll engagements

There were no off payroll engagements in the year.

Consultants

Consultants are employed when it is better value for money to do so on specific projects when specialised skills are required. During the year, the total expenditure on consultants was £13,366.

Sickness absence data

During the year 1,001 (2017-18: 1,169) working days were lost through sickness absence, 348 (2017-18: 523) of which were due to long term sickness absence. This equates to 2.3% of working time lost (2017-18: 2.8%). This compares to a national average of 2.6% and a public sector average of 3.7% (as reported in the Chartered Institute of Personnel and Development Health and Wellbeing at Work report published in April 2019). There were no reportable trends in the period.

Fair Pay disclosures (audited by the Comptroller and Auditor General)

	2018-19	2017-18
Band of the highest paid individual total (£000)	135-140	135-140
Median total remuneration	42.5	41.7
Ratio	1: 3.2	1: 3.3

In 2018-19, no employees (2017-18: nil) received remuneration in excess of the highest-paid Commission member. Remuneration ranged from £20,094 to £140,000 (2017-18: £20,058 to £140,000). Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions. All employees are paid above the living wage rate.

The banded remuneration of the highest

paid Commission member in 2018-19 was £135,000-£140,000 (2017-18: £135,000-£140,000). This was 3.2 times (2017-18: 3.3) the median remuneration of the workforce, which was £42,486 (2017-18: £41,652).

Gender Pay disclosures

LGSCO has voluntarily chosen to carry out Gender Pay Reporting under the Equality Act 2010 (Gender Pay Gap Information) Regulations 2017.

At 31 March 2019, there is a mean Gender Pay Gap of +10.3% (2018:+9.1%) but no median Gender Pay Gap between our male and female employees (2018: nil). The Mean Bonus Gender Pay Gap is 33.6% (2018: -26.9%) but there is no Median Bonus Gender Pay Gap (2018: +47.4%).

% of Time	Number
0%	-
1% to 50%	7
51%-99%	-
100%	-

The total cost of facility time was £1,376 which represented 0.016% of the total pay bill (£8,909,000). There were no paid trade union activities.

	Male	Female
Proportion receiving bonus	26.2%	16.7%
Proportion in each quartile band		
- Upper	42%	58%
- Third	35%	65%
- Second	38%	62%
- Lower	20%	80%
Total	34%	66%

Trade Unions

In accordance with the Trade Union (Facility Time Publication Requirements) Regulations 2017, the information below is disclosed.

Seven employees were relevant union officials during the year (6.86 FTE) and spent time on facilities as follows:

Advisory Members' Remuneration (audited by the Comptroller and Auditor General)

The remuneration of the Advisory Members is as follows:

	2018-19	2017-18
	Total remuneration	Total remuneration
Carol Brady Advisory member	£5,394 (including £519 expenses)	£5,079 (including £579 expenses)
David Liggins Advisory member (left 15 January 2018)	-	£5,160 (including £993 expenses)
Sir Jon Shortridge Advisory member (left 15 January 2018)	-	£4,118 (including £368 expenses)
Prof. Stephen Perkins Advisory member (commenced 16 January 2018)	£5,781 (including £906 expenses)	£2,459 (including £584 expenses)
Deep Sagar Advisory member (commenced 16 January 2018)	£6,953 (including £2,078 expenses)	£2,534 (including £659 expenses)

Employment of People with Disabilities

LGSCO gives full and fair consideration to applications for employment made by people with disabilities. Candidates for employment or promotion are assessed objectively against the requirements for the job, taking account of any reasonable adjustments that may be required for candidates with a disability. Disability will not form the basis of employment decisions except where necessary.

We aim to retain disabled people and those with health conditions for their skills and talent. We work to remove barriers to disabled people and those with long term health conditions to allow them to fulfil their potential. LGSCO has developed reasonable adjustment guidance so that managers are aware of their responsibilities for employees with disabilities or who become disabled.

Disabled employees are offered the same training and development opportunities as any other staff and adjustments are made to attend training as necessary.

Remote contingent liabilities (audited by the Comptroller and Auditor General)

The Commission does not have any remote contingent liabilities.

Nigel Ellis
Accounting Officer and Chief Executive
8 July 2019

Parliamentary Accountability & Audit Report

Independent Auditor's report

Opinion on financial statements

I have audited the financial statements of The Commission for Local Administration in England for the year ended 31 March 2019. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that are described as having been audited.

In my opinion:

- > the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2019 and of net expenditure for the year then ended; and
- > the financial statements have been properly prepared in accordance with the Framework Agreement between the Commission and the Ministry for Housing, Communities and Local Government and the Government Financial Reporting Manual.

Opinion on regularity

In my opinion, in all material respects the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Commission for Local Administration in England in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I am required to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the The Commission for Local Administration's ability to continue as a going concern for a period of at least twelve months from the date of approval of the financial statements. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report.

However, future events or conditions may cause the entity to cease to continue as a going concern. I have nothing to report in these respects.

Responsibilities of the Commission and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Commission and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with the Framework Agreement between the Commission and the Ministry for Housing, Communities and Local Government and the Government Financial Reporting Manual.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- > identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- > obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission for Local Administration in England's internal control.
- > evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- > evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the

financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other Information

The Commission and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- > the parts of the Remuneration and Staff Report and the Accountability Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual; and
- > in the light of the knowledge and understanding of the Commission for Local Administration in England and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- > the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- > adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- > the financial statements and the parts of the Remuneration and Staff Report and the Accountability Report to be audited are not in agreement with the accounting records and returns; or
- > I have not received all of the information and explanations I require for my audit; or
- > the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Gareth Davies

10 July 2019

**Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP**

Statement of Comprehensive Net Expenditure for the year ended 31 March

	Note	2019 £000	2018 £000
Operating income	3	(106)	(75)
Operating expenditure			
Staff costs	4.1	9,007	8,442
Pension loss/(gain)	4.2	1,883	1,755
Accommodation costs	5.1	865	739
Office expenses	5.2	420	400
Professional costs	5.3	363	365
Depreciation & amortisation	7&8	45	94
Meeting & travel costs		169	158
Total operating expenditure		12,752	11,953
Net operating expenditure		12,646	11,878
Net interest costs	6	630	856
Net expenditure for the year		13,276	12,734
Other comprehensive expenditure			
Items which will not be reclassified to net operating costs			
Pension fund actuarial loss/(gain)	13g	(4,807)	(9,842)
Total comprehensive expenditure		8,469	2,892

The notes on pages 68 to 85 form part of these accounts.

All activities are continuing.

Statement of Financial Position

as at 31 March

	Note	2019 £000	2018 £000
Assets			
Non current assets			
Plant & equipment	7	49	14
Intangible assets	8	63	66
Total non current assets		112	80
Current assets			
Trade & other receivables	9	232	312
Cash & cash equivalents	10	3,071	3,307
Total current assets		3,303	3,619
Total assets		3,415	3,699
Liabilities			
Current liabilities			
Trade & other payables	11	(927)	(1,268)
Provisions	12	(72)	(72)
Total current liabilities		(999)	(1,340)
Total assets less total current liabilities		2,416	2,359
Non current liabilities			
Pension scheme liability	13e	(22,887)	(25,181)
Total non current liabilities		(22,887)	(25,181)
Assets less liabilities		(20,471)	(22,822)
Taxpayers' equity			
General Fund		2,416	2,359
Pension Reserve		(22,887)	(25,181)
Total Taxpayers' Equity		(20,471)	(22,822)

The notes on pages 68 to 85 form part of these accounts.

Nigel Ellis
Accounting Officer
8 July 2019

Michael King
Chair
8 July 2019

Statement of Cash Flows

for the year ended 31 March

	Note	2019 £000	2018 £000
Cash flows from operating activities			
Net expenditure for the year		(13,276)	(12,734)
Adjustments for:			
Depreciation & amortisation	7 & 8	45	94
Loss on sale of non current assets	5.2	-	-
Finance costs/(income)	3	(15)	(7)
(Increase)/decrease in trade & other receivables	9	80	(121)
Increase/(decrease) in trade & other payables	11	(341)	329
Increase/(decrease) in provisions	12	-	-
Non-cash pension charge/(credit) included in net expenditure for the year		2,513	2,618
Net cash outflow from operating activities		(10,994)	(9,821)
Cash flows from investing activities			
Purchase of plant & equipment	7	(51)	-
Purchase of intangible non current assets	8	(26)	(15)
Interest received	3	15	7
Net cash outflow from investing activities		(62)	(8)
Cash flows from financing activities			
Receipts of Grant-in-Aid financing	2	10,820	10,140
Net cash inflow from financing activities		10,820	10,140
Net increase/(decrease) in cash & cash equivalents		(236)	311
Cash & cash equivalents at beginning of period		3,307	2,996
Cash & cash equivalents at end of period	10	3,071	3,307

The notes on pages 68 to 85 form part of these accounts.

Statement of Changes in Taxpayers' Equity

	Note	General Fund	Pension Reserve	Total Taxpayers' Equity
		£000	£000	£000
Balance at 31 March 2017		2,335	(32,405)	(30,070)
Grant-in-Aid financing	2	10,140	-	10,140
Total comprehensive expenditure for the year		(12,734)	9,842	(2,892)
Transfers between reserves in respect of pension fund costs		2,618	(2,618)	-
Balance at 31 March 2018		2,359	(25,181)	(22,822)
Grant-in-aid financing	2	10,820	-	10,820
Total comprehensive expenditure for the year		(13,276)	4,807	(8,469)
Transfers between reserves in respect of pension fund costs		2,513	(2,513)	-
Balance at 31 March 2019		2,416	(22,887)	(20,471)

The notes on pages 68 to 85 form part of these accounts.

Nature and Purpose of Reserves

General Fund

This Fund represents the cumulative surplus of income over expenditure at the date of the Statement of Financial Position. The majority of this surplus was accumulated under a previous grant funding arrangement and is therefore largely a historical legacy. It is represented on the Statement of Financial Position as a cash balance for the ongoing operations of the Commission, excluding the deficit arising from the Commission's participation in the Local Government Pension Scheme. However, the Commission is only able to incur expenditure within its delegated expenditure limits (DEL) which are agreed with the sponsor department each year. Approval from the Ministry for Housing, Communities and Local Government would therefore be needed to draw down on cash reserves, in excess of DEL.

Pension Reserve

This Reserve represents the liability arising from the Commission's participation in the Local Government Pension Scheme, as determined by the scheme actuary. Details of the pension liability are available in Note 13e on page 80 and also in the Directors' Report on page 31.

Notes to the Financial Statements

Accounting Policies

1.1 Accounting convention

The Financial Statements are prepared under the historical cost convention, modified only in the case of tangible and intangible non current assets which are held at valuation, if materially different from historical cost less accumulated depreciation.

1.2 Basis of preparation

The Financial Statements have been prepared in accordance with the 2018-19 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the Commission for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.3 Critical accounting judgements and key sources of estimation uncertainty

In the application of the Commission's accounting policies, management is required to make judgements, estimates and assumptions about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Revisions to accounting estimates are

recognised in the period in which the estimate is revised.

1.3.1 Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the Commission's accounting policies and that have the most significant effect on the amounts recognised in the Financial Statements:

> Classification of leases

The Commission has classified all of its leases of land and buildings as operating leases, as it is considered that these leases do not transfer substantially all of the risks and rewards of ownership to the Commission. The primary considerations in this assessment are that the lease terms do not represent the major part of the life of the leased assets and that the present value of lease payments at the inception of the leases do not represent a significant part of the value of the leased assets.

> Asset valuations

The Commission has concluded that there is not a material difference between the fair value of its tangible and intangible non current assets and the depreciated historical cost of these assets. As a result of this conclusion, detailed asset valuations have not been carried out.

1.3.2 Key sources of estimation uncertainty

The following are the key assumptions concerning estimation uncertainty at the end of the reporting period, that could have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Valuation of pension scheme assets and liabilities

The valuation of the Commission's defined benefit pension scheme assets and liabilities is based on a range of assumptions covering variables such as investment returns, inflation, discount rate and pensioner lifespans. The selection of appropriate assumptions represents a significant accounting estimate. Where actual outturns are significantly different to the selected assumptions, the value of scheme assets and liabilities may be materially different. The assumptions are made by management based on advice from a professional actuary and are reviewed annually. In addition, the scheme is subject to a full actuarial review on a triennial basis.

1.4 Grant-in-Aid

The Commission receives Grant-in-Aid from the Ministry for Housing, Communities and Local Government (MHCLG). This type of funding is classified as financing and is recognised directly in the Statement of Changes in Taxpayers' Equity.

Grant-in-Aid is paid monthly according to the requirements of the Commission. Grant income under Grant-in-Aid financing is accounted for on a cash basis.

1.5 Going concern

As a result of the valuation of pension scheme assets and liabilities, the Commission's Statement of Financial Position at 31 March 2019 shows net liabilities of £20m. This reflects the inclusion of liabilities falling due in future years which, insofar as the Commission is unable to meet them from its other sources of income, would fall, in the last resort, to be met by central Government. Under the normal conventions applying to Parliamentary control over income and expenditure, such funding may not be issued in advance of need, but there is no reason to believe that, if required, funding and Parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for these Financial Statements.

On 5 December 2016 a Draft Public Service Ombudsman Bill was published setting out proposed details to integrate the existing jurisdictions of the Local Government Ombudsman and the Parliamentary and Health Service Ombudsman.

It does not appear likely that the Bill will be considered by Parliament during 2019. Even then, the operational integration of the LGSCO and PHSO schemes would take at least a further 18 months, during which time LGSCO would need to continue to function as a standalone body operating its own jurisdiction.

Given this context, we are satisfied that these proposals do not give rise to a material uncertainty around the going concern status of LGSCO at this stage. The Commission's accounts have therefore been prepared on a going concern basis.

1.6 Value Added Tax

The Commission is registered for VAT and is able to recover input VAT on its purchases. Expenditure is shown net of recoverable VAT. Outstanding recoverable VAT is included within trade and other receivables.

1.7 Pension scheme

The Commission is an admitted body of the Local Government Pensions Scheme, administered by the Local Pensions Partnership (LPP). This is a multi-employer defined benefit scheme, accounted for in accordance with IAS 19 Employee Benefits.

The Commission's share of the scheme's assets and liabilities can be identified.

The valuation of the Commission's defined benefit pension scheme assets and liabilities is based on a range of assumptions covering variables such as investment returns, inflation, discount rate and pensioner lifespans. Where actual outturns are significantly different to the selected assumptions, the value of scheme assets and liabilities may be materially different.

The assumptions are made by management based on advice from a professional actuary and are reviewed annually.

In accordance with IAS 19 (revised) the Commission recognises all actuarial gains or losses in Other Comprehensive Expenditure.

1.8 Short term employee benefits

Salaries, wages and employment-related payments are recognised in the period in which the service is received from employees. The cost of leave earned but not taken by employees at the end of the period is recognised in the Financial Statements to the

extent that employees are permitted to carry forward leave into the following period.

1.9 Tangible non current assets - plant and equipment

Individual items of plant and equipment with a cost of less than £5,000 are expensed in the Statement of Comprehensive Net Expenditure in the year of acquisition, except where they form part of a significant capital project, the total cost of which exceeds £5,000.

Items of plant and equipment and significant capital projects with a cost of greater than £5,000 are initially recognised at cost and depreciated over their useful economic life on a straight line basis.

The ranges of useful economic lives of assets currently in use are as follows:

- > Furniture and fittings 2-7 years
- > Information technology 3-4 years

All items of plant and equipment are held at depreciated historical cost, as this is considered to be an appropriate proxy for fair value. All assets held by the Commission have a short useful life or a low individual value (or both). Where there is an indication that individual assets may be impaired, an impairment review is conducted and assets are written down to the lower of their carrying amount and recoverable amount, in accordance with IAS 36 and the HM Treasury Financial Reporting Manual.

1.10 Intangible non current assets

Individual intangible assets with a cost of less than £5,000 are expensed in the Statement of Comprehensive Net Expenditure in the year of acquisition, except where they form part of a significant capital project, the total cost of which exceeds £5,000.

Intangible assets with a cost of greater than £5,000 are initially recognised at cost and amortised over their useful economic life on a straight line basis.

The range of useful economic lives of assets currently in use is as follows:

> Software licences 4-5 years

All intangible assets are held at amortised historical cost, as this is considered to be an appropriate proxy for fair value. The Commission does not believe there to be a material difference between the fair value (as determined by amortised replacement cost) and the amortised historical cost of intangible assets.

Where there is an indication that individual assets may be impaired, an impairment review is conducted and assets are written down to the lower of their carrying amount and recoverable amount, in accordance with IAS 36 and the HM Treasury Financial Reporting Manual.

1.11 Leases (Commission as lessee)

Leases are classified as finance leases when substantially all the risks and rewards of ownership are transferred to the lessee.

All other leases are classified as operating leases. The Commission does not currently have any assets held under finance leases.

Operating lease payments are recognised as an expense on a straight line basis over the lease term. Lease incentives are recognised initially as a liability and subsequently as a reduction of rentals on a straight line basis over the lease term.

1.12 Financial Instruments

Financial assets

Financial assets are recognised when the Commission becomes party to the financial instrument contract or, in the case of trade receivables, when the goods or services have been delivered. Financial assets are derecognised when the contractual rights have expired or the asset has been transferred.

Financial assets are initially recognised at fair value.

Financial assets are classified into the following categories: financial assets at fair value through other comprehensive income and financial assets at amortised cost. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The Commission currently only holds cash deposits with its bankers, Lloyds Bank PLC.

Financial Assets at Amortised Cost

These are non derivative financial assets with fixed or determinable payments which are quoted in an active market. They are measured at amortised cost less any impairment.

Financial liabilities

Financial liabilities are recognised in the Statement of Financial Position when the Commission becomes party to the contractual provisions of the financial instrument or, in the case of trade payables, when the goods or services have been received. Financial liabilities are derecognised when the liability has been discharged, that is, the liability has been paid or has expired.

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or financial liabilities at amortised cost.

Financial liabilities are initially recognised at fair value.

1.13 Changes in Accounting Policy

The Commission has considered, in accordance with IAS 8, whether there have been any changes to accounting policies arising from IFRS and the FReM which have an impact on the current or prior period, or may have an effect on future periods. The Commission has also reviewed any new or amended standards issued by the International Accounting Standards Board (IASB) but not yet effective, to determine if it needs to make any disclosures in respect of those new IFRSs that are or will be applicable.

The Commission has not applied any changes in accounting policy in the current period.

The Commission does not believe there are any changes to accounting policies that may have an impact on future periods (see 1.14).

1.14 International Financial Reporting Standards (IFRS)

IAS 8 requires disclosures in respect of new IFRS, amendments and interpretations that are, or will be applicable after the reporting period. IASB has issued IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' both of which are effective from 2018-19. An assessment has been undertaken and neither has an impact on the Commission.

IFRIC 23 'Uncertainty over Income Tax Treatments' is not effective until 2019-20 and is not expected to have an impact.

IASB has also issued IFRS 16 'Leases' which is effective from 2019-20. The standard largely removes the distinction between operating and finance leases for lessees by introducing a single lessee accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The most significant effect of the new requirements will therefore be an increase in lease assets and liabilities on the statement of financial position. However, as the application in the public sector context is yet to be confirmed by the FReM, early adoption is not permitted.

IASB has also issued IFRS 17 'Insurance' which is effective from 2021-22 but is not expected to have an impact on the Commission.

Financial Reporting Manual (FreM)

Every year HM Treasury issues a new FreM, which interprets IFRS for the public sector. There are no known changes which will affect the Commission.

1.15 Provisions

The Commission provides for obligations arising from past events where there is a present obligation at the date of the Statement of Financial Position, if it is probable that we will be required to settle the obligation and a reliable estimate can be made, in line with the requirements of IAS 37.

2. Grant in Aid

The Commission received funding of £10,820,000 from the Ministry for Housing, Communities and Local Government (MHCLG) in 2018-19 (2017-18: £10,140,000). Grant-in-Aid is accounted for in the Statement of Changes in Taxpayers' Equity, as discussed in note 1.4.

	2019 £000	2018 £000
MHCLG	10,820	10,140
	10,820	10,140

Represented by:	2019 £000	2018 £000
Revenue	10,735	10,110
Capital	85	30
	10,820	10,140

3. Operating income

	2019 £000	2018 £000
Complaint handling training	91	75
Bank deposit interest	15	-
Total	106	75

4.1 Staff costs

	2019 £000	2018 £000
	Total	Total
Wages & salaries	7,082	6,620
Social security	785	740
Other pension costs*	974	913
	8,841	8,273
Temporary staff	79	63
	8,920	8,336
Indirect staffing costs**	87	106
Total	9,007	8,442

Analysis of Commissioners'/ Senior managements' salaries can be found on page 55 in the Remuneration and Staff report.

* This includes £12,486 (2017-18: £12,121) relating to pension payments to a retired Local Government Ombudsman and a surviving widow. In 2018-19, Employer Pension Contributions were comprised of a variable element equal to 13.76% of pensionable salary (2017-18: 13.76%). 2018-19 was the second year of a new three year schedule of contributions defined by the scheme's actuary.

** This is related to training costs, payroll bureau fees and staff recruitment costs.

4.2 Pension loss/(gain)

	2019	2018
	£000	£000
Current service costs	2,753	2,573
Past service costs, including curtailments	-	-
Administration expenses	99	95
Contributions by the employer*	(969)	(913)
Total	1,883	1,755

* The cost of the contributions by the employer are included in other pension costs in note 4.1

4.3 Reporting of compensation schemes - exit packages

The reporting of compensation schemes - exit packages can be found on page 58 in the Remuneration and Staff Report.

4.4 Staff numbers

Information about staff numbers can be found on pages 57 and 58 in the Remuneration and Staff Report.

5. Operating expenditure

5.1 Accommodation costs

	2019	2018
	£000	£000
Rent & rates	851	733
Repairs & maintenance	10	1
Health & safety	4	5
Total	865	739

Rent costs in 2018-19 include ongoing costs incurred under three different Memorandum of Terms of Occupation (MOTO) at MHCLG offices in London, at DfE offices in Coventry and at DEFRA offices in York.

5.2 Office expenses

	2019	2018
	£000	£000
Computers & telephone	335	325
Insurance & other office expenses	47	48
Loss on sale of non current assets	-	-
Furniture & equipment rental	20	11
Postage & stationery	18	16
Total	420	400

7. Plant and Equipment

5.3 Professional costs

	2019 £000	2018 £000
Legal & litigation	179	189
External audit	33	31
Internal audit	20	21
Commission fees	14	16
Professional fees & subscriptions	51	49
Publicity & research	66	59
	363	365

No remuneration was paid to the external auditors for non audit work in 2018-19 (2017-18: nil).

Amounts paid under operating leases and included within accommodation costs and office expenses above, are:

5.4 Amounts paid under operating leases

	2019 £000	2018 £000
Buildings	855	734
Other	5	4
	860	738

6. Net interest costs

	Note	2019 £000	2018 £000
Interest on pension fund assets	13i	(1,930)	(1,956)
Interest on pension fund liabilities	13h	2,560	2,819
Bank deposit interest		-	7
		630	856

	Furniture & fittings £000	Information technology £000	Total £000
Cost			
At 01 April 2018	63	229	292
Additions	30	21	51
Disposals	-	(121)	(121)
At 31 March 2019	93	129	222

Depreciation			
At 01 April 2018	63	215	278
Provided during the year	1	15	16
Disposals	-	(121)	(121)
At 31 March 2019	64	109	173

Cost			
At 01 April 2017	63	260	323
Additions	-	-	-
Disposals	-	(31)	(31)
At 31 March 2019	63	229	292

Depreciation			
At 01 April 2017	55	205	260
Provided during the year	8	41	49
Disposals	-	(31)	(31)
At 31 March 2018	63	215	278

Net Book Value			
At 31 March 2018	-	14	14
At 31 March 2019	29	20	49

No amounts are included above in respect of assets held under finance leases and all amounts relate to externally generated assets. All assets are owned by the Commission.

8. Intangible assets

	Total £000
Cost	
At 01 April 2018	1,074
Additions*	26
Disposals	(5)
Cost at 31 March 2019	1,095

Amortisation	
At 01 April 2018	1,008
Provided during the year	29
Disposals	(5)
Cost at 31 March 2019	1,032

Cost	
At 01 April 2017	1,137
Additions	15
Disposals	(78)
Cost at 31 March 2018	1,074

Amortisation	
At 01 April 2017	1,041
Provided during the year	45
Disposals	(78)
At 31 March 2018	1,008

Net Book Value	
At 31 March 2018	66
At 31 March 2019	63

* Additions of £26,000 in 2018-19 are assets under construction which are not yet in use nor amortised.

All intangible assets held by the Commission are externally developed software or software licenses. No amounts are included above in respect of assets held under finance leases and all amounts relate to externally generated intangible assets or software licenses.

9. Trade and other receivables

	2019 £000	2018 £000
Trade receivables	21	111
Deposits & advances**	20	22
VAT receivable	63	39
Prepayments	128	140
	232	312

** Deposits and advances includes staff loans for rail travel - £12,791 (2017:-18 £14,259) and travel advances - £6,800 (2016-17: £7,100).

10. Cash and cash equivalents

	2019	2018
	£000	£000
Cash at bank and in hand	3,071	3,307

Cash and cash equivalents are represented by balances held at commercial banks and minor petty cash.

Part of the cash balance represents the cumulative surplus of income over expenditure under a previous grant funding arrangement, held in the General Fund (see page 67).

The Commission requires approval from MHCLG to utilise this fund.

11. Trade and other payables

Current Trade and other payables		
	2019	2018
	£000	£000
Trade payables	84	241
Other payables	320	320
Accruals & deferred income	523	707
	927	1,268

12. Provisions

	2019	2018
	£000	£000
Balance at 01 April	72	72
Utilised	-	-
Provided in year	-	-
Written back	-	-
Balance at 31 March	72	72

	2019	2018
	£000	£000
Balance at 31 March		
Current	72	72
Non current		-
	72	72

The Commission has no potential dilapidation liabilities associated with its estates portfolio at 31 March 2019. The Commission occupies three properties which are part of the Government estate under MOTOs where there is no liability for dilapidations.

Flood damage occurred at the York office in 2016 and a provision of £72,000 has been created for the Commission's estimated share of the landlord's repair cost.

13. Pension scheme

13.1 The Local Government Ombudsman (LGSCO) and staff belong to the Local Government Pension Scheme which is a defined benefit (final salary) scheme, administered by the Local Pensions Partnership (LPP). No enhanced terms apply to either Local Commissioners or senior staff. The scheme is a multi employer scheme but the Commission's share of assets and liabilities can be identified.

13.2 The Commission paid employer's superannuation contributions to this scheme on behalf of both Local Commissioners and staff at the rate of 13.76% of pensionable remuneration (2017-18: 13.76%). The total paid was £968,050 during 2018-19 (2017-18: £907,221). There were no payments in respect of curtailments and settlements arising from redundancies made in the year (2017-18: nil). The employer's and employee's contribution rate is fixed following actuarial assessments every three years. The most recent was the triennial valuation of the Fund at 31 March 2016. This resulted in a three-year schedule of contributions commencing 1 April 2017. The Employer's rate has been determined as 13.76% for the three years 2017-18 to 2019-20. A new triennial valuation will be performed at 31 March 2019 and this will determine contribution rates for the three years from 2020-21.

There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

13.3 The pension arrangements for the Local Commissioners and Commission staff are subject to the agreement of the Minister for Housing, Communities and Local Government. He has agreed that the arrangements should be part of the Local Government Pension Scheme. Accordingly, this scheme forms the

basis of the current terms and conditions of Local Commissioners and Commission staff. Any changes to the scheme to alleviate the deficit (refer to subsequent tables for details) such as by increasing the pension age or increasing employee contributions, would be a matter for national negotiations and Government action. As a relatively small employer, the Commission is not in a position to exert significant influence on this matter. The Commission's Fund is currently managed by the Local Pensions Partnership (LPP); the relevant Commission officers take up opportunities provided by LPP for consultation and scrutiny; the Accounting Officer has considered the possibility of transferring the Commission's funds to a different authority but, at present, he considers LPP's asset management to be competitive.

13.4 On 28 June 1993 by virtue of Statutory Instrument 1993 No 1367, Local Ombudsmen became eligible to join the Local Government Scheme and their previous individual superannuation arrangements were closed by transfer of service to the Scheme operated by the LPP. These transfer arrangements did not provide for Local Ombudsmen who had already retired. The pensions of one such Local Ombudsman, and a surviving widow, remain the responsibility of the Commission and are met through the Statement of Comprehensive Net Expenditure, the total payment during 2018-19 amounting to £12,486 (2017-18: £12,121).

13.5. In December 2018 the Court of Appeal ruled against the government in two cases: *Sargeant and others v London Fire and Emergency Planning Authority* [2018] UKEAT/0116/17/LA and *McCloud and others v Ministry of Justice* [2018] UKEAT/0071/17/LA. The cases related to the Firefighters'

Pension Scheme (Sargeant) and to the Judicial Pensions Scheme (McCloud). For the purposes of the LGPS, these cases are known together as 'McCloud'. The court held that transitional protections, afforded to older members when the reformed schemes were introduced in 2015, constituted unlawful age discrimination.

It is expected that the ruling will result in a liability to LGSCO for LGPS. The Government Actuarial Department (GAD) has estimated the financial impact of one possible remedy to be equal to 3.2% of active liabilities on a scheme-wide basis. The GAD estimate has been prepared on an 'average' member basis and is highly sensitive to the earnings growth assumption. On the basis of this scheme-wide estimate, and taking into account the age profile of the entity's membership, the impact is not expected to be significant for LGSCO. On this basis no specific provision for the potential additional liabilities arising from McCloud have been accounted for.

13.6 Further commentary is available in the Directors' Report on pages 31 and 32.

13.7 Disclosures as required by IAS 19 are below.

The tables and notes below were provided by the LPP actuary and the Commission is content that they fairly present the most appropriate assumptions to be applied and the estimated assets and liabilities and the actuarial gain for 2018-19 for the scheme.

a. Financial assumptions

Year ended:	31 March 2019 %pa	31 March 2018 %pa
Inflation/pension increase (RPI)	3.4	3.3
Inflation/pension increase (CPI)	2.4	2.3
Salary increase rate	3.9	3.8
Pension increases	2.4	2.3
Discount rate	2.4	2.55

b. Demographic assumptions

Life expectancy in years from age 65	2019	2018
Retiring today - males	21.3	22.3
Retiring today - females	23.9	24.9
Retiring in 20 years - males	23.1	24.6
Retiring in 20 years - females	25.8	27.2

The actuary has adopted demographic assumptions which are consistent with those used for the funding valuation as at 31 March 2016. The post retirement mortality is based on Club Vita mortality analysis which has been projected using the CMI 2018 model and allowing for a minimum rate of improvement of 1.5%. At 31 March 2018, the CMI 2015 model was adopted and the effect of updating to the most recent model is reflected in the Change in Demographic Assumptions in Notes 13g and 13h.

The actuary also made the following assumptions:

- > that members will exchange half of their commutable pension for cash at retirement;
- > that active members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age (21 years); and

- > that the proportion of the membership that had taken up the option under the new LGPS to pay 50% of contributions for 50% of benefits at the previous valuation date will remain the same.

The actuary is not required to disclose an expected return assumption for the year to 31 March 2019.

c. Estimated asset allocation		
Year ended	31 March 2019	31 March 2018
	%	%
Equities	54	61
Target return funds	27	23
Infrastructure	6	4
Property	9	7
Cash	4	5
Total	100	100

d. Fair value of employer assets - Commission share		
	31 March 2019	31 March 2018
	£000	£000
Equities	44,746	46,440
Target return funds	21,934	17,021
Infrastructure	4,956	3,322
Property	7,734	5,465
Cash	2,879	3,700
Total	82,249	75,948

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2019 is estimated to be 9%. This is based on the estimated Fund value used at the previous accounting date and the estimated Fund value used at this accounting date. The actual return on Fund assets over the period may be different.

The Commission's share of the assets of the total Fund is approximately 1%.

e. Amounts recognised in the Statement of Financial Position

Year ended	Note	31 March 2019	31 March 2018
		£000	£000
Fair value of employer assets	13d & 13i	82,249	75,948
Present value of funded obligation	13h	(105,136)	(101,129)
Net (liability)		(22,887)	(25,181)

In 2018-19 the deficit has decreased from £25,181,000 to £22,887,000. There are three main offsetting factors in driving this movement; firstly the change in mortality assumptions to reflect the most recently published data, which decreased the estimated liabilities by £4.7M; secondly, the positive return on assets less interest of £5.0M; and thirdly, the change in the financial assumptions which increased the present value of scheme liabilities by £4.9M (see note 13g).

The deficit is calculated using a range of assumptions chosen by management, with advice from the actuary, in accordance with International Accounting Standards (IAS 19). These assumptions are more conservative than those used to calculate the deficit on the basis used for the purposes of calculating future contribution rates. Based upon advice from the actuaries, the Executive Directors estimate that at 31 March 2019 on this basis the fund has a surplus of approximately £14.2m (2017-18: £13.9m)

The Commission is committed to managing and funding the pension deficit, working with the sponsor Ministry, who are the ultimate guarantor of the LGSCO scheme.

f. Amounts charged in the Statement of Comprehensive Net Expenditure

Year ended	31 March 2019 £000	31 March 2018 £000
Service cost*	2,753	2,573
Net interest on the defined liability (asset)	630	863
Administration expenses	99	95
Total	3,482	3,531

* Service cost is the estimated additional Employer's pension liability arising in year as a result of scheme members accruing additional pension benefits through membership for the period.

g. Remeasurements and other comprehensive income

Year ended	Note	31 March 2019 £000	31 March 2018 £000
Return on plan assets in excess of interest	13i	4,991	2,081
Other actuarial gains/(losses) on assets	13i	-	223
Changes in financial assumptions	13h	(4,904)	4,957
Changes in demographic assumptions	13h	4,720	-
Experience gain/(loss) on defined benefit obligation	13h	-	2,581
Pension fund actuarial (loss)/gain		4,807	9,842

Changes to the financial assumptions have increased the present value of scheme liabilities by £4.904m at 31 March 2019 (31 March 2018: decrease in liabilities of £4.957m).

h. Reconciliation of defined benefit obligation - Commission share

Year ended	31 March 2019 £000	31 March 2018 £000
Opening defined benefit obligation	101,129	105,489
Current service cost	2,753	2,573
Interest cost	2,560	2,819
Change in financial assumptions	4,904	(4,957)
Change in demographic assumptions	(4,720)	-
Experience loss/(gain) on defined benefit obligation	-	(2,581)
Estimated benefits paid	(2,017)	(2,708)
Past service costs, including curtailments	-	-
Contributions by members	527	494
Closing defined benefit obligation	105,136	101,129

i. Reconciliation of fair value of employer assets - CLAE share		
Year ended	31 March 2019 £000	31 March 2018 £000
Opening fair value of employer assets	75,948	73,084
Interest on assets	1,930	1,956
Return on assets less interest	4,991	2,081
Other actuarial gains/ (losses)	-	223
Administration expenses	(99)	(95)
Contributions by the employer	969	913
Contributions by members	527	494
Estimated benefits paid	(2,017)	(2,708)
Closing fair value of employer assets	82,249	75,948

j. Sensitivity analysis			
	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
Present value of defined benefit obligation	103,029	105,136	107,288
Projected service cost	2,705	2,775	2,847
Adjustment to long term salary increase	+0.1%	0.0%	-0.1%
Present value of total obligation	105,334	105,136	104,939
Projected service cost	2,775	2,775	2,775
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
Present value of total obligation	107,087	105,136	103,224
Projected service cost	2,847	2,775	2,705
Adjustment to life expectancy assumption	+1 year	None	-1 year
Present value of defined benefit obligation	108,852	105,136	101,547
Projected service cost	2,870	2,775	2,683

The valuation of pension fund liabilities is based on a range of actuarial assumptions and may be highly sensitive to changes in these assumptions, in particular to changes in the discount rate, long term salary increases, pension increases and mortality assumptions. The table above illustrates the potential impact of small changes in these assumptions.

k. Projected pension expense for the year to 31 March 2020

Projections for the year to 31 March 2020

	£000
Service cost	2,775
Net interest on the defined liability	537
Administration expenses	107
Total	3,419
Employer contributions	984

The LPP prepares its own scheme statements which are available to download from:

<https://www.lpfa.org.uk/What-we-publish.aspx>

Estimated employer's contributions for 2019-20 are £984,000 (2018-19: £922,000).

14. Financial Instruments and related risks

In accordance with Treasury guidance and IFRS7 the Commission's accounts must contain disclosures of financial instruments (financial assets and liabilities).

The Commission's principal financial instrument is cash to provide working capital for the organisation's operations.

Other financial instruments are receivables and payables arising from operations.

The main risks arising from the organisation's financial instruments are as follows:

Credit Risk

The Commission is exposed to credit risk arising from its Trade and Other Receivables, whereby there is a risk that counterparties will not settle outstanding amounts as they fall due. Of the total financial assets included within trade and other receivables, £62,857 is due from HMRC (2018: £39,338). A further amount of £19,591 is due from current employees of the Commission and is to be collected through regular payroll deductions (2018: £21,637). The credit risk arising from these balances is not considered to be significant.

Market Risk

The Commission's deposits are held at variable interest rates which give rise to the risk that returns may vary in line with market interest rates. The potential effect of a 1% change in interest rates is shown below. The nature of the Commission's deposit accounts does not expose it to fluctuations in capital values, with the exception of credit risk as described above.

	2019	2018
	£000	£000
Value of interest yielding deposits at 31 March	3,071	3,307
Income effect of a 1% increase in interest rates	30	33
Income effect of a 1% decrease in interest rates	(30)	(33)

Liquidity Risk

The Commission considers liquidity risk to be minimal due to it being Grant-in-Aid funded. It maintains its surplus funds in bank deposit accounts which provide for instant access. These deposits totalled £3,070,315 (2017: £3,306,564). As a result of these policies, the Commission does not feel that it is exposed to significant liquidity risk arising from its financial instruments.

14.1. Fair Value

Due to the nature of financial assets and liabilities held by the Commission, there is not considered to be any significant difference between the carrying amount and the fair value of any of the financial instruments held.

15. Operating Lease Commitments

15.1 Total future minimum lease payments under non-cancellable operating leases

	31 March 2019 £000	31 March 2018 £000
Buildings - amounts payable:		
Not later than one year	386	359
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	386	359
Other - amounts payable:		
Not later than one year	9	2
Later than one year and not later than five years	22	-
Later than five years	-	-
Total	31	2

15.2. Description of significant lease arrangements

During 2018-19, the Commission occupied three premises within the Government estate, each under a Memorandum of Terms of Occupation (MOTO). All MOTOs have gone past their initial expiry date. The MOTO for the York office has a 12 month notice period, for Coventry, the notice period is six months, while the London office is three months.

16. Capital Commitments

The Commission was contractually committed to £16,600 of expenditure on non-current assets at 31 March 2019 (2018-19: £nil).

17. Related Party Transactions

The Commission for Local Administration is an independent body established under Part III of the Local Government Act 1974. The Commission is principally funded by way of Grant-in-Aid from MHCLG and MHCLG is regarded as a related party. During the year, the Commission received Grant-in-Aid from MHCLG. Note 2 discloses the amounts.

The Commission occupies three Government-owned properties and pays a material rent charge for each. There are premises in London where MHCLG acts as the landlord and in addition the Commission's York office is located in premises where DEFRA acts as landlord. DEFRA is regarded as a related party. The Commission's Coventry office is located in premises where DfE acts as landlord. DfE is regarded as a related party.

The Commission has continued to work with the Parliamentary and Health Service Ombudsman (PHSO) during the year handling joint complaints and also consulting in relation

to the Government's intention to create a single public services ombudsman. Commission member, Michael King is also a Board member at PHSO and Rob Behrens CBE, the PHSO, is an ex-officio member of the Commission. PHSO is regarded as a related party. There have been no financial transactions with PHSO in 2018-19.

During 2018-19 one member of staff was seconded to the Housing Ombudsman, another body sponsored by MHCLG. Any other bodies sponsored by MHCLG are considered to be related parties.

No Minister, Commission Member, key manager or other related parties has undertaken any material transactions with the Commission during the year.

Under IAS 24, the Local Government Pension Scheme is defined as a related party to the Commission. For details of transactions with this body, refer to note 13.

18. Events after the reporting period date

There were no significant events after the reporting period date requiring disclosure.

The Accounting Officer authorised these Financial Statements for issue on the date certified by the Comptroller and Auditor General.

Accounts direction for the Commission for Local Administration in England

ACCOUNTS DIRECTION GIVEN BY THE SECRETARY OF STATE FOR COMMUNITIES AND LOCAL GOVERNMENT WITH THE CONSENT OF THE TREASURY

1. The annual accounts and financial statements of the Commission for Local Administration in England (hereafter in this accounts direction referred to as "The Commission") shall give a true and fair view of the income and expenditure and cash flows for the financial year and the state of affairs at the year end. Subject to this requirement, the financial statements and accounts for 2014/15 and for subsequent years shall be prepared in accordance with:

- (a) the accounting and disclosure requirements given in the Government Financial Reporting Manual issued by the Treasury ("the FReM") as amended or augmented from time to time, and subject to Schedule 1 of this direction;
- (b) any other relevant guidance that the Treasury may issue from time to time;
- (c) any other specific disclosure requirements of the Secretary of State;

insofar as these requirements are appropriate to the Commission and are in force for the period for which the accounts are prepared, and except where agreed otherwise with the Secretary of State and the Treasury, in which case the exception shall be described in the notes to the accounts.

2. Schedule 1 to this direction gives clarification of the application of the accounting and disclosure requirements of the Companies Act and accounting standards and also gives any exceptions to standard HM Treasury requirements.

3. This direction shall be reproduced as an appendix to the accounts.

4. This direction replaces all previously issued directions.

Signed by authority of the Secretary of State

David Kuenssberg

Signed by an officer in the Department for Communities and Local Government

Date 3rd July 2014

SCHEDULE 1

The accounts for the period ended 31/03/2015 shall be signed and dated by the Accounting Officer.

ADDITIONAL DISCLOSURE REQUIREMENTS

The following information shall be disclosed in the Annual Accounts and Financial Statements, as a minimum, and in addition to the information required to be disclosed by paragraph 1 of this direction.

(a) an analysis of grants from:

- (i) government departments
- (ii) European Community funds
- (iii) other sources identified as to each source;

(b) an analysis the total amount of grant from the Department for Communities and Local Government, showing how the grant was used;

(c) an analysis of grants included as expenditure in the income and expenditure account and a statement of the total value of grant commitments not yet included in the income and expenditure account;

(d) details of employees, other than board members, showing:

- (i) the average number of persons employed during the year, including part-time employees, agency or temporary staff and those on secondment or loan to the Commission, but excluding those on secondment or loan to other organisations, analysed between appropriate categories (one of which is those whose costs of employment have been capitalised)
- (ii) the total value of loans to employees
- (iii) employee costs during the year showing separately:
 - (1) wages and salaries
 - (2) early retirement costs
 - (3) social security costs
 - (4) contributions to pension schemes
 - (5) payments for unfunded pensions

(6) other pension costs

(7) amounts recoverable for employees on secondment or loan to other organisations

The above analysis shall be given separately for the following categories of employees:

- (i) employed directly by the Commission;
- (ii) on secondment or loan to the Commission;
- (iii) agency or temporary staff;
- (iv) employee costs that have been capitalised.

(e) a statement of debts written off and movements in provisions for bad and doubtful debts;

(f) a statement of losses and special payments during the period, being transactions of a type which Parliament cannot be supposed to have contemplated. Disclosure shall be made of the total of losses and special payments if this exceeds £250,000, with separate disclosure and particulars of any individual amounts in excess of £300,000.

Disclosure shall also be made of any loss or special payment of £300,000 and below if it is considered material in the context of the Commission's operations.

*(g) particulars, as required by the accounting standard on related party disclosures, of material transactions during the period and outstanding balances at the year end (other than those arising from a contract of service or of employment with the Commission, between the Commission and a party that, at any time during the year, was a related party). For this purpose, notwithstanding anything in the accounting standards, the following assumptions shall be made:

- (i) transactions and balances of £5,000 and below are not material
- (ii) parties related to board members and key managers are as notified to the Commission by each individual board members or key manager
- (iii) the following are related parties:
 - (1) subsidiary and associate companies of the Commission;
 - (2) pensions funds for the benefit of employees of the Commission or its subsidiary companies (although there is no requirement to disclose details of contributions to such funds);
 - (3) board members and key managers of the Commission;
 - (4) members of the close family of board members and key managers;

-
- (5) companies in which a board member or key manager is a director;
 - (6) partnerships and joint ventures in which a board member or key manager is a partner or venture;
 - (7) trusts, friendly societies and industrial and provident societies in which a board member or key manager is a trustee or committee member;
 - (8) companies, and subsidiaries of companies, in which a board member or key manager has a controlling interest;
 - (9) settlements in which a board member or key manager is a settler or beneficiary;
 - (10) companies, and subsidiaries of companies, in which a member of the close family of a board member or key manager has a controlling interest;
 - (11) partnerships and joint ventures in which a member of the close family of a board member or key manager is a partner or venture;
 - (12) settlements in which a member of the close family of a board member or key manager is a settler or beneficiary;
 - (13) the Department for Communities and Local Government, as the sponsor Department for the Commission.

For the purposes of this sub-paragraph:

- (i) A key manager means a member of the Commission's Executive Team including the ex-officio and advisory members.
- (ii) The close family of an individual is the individual's spouse, the individual's relatives and their spouses, and relatives of the individual's spouse. For the purposes of this definition, "spouse" includes personal partners, and "relatives" means brothers, sisters, ancestors, lineal descendants and adopted children.
- (iii) A controlling shareholder of a company is an individual (or an individual acting jointly with other persons by agreement) who is entitled to exercise (or control the exercise of) 30% or more of the rights to vote at general meetings of the company, or who is able to control the appointment of directors who are then able to exercise a majority of votes at Commission meetings of the company.

* Note to paragraph (g) of Schedule 1: under the Data Protection Act 1998 individuals need to give their consent for some of the information in these sub-paragraphs to be disclosed. If consent is withheld, this should be stated next to the name of the individual.

Commission for Local Administration in England

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Local Government & Social Care OMBUDSMAN

24 July 2019

By email

Janet Waggott
Chief Executive
Selby District Council

Dear Ms Waggott

Annual Review letter 2019

I write to you with our annual summary of statistics on the complaints made to the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2019. The enclosed tables present the number of complaints and enquiries received about your authority, the decisions we made, and your authority's compliance with recommendations during the period. I hope this information will prove helpful in assessing your authority's performance in handling complaints.

Complaint statistics

As ever, I would stress that the number of complaints, taken alone, is not necessarily a reliable indicator of an authority's performance. The volume of complaints should be considered alongside the uphold rate (how often we found fault when we investigated a complaint), and alongside statistics that indicate your authority's willingness to accept fault and put things right when they go wrong. We also provide a figure for the number of cases where your authority provided a satisfactory remedy before the complaint reached us, and new statistics about your authority's compliance with recommendations we have made; both of which offer a more comprehensive and insightful view of your authority's approach to complaint handling.

The new statistics on compliance are the result of a series of changes we have made to how we make and monitor our recommendations to remedy the fault we find. Our recommendations are specific and often include a time-frame for completion, allowing us to follow up with authorities and seek evidence that recommendations have been implemented. These changes mean we can provide these new statistics about your authority's compliance with our recommendations.

I want to emphasise the statistics in this letter reflect the data we hold and may not necessarily align with the data your authority holds. For example, our numbers include

enquiries from people we signpost back to your authority, some of whom may never contact you.

In line with usual practice, we are publishing our annual data for all authorities on our website, alongside our annual review of local government complaints. For the first time, this includes data on authorities' compliance with our recommendations. This collated data further aids the scrutiny of local services and we encourage you to share learning from the report, which highlights key cases we have investigated during the year.

New interactive data map

In recent years we have been taking steps to move away from a simplistic focus on complaint volumes and instead focus on the lessons learned and the wider improvements we can achieve through our recommendations to improve services for the many. Our ambition is outlined in our [corporate strategy 2018-21](#) and commits us to publishing the outcomes of our investigations and the occasions our recommendations result in improvements for local services.

The result of this work is the launch of an interactive map of council performance on our website later this month. [Your Council's Performance](#) shows annual performance data for all councils in England, with links to our published decision statements, public interest reports, annual letters and information about service improvements that have been agreed by each council. It also highlights those instances where your authority offered a suitable remedy to resolve a complaint before the matter came to us, and your authority's compliance with the recommendations we have made to remedy complaints.

The intention of this new tool is to place a focus on your authority's compliance with investigations. It is a useful snapshot of the service improvement recommendations your authority has agreed to. It also highlights the wider outcomes of our investigations to the public, advocacy and advice organisations, and others who have a role in holding local councils to account.

I hope you, and colleagues, find the map a useful addition to the data we publish. We are the first UK public sector ombudsman scheme to provide compliance data in such a way and believe the launch of this innovative work will lead to improved scrutiny of councils as well as providing increased recognition to the improvements councils have agreed to make following our interventions.

Complaint handling training

We have a well-established and successful training programme supporting local authorities and independent care providers to help improve local complaint handling. In 2018-19 we delivered 71 courses, training more than 900 people, including our first 'open courses' in Effective Complaint Handling for local authorities. Due to their popularity we are running six more open courses for local authorities in 2019-20, in York, Manchester, Coventry and London. To find out more visit www.lgo.org.uk/training.

Finally, I am conscious of the resource pressures that many authorities are working within, and which are often the context for the problems that we investigate. In response to that situation we have published a significant piece of research this year looking at some of the

common issues we are finding as a result of change and budget constraints. Called, [Under Pressure](#), this report provides a contribution to the debate about how local government can navigate the unprecedented changes affecting the sector. I commend this to you, along with our revised guidance on [Good Administrative Practice](#). I hope that together these are a timely reminder of the value of getting the basics right at a time of great change.

Yours sincerely,

A handwritten signature in black ink, appearing to be 'MK' followed by a stylized flourish.

Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Local Authority Report: Selby District Council
For the Period Ending: 31/03/2019

For further information on how to interpret our statistics, please visit our [website](#)

Complaints and enquiries received

Adult Care Services	Benefits and Tax	Corporate and Other Services	Education and Children's Services	Environment Services	Highways and Transport	Housing	Planning and Development	Other	Total
0	2	1	0	1	0	1	10	0	15

Decisions made

				Detailed Investigations			
Incomplete or Invalid	Advice Given	Referred back for Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate (%)	Total
0	1	5	6	1	2	67	15
Note: The uphold rate shows how often we found evidence of fault. It is expressed as a percentage of the total number of detailed investigations we completed.							

Satisfactory remedy provided by authority

Upheld cases where the authority had provided a satisfactory remedy before the complaint reached the Ombudsman	% of upheld cases
0	0
Note: These are the cases in which we decided that, while the authority did get things wrong, it offered a satisfactory way to resolve it before the complaint came to us.	

Compliance with Ombudsman recommendations

Complaints where compliance with the recommended remedy was recorded during the year*	Complaints where the authority complied with our recommendations on-time	Complaints where the authority complied with our recommendations late	Complaints where the authority has not complied with our recommendations	
1	1	0	0	Number
	100%		-	Compliance rate**
Notes: * This is the number of complaints where we have recorded a response (or failure to respond) to our recommendation for a remedy during the reporting year. This includes complaints that may have been decided in the preceding year but where the data for compliance falls within the current reporting year. ** The compliance rate is based on the number of complaints where the authority has provided evidence of their compliance with our recommendations to remedy a fault. This includes instances where an authority has accepted and implemented our recommendation but provided late evidence of that.				

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Report Reference Number: A/19/8

To: Audit and Governance Committee
Date: 23 October 2019
Author: Phil Jeffrey; Audit Manager – Veritau
Jonathan Dodsworth; Counter Fraud Manager – Veritau
Rebecca Bradley; Information Governance Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Internal Audit, Counter Fraud and Information Governance Progress Report 2019/20

Summary:

The purpose of the report is to provide an update on progress made in delivering the internal audit work plan for 2019/20, and to summarise the findings of recent internal audit work. The report also updates the committee on counter fraud and information governance work undertaken so far in 2019/20.

Recommendations:

It is recommended that the committee:

- **note progress on delivery of internal audit, counter fraud and information governance work.**
- **approve the revised audit charter**

Reasons for recommendation

In accordance with the responsibility of the committee to review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary

1. Introduction and background

- 1.1** The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).
- 1.2** The Audit and Governance Committee approved the Internal Audit, Counter Fraud and Information Governance plans for 2019/20 at the meeting held on 10th April 2019.

- 1.3** The purpose of this report is to inform the committee of the progress made to date in delivering the 2019/20 plans.

2. The Report

- 2.1** Details of internal audit, counter fraud and information governance work undertaken in 2019/20 are included in the reports at Appendix A to C respectively.

Internal Audit

- 2.2** Veritau carries out internal audit work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3** Internal audit provides assurance on corporate governance arrangements, internal control and risk management to the Council's management team and this committee.
- 2.4** Specifically, this support is provided to the Council's section 151 officer on reviewing the Council's financial arrangements, and support and advice on relevant issues.
- 2.5** There are currently eight 2019/20 audits in progress as well as three 2018/19 reports at draft report stage. Three reports have been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2020 (the cut off point for 2019/20 audits).
- 2.6** The Council's audit charter was last approved by members in June 2017. In February 2019, CIPFA published updated guidance on the application of the Public Sector Internal Audit Standards (PSIAS) in local government. A number of minor updates to the audit charter are proposed to reflect the latest guidance. A copy of the proposed updated audit charter is included at Appendix D which includes tracked changes showing the revisions. A number of other small drafting changes are reflected in the document.

Counter Fraud

- 2.7** Veritau delivers a counter fraud service to the Council. The counter fraud team aims to prevent, detect and deter any fraud committed against the council. Veritau supports the Council's section 151 officer in delivering the Council's counter fraud strategy.
- 2.8** To date, the counter fraud team have recovered 4.8k in actual savings for the council and cancelled a Right to Buy application with an associated discount of £78k. A summary of counter fraud work carried out during 2019/20 is included at Appendix B.

Information Governance

- 2.9** Information Governance provides advice and assurance on the GDPR and Data Protection Act 2018. This includes the Information Asset Register, Privacy Notices, Data Protection Impact Assessments and project specific advice.
- 2.10** Progress has been made on the Information Asset Register and the Privacy Notices. Work is due to begin in October on updating policies. Veritau have advised on the Digital Workforce project, an Internal Review of a Subject Access Request and on a Security Incident. Training on Data Protection Rights and Principles is due to be provided in November.

3. Implications

- 3.1** There are no legal, financial, policy & risk, corporate plan, resource or other implications from this report.

4. Conclusion

- 4.1** Internal audit work is progressing in line with the agreed audit plan. Eight audits are currently in progress with more due to be started in the coming weeks. All audits have been scheduled in and timescales agreed with responsible officers. Progress will be reported to future committees.
- 4.2** The counter fraud team continue to help deliver the aims and objectives of the Council's counter fraud strategy. Fraud reported to the team is investigated and regularly reported on to the committee.
- 4.3** Some Information Governance work is progressing behind schedule due to delays in receiving information to complete the Information Asset Register. This work is due to be completed by 31 December 2019. Other work on projects has progressed in line with agreed timescales.

5. Background Documents

SDC Internal Audit, Counter Fraud and Information Governance Plans
2019/20

6. Appendices

Appendix A – Internal Audit progress report 2019/20
Appendix B – Counter Fraud progress report 2019/20
Appendix C – Information Governance progress report 2019/20
Appendix D – Revised audit charter

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Selby District Council

Internal Audit Progress Report 2019/20



Audit Manager:	Phil Jeffrey
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	23 rd October 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 accordance with the standards, the Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the 2019/20 Internal Audit Plan at their meeting on 10th April 2019. The total number of planned days for 2019/20 is 355 (including 33 days for risk management). This a 20 day reduction from last year in order to fund additional priority counter fraud work. This is a temporary one year reduction to reflect increased demand on the counter fraud service and will be reviewed at the end of the year. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.

Internal Audit Work Carried Out 2019/20

- 3 A summary of the audit work in progress and completed in the year to date is attached at Annex 1.
- 4 At the time of drafting this report, there are eight 2019/20 audits in progress. There are currently three 2018/19 reports at draft report stage. Three reports have been finalised since the last report to this committee (Annex 2). It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2020 (the cut off point for 2019/20 audits).
- 5 Veritau officers are involved in work in a number of other related areas:
 - **Support to the Audit and Governance Committee;** this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.
 - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.
 - **Risk Management;** Veritau facilitates the Council's risk management process and provides support, advice and training in relation to risk management. 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 (Veritau does not assess or score individual risks).
 - **Systems Development;** Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.
- 6 An overall opinion is given for each of the specific systems under review.

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 A number of actions have revised implementation dates. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be

raised with senior managers in accordance with the escalation procedure. Detailed updates on revised actions at Priority 2 and above can be found at Annex 3.

- 10 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). This is currently expected to be completed by 31 December 2019 and further details can be found at Annex 3.
- 11 All 64 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 63 have been satisfactorily implemented. The final action relates to an audit of Development Management where an implementation date cannot yet be agreed due to resourcing issues.
- 12 All 42 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 39 have been satisfactorily implemented. The other three 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	3	1	1	1
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
Total agreed actions	42	2	20	20

- 13 A total of 28 agreed actions from 2018/19 audits have been followed up with the responsible officers. Of these, 22 have been satisfactorily implemented. In the other 6 cases, the action 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 further 26 remaining actions agreed in 2018/19 audits have not yet been followed up because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

2018/19 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	22	1	14	7
Revised date agreed	6	0	2	4
Follow up in progress	3	0	2	1
Not yet followed up	23	0	16	7
Total agreed actions	54	1	34	19

Annex 1: 2019/20 Audits

Audit	Status	Audit Committee
<u>Corporate Risk Register</u>		
Savings Delivery	Not started	
Financial Resilience	Not started	
Organisational Development	Not started	
<u>Financial Systems</u>		
Benefits	Not started	
Capital Accounting (carried forward)	In progress	
Council Tax & NNDR	In progress	
Creditors	Not started	
General Ledger	Not started	
Housing Rents	Not started	
<u>Regularity / Operational Audits</u>		
Absence Management	Not started	
Assurance Mapping	Not started	
Community Engagement	In progress	
Community Infrastructure Levy	In progress	
Data quality	Not started	
Emergency Planning	Not started	
Health & Safety	Not started	
Planning	Support/Advice provided	
<u>Technical / Project Audits</u>		
Better Together	In progress	
Contract Management and Procurement	Not started	
ICT – Cyber Security Awareness	In progress	
ICT – User Access Levels	Not started	
Information Security	In progress	
Project Management	In progress	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
ICT Disaster Recovery	28 th August 2019	Reasonable Assurance	0	5	0
Performance Management	2 nd October 2019	Limited Assurance	0	6	1
General Ledger	2 nd October 2019	Substantial Assurance	0	1	1

Annex 2: Summary of audits completed to 3 October 2019; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
ICT Disaster Recovery	Reasonable Assurance	An audit of the Council's disaster recovery arrangements. It found that reasonable processes are in place, but a number of improvements were identified.	28 th August 2019	0	5	0	<p>The IT Disaster Recovery Plan (DRP) will be reviewed and updated to ensure that the information contained within it is correct. It will then be approved by the relevant Heads of Service at the Council and NYCC (the Council's ICT service provider)</p> <p>The IT risk register on Pentana will be reviewed and updated in line with the Council's Risk Management Guidance.</p> <p>As part of the review of the IT DRP, it will be updated to reflect priorities for system recovery.</p> <p>A testing schedule covering different sections</p>	<p>Due 31 December 2019</p> <p>Action complete.</p> <p>Due 31 December 2019</p> <p>Due 31 December 2019</p>

¹ Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
							<p>of the plan will be included in the revised IT DRP. It will require test results to be recorded and any issues identified during testing to be resolved.</p> <p>A new backup solution is now operational and allows daily backups to the DR site at NYCC, which will be stored for up to 3 months. Backup testing will be included in a new testing schedule.</p>	Due 31 December 2019
Performance Management	Limited Assurance	This reviewed the Council's performance review cycle for staff. It found that improvements could be made to training, guidance, completion rates and quality	2 nd October 2019	0	6	1	The PDR guidance will be reviewed, updated and re-issued in advance of the 2020/21 PDR process. This will cover the issues raised around timings and timeliness of response. Training was provided as part of the 2019/20 cycle and will be offered again to all those undertaking PDRs. For managers, this will	Due 31 December 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
		assurance.					<p>include guidance on the most appropriate style of PDR to undertake with specific groups of employee.</p> <p>The PDR forms have now been updated to include all required elements.</p> <p>For the 2020 PDR process regular reminders will be issued to ensure a significantly improved return rate by the 31 May deadline. This will ensure all staff have their training requirements considered as part of the training planning process</p> <p>For the 2020 cycle, completed PDRs will be reviewed by HR and returned to the manager involved if they have not been signed off.</p> <p>The training plan for the 2020 cycle will be</p>	<p>Implemented.</p> <p>Due 31 May 2020</p> <p>Due 31 May 2020</p> <p>Due 31 May 2020</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
							<p>completed within the timescales dictated by the Council guidance.</p> <p>HR will review completed PDRs to ensure that they contain all of the expected elements. Any with information missing will be returned to the manager involved.</p>	Due 31 May 2020
General Ledger	Substantial Assurance	An audit of the main accounting system and budgetary control. It found processes were working well but improvements could be made in relation to budget monitoring.	2 nd October 2019	0	1	1	The audit findings in relation to providing explanations for significant variations will be fed back to Extended Leadership Team and the need for engagement and ownership by budget managers will be re-emphasised. The results from quarterly monitoring at Q2 will be summarised and reported to Directorate Leadership Teams and if necessary (i.e. if engagement from budget managers is not evident)	Due 31 October 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
							this will be escalated to Leadership Team by the Head of Finance (and then repeated quarterly).	

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>
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					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. The Council has now put the order in to purchase CivicaPay – a hosted solution that removes the software

	<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>risks around compliance. Software to be implemented Q2 next year.</p> <p>Revised date of 30 Sep 20</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
Payroll	Training on payroll procedures will be provided and access to Resource Link for relevant officers is to be confirmed.	2	Head of Business Development & Improvement	31 July 2019	HR is going through a major service change that has impacted on who should be trained in which areas. This is likely to become clearer towards the end of 2019. Revised date of 31 March 2020
Project Management	As a result of actions implemented, 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 management requirements and LT will be able to address these.	2	Head of Business Development & Improvement	31 Dec 2019	In progress.
Project Management	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.	2	Head of Business Development & Improvement	31 Dec 2019	In progress.

Project Management	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 / approval processes	2	Head of Business Development & Improvement	31 Dec 2019	In progress.
Economic Development Framework	The work to develop action plans and budgets is currently underway 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.	2	Head of Economic Development and Regeneration	31 July 2019	Action complete.
Economic Development Framework	Each of the ten Priority Work Streams is made up of several individual components and action plans, many of which are not interdependent, so 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.	2	Head of Economic Development and Regeneration	30 Sep 2019	Action complete.
Council House Repairs	The new Housing Management System is modular and the repairs module will be implemented in the final phase.	2	Head of Operations	31 Mar 2020	In progress.

	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.				
Creditors	The procedure for processing requests to change supplier details will be explicitly followed in all circumstances on all occasions.	1	Customer Service Manager	Immediately	Implemented.
Creditors	Procedures for reviewing 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 senior management will develop a policy for addressing persistent issues identified.	2	Customer Service Manager	1 Sep 2019	The procedure has been updated for a dual check on a change of supplier. This is recorded on e-financials to illustrate the audit of the checks. Veritau has requested the procedure for review; this is in progress.
Creditors	Fraud awareness training relating to cyber security will be provided to all relevant staff.	2	Business & Revenue Service Manager	1 Sep 2019	Action complete.
Creditors	A report of new creditor accounts created will be run on a monthly basis and this will be reviewed by a separate member of staff from the individual who originally	2	Customer Service Manager	1 Sep 2019	A month end report is collated and the Customer Service Manager works

	created the creditors account. The results of this monitoring will be recorded on the report and reported to senior management on a regular basis.				through the change of supplier for that month, checking all details and that e-financials has been updated accordingly. Veritau has requested a report to review; this is in progress.
Creditors	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 separation of duties. All cases of invoices authorised above the officer's delegated authority will be investigated to confirm the authorisation was appropriate.	2	Data & Systems Team Leader	1 Sep 2019	An upgrade to the software is due in January 2020 so the service plan to wait for this to be completed before looking at any revised configuration. Revised date of 31 Mar 2020.
Creditors	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. Reconciliations between the Register and the e-Procurement System list of	2	Customer Service Manager	1 Sep 2019	Action complete.

	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.				
Contract Management and Procurement	The Contract Procedure Rules will be updated to include reference to breaches being 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.	2	Director of Corporate Services & Commissioning	31 Dec 2019	In progress.
Contract Management and Procurement	All breaches and waivers will be regularly reported to the Council's Leadership Team as part of a general report on procurement activities.	2	Director of Corporate Services & Commissioning	31 Dec 2019	In progress.



Selby District Council

Counter Fraud Progress Report 2019/20



Counter Fraud Manager:	Jonathan Dodsworth
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	23 rd October 2019

Background

- 1 Fraud is 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 corporate counter fraud service for Selby District Council. A corporate counter fraud service aims to prevent, detect and deter fraud and related criminality affecting an organisation. 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 Performance 2019/20

- 4 Up to 30 September, the fraud team detected £9.8k of loss to the council and achieved £4.8k in savings for the council as a result of investigative work. There are currently 15 ongoing investigations. A summary of counter fraud activity is included in the tables below.

COUNTER FRAUD ACTIVITY 2019/20

The tables below show the total number of fraud referrals received and summarises the outcomes of investigations completed during the year to date.

	2019/20 (As at 30/09/19)	2019/20 (Target: Full Year)	2018/19 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked).	88%	30%	50%
Amount of actual savings (quantifiable savings - e.g. CTS and CTAX) identified through fraud investigation.	£4,831	£14,000	£22,474
Amount of Right to Buy savings (savings through the cancellation of discounts through investigative work)	£78,200	n/a	£0

Caseload figures for the period are:

	2019/20 (As at 30/09/19)	2018/19 (Full Year)
Referrals received	49	112
Referrals rejected	24	61
Number of cases under investigation	15	12 ¹
Number of investigations completed	8	20

¹ As at 31/3/19

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>The 2018/19 National Fraud Initiative (NFI) is ongoing. Initial matches were released in March 2019 with further batches added over the past 6 months. In August, a final batch of 63 matches was released as a result of the matching of councils' data with HMRC data. This is the first time HMRC have been able to share their data with the NFI. A total of 599 matches have been identified and these are under review by the counter fraud team and relevant council departments.</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 to date includes the following:</p> <ul style="list-style-type: none"> • Council Tax Support fraud – To date the team has received 26 referrals for possible CTS fraud. Fraud and error of £6k has been detected during the current financial year, with savings of £4.8k achieved. There are currently 3 cases under investigation. • Council Tax fraud – 16 referrals for council tax fraud have been received in 2019/20. There are currently 8 cases under investigation. • NNDR fraud – Two referrals for NNDR fraud have been received in 2019/20. £3.3k in fraud and error has been detected in this area. Two cases are currently under investigation. • Housing fraud – The team has received five referrals for investigation in the year. There are currently 2 ongoing investigations in this area. An RTB application was stopped as a result of an investigation, producing £78k in savings. • Internal fraud – No cases of internal fraud have been reported this year.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • External fraud – An investigation regarding a cybercrime committed against the council was concluded this year. • Parking fraud – No cases relating to parking fraud have been reported this year.
Fraud liaison	<p>The fraud team acts as a single point of contact for the Department for Work and Pensions and is responsible for providing data to support their housing benefit investigations. The team have dealt with 53 requests on behalf of the council in 2019/20.</p> <p>In May 2019, the DWP began new joint working arrangements with councils in the Yorkshire and Humber region. Joint working involves council fraud investigation officers working with DWP counterparts to investigate benefit fraud that affects both organisations. To date there have only been a few joint investigations started and none have yet been completed.</p>
Fraud Management	<p>In 2019/20 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • 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. • In May, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2018/19, 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 2019. The information will contribute to a Cipfa national report detailing the extent fraud against local authorities.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • In September, the counter fraud team ran a cybercrime awareness week, delivering cybercrime awareness information to council employees through a number of bulletins provided over the course of the week.



Selby District Council

Information Governance Progress Report Quarter Two 2019



Information Governance Manager:	Rebecca Bradley
Head of Internal Audit:	Max Thomas
Date:	23 rd October 2019

PURPOSE OF THE REPORT

- 1 To provide an update on Information Governance matters and developments in the Council's Information Governance arrangements and compliance with relevant legislation.
- 2 Information governance is the framework established for managing, recording, protecting, using and sharing information assets in order to support the efficient and effective delivery of services. The framework includes management structures, policies and processes, technical measures and action plans. It helps to ensure information is handled securely and correctly, and provides assurance to the public, partners and other stakeholders that the Council is complying with all statutory, regulatory and best practice requirements. Information is a key asset for the Council along with money, property and human resources, and must therefore be protected accordingly. Information governance is however the responsibility of all employees.
- 3 The Council must comply with relevant legislation, including:
 - The Data Protection Act 2018
 - The General Data Protection Regulation (GDPR)
 - Freedom of Information Act 2000
 - Environmental Information Regulations 2004
 - Regulation of Investigatory Powers Act 2000
- 4 In March 2018, the Council appointed Veritau to be its statutory Data Protection Officer (DPO).
- 5 The Corporate Information Governance Group (CIGG) is responsible for overseeing information governance within the council. The group is chaired by the Head of Business Development and Improvement and provides overall direction and guidance on all information governance matters. CIGG also helps to support the Council's Senior Information Risk Owner (SIRO) to discharge their responsibilities. CIGG is currently coordinating the delivery of the GDPR action plan, which includes reviewing and updating the council's information governance strategy and policy framework. CIGG has met regularly during the year.

GDPR ACTION PLAN UPDATE

- 6 The corporate privacy notice has been updated and is available on the Council's website. Individual privacy notices are also being prepared by each service team. These are being reviewed by Veritau as they are completed and will be published on the website.
- 7 Work will begin to review and update the information governance policy framework in October.
- 8 The Information Asset Register has been amended to reflect GDPR compliance needs. Work is ongoing to ensure the register is correct and up to date. Veritau is working with the relevant service teams to complete this work. This work was due to be completed on the 17th September however a small

number of service areas have outstanding work to be completed. This has now been escalated to the SIRO.

TRAINING

- 9 The Council and Veritau successfully delivered a series of GDPR briefing sessions to all Council officers in March, April, and May 2018. However, it is recognised that some teams will require further service specific training sessions. These service specific training sessions are now being planned.
- 10 Veritau is in the final stage of finalising the training session for Data Protection Rights and Principles, planned for November 2019. The Records Management training sessions are planned for early 2020 as adjustments may need to be made due to the move to using Office 365.

INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 11 Information Security Incidents have been reported to Veritau as required. The incidents are assessed, given a RAG rating and then investigated as appropriate. Green incidents are unlikely to result in harm but indicate a breach of procedure or policy; Amber incidents represent actual disclosure, but harm is unlikely to be serious; and Red incidents are sufficiently serious to be considered for self-reporting to the ICO. Some incidents are categorised as 'white'. White incidents are where there has been a failure of security safeguards but no breach of confidentiality, integrity, or availability has actually taken place (i.e. the incident was a near miss). Only one red incident was reported to Veritau and this did not meet the threshold for reporting to the Information Commissioners Office (ICO).
- 12 The number of Security Incidents reported to Veritau in 2019-20 are as follows:

Year	Quarter	Red	Amber	Green	White	Total
2019/20	Q1	1	0	0	0	1
	Q2	0	0	0	0	0
	Q3	0	0	0	0	0
	Q4	0	0	0	0	0
	Total	1	0	0	0	0

Subject Access Requests – Internal Reviews

- 13 Veritau do not process Subject Access Requests for Selby however we do advise on Internal Reviews when appropriate.
- 14 Veritau are currently advising on one Internal Review and are working with the service area to complete this.

Data Protection Impact Assessments

Digital Workforce Project

- 15 Veritau are working with the service area to support the project lead with Information Governance and Records Management advice for the project duration.
- 16 A Data Protection Impact Assessment is being developed by the project lead with support by Veritau who will sign off on the Assessment once it is completed. This is a legal requirement under GDPR to assess Data Protection risks when new technologies are being introduced. This will be completed before the system goes live.
- 17 Veritau have attended meetings in relation to this project with Phoenix Software, an external organisation.



Selby District Council

Internal Audit Charter

~~14 June 2017~~ 23 October 2019

1 Introduction

- 1.1 There is a statutory duty on the Council to undertake an internal audit of the effectiveness of its risk management, control and governance processes. The Accounts and Audit Regulations 2015 also require that the audit takes into account public sector internal auditing standards or guidance. The Chartered Institute of Public Finance and Accountancy (CIPFA) is responsible for setting standards for proper practice for local government internal audit in England.
- 1.2 From 1 April 2017 CIPFA adopted revised Public Sector Internal Audit Standards (PSIAS)¹ compliant with the Institute of Internal Auditors' (IIA) International Standards. The PSIAS and CIPFA's local government application note for the standards represent proper practice for internal audit in local government. This charter sets out how internal audit at Selby District Council will be provided in accordance with this proper practice.
- 1.3 This charter should be read in the context of the wider legal and policy framework which sets requirements and standards for internal audit, including the Accounts and Audit Regulations, the PSIAS and application note, and the Council's constitution, regulations and governance arrangements.

2 Definitions

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

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

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

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

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

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

3 Application of the standards

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

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

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

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

- 3.3 The PSIAS defines internal audit as follows.

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

- 3.4 The Council acknowledges the mandatory nature of this definition and confirms that it reflects the purpose of internal audit in Selby. The Council also requires that the service be undertaken in accordance with the code of ethics and standards set out in the PSIAS. To provide optimum benefit, the Council required that internal audit work in partnership with management to improve the control environment and help the organisation achieve its objectives.

4 Scope of internal audit activities

- 4.1 The scope of internal audit work will encompass the Council's entire control environment², comprising its systems of governance, risk management, and control.
- 4.2 The scope of audit work also extends to services provided through partnership arrangements, irrespective of what legal standing or particular form these may take. The Head of Internal Audit, in consultation with all relevant parties and taking account of audit risk assessment processes, will determine what work will be carried out by the internal audit service, and what reliance may be placed on the work of other auditors.

5 Responsibilities and objectives

- 5.1 The Head of Internal Audit is required to provide an annual report to the Audit and Governance Committee. The report will be used by the Committee to inform its consideration of the Council's annual governance statement. The report will include:
- the Head of Internal Audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management, and control
 - any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme
 - a statement on conformance with the PSIAS (including the code of ethics and standards) and the results of the quality assurance and improvement programme.
- 5.2 To support the opinion the Head of Internal Audit will ensure that an appropriate programme of audit work is undertaken. In determining what work to undertake the service should:
- adopt an overall strategy setting out how the service will be delivered in accordance with this Charter
 - draw up an indicative risk based audit plan on an annual basis following consultation with the Audit and Governance Committee and senior

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

management. The audit plan will also reflect the requirements of the Charter, the strategy, and proper practice.

- consider trends and emerging issues that may impact the organisation

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

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

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

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

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

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

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

6 Organisational independence

- 6.1 It is the responsibility of directors and service managers to maintain effective systems of risk management, internal control, and governance. Auditors will have no responsibility for the implementation or operation of systems of control and will remain sufficiently independent of the activities audited to enable them to exercise objective professional judgement.
- 6.2 Audit advice and recommendations will be made without prejudice to the rights of internal audit to review and make further recommendations on relevant policies, procedures, controls and operations at a later date.
- 6.3 The Head of Internal Audit will put in place measures to ensure that individual auditors remain independent of areas they are auditing for example by:
- rotation of audit staff
 - ensuring staff are not involved in auditing areas where they have recently been involved in operational management, or in providing consultancy and advice⁵

7 Accountability, reporting lines, and relationships

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

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

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

- 7.3 The Chief Finance Officer (~~as s151 officer~~) has a statutory specific responsibilities for ensuring that the Council has ~~an~~ effective systems of risk management and internal control. The role includes a responsibility to ensure that the Council has put in place arrangements for effective internal audit in place. In recognition of ~~this, a protocol has been drawn up setting out the relationship between internal audit and the Chief Finance Officer.~~ the importance of the relationship between the Chief Financial Officer and internal audit (recognised in the standards), a protocol has been drawn up setting out a relationship between them. This is included in Appendix 1.
- 7.4 The Head of Internal Audit will report independently to Audit and Governance Committee/⁷ on:
- proposed allocations of audit resources
 - any significant risks and control issues identified through audit work
 - his/her/their annual opinion on the Council's control environment.
- 7.5 The Head of Internal Audit will informally meet in private with members of the Audit and Governance Committee, or the Committee as a whole as required. Meetings may be requested by committee members or the Head of Internal Audit.
- 7.6 The Audit and Governance Committee/ will oversee (but not direct) the work of internal audit. This includes commenting on the scope of internal audit work and approving the annual audit plan. The Committee will also protect and promote the independence and rights of internal audit to enable it to conduct its work and report on its findings as necessary⁸.

8 Fraud, consultancy services and non-audit services

- 8.1 The primary role of internal audit is to provide assurance services to the Council. However, the service may also be required to undertake fraud investigation and other consultancy work to add value and help improve governance, risk management and control arrangements.
- 8.2 The prevention and detection of fraud and corruption is the responsibility of directors and service managers. However, all instances of suspected fraud and corruption should be notified to the Head of Internal Audit, who will decide on the course of action to be taken in consultation with relevant service managers and/or other advisors (for example human resources). Where appropriate, cases of suspected fraud or corruption will be investigated by Veritau.

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

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

- 8.3 Where appropriate, Veritau may carry out other consultancy related work, for example specific studies to assess the economy, efficiency, and effectiveness of elements of service provision. The scope of such work will be determined in conjunction with service managers. Such work will only be carried out where there are sufficient resources and skills within Veritau and where the work will not compromise the assurance role or the independence of internal audit. Details of all significant consultancy assignments completed in the year will be reported to the Audit and Governance Committee.
- 8.4 Where Veritau provides non-audit services (for example information governance), appropriate safeguards will be put in place to ensure audit independence and objectivity are not compromised. These safeguards include the work being performed by a separate team with different line management arrangements. Separate reporting arrangements will also be maintained. The Head of Internal Audit will report any instances where audit independence or objectivity may be compromised to the Chief Finance Officer and the Audit and Governance Committee. The Head of Internal Audit will also take steps to limit any actual or perceived impairment that might occur (for example by arranging for the audit of these services or functional activities to be overseen externally).

9 Resourcing

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

10 Rights of access

- 10.1 To enable it to fulfil its responsibilities, the Council gives internal auditors employed by Veritau the authority to:
- enter all Council premises or land, at any reasonable time
 - have access to all data, records, documents, correspondence, or other information - in whatever form - relating to the activities of the Council
 - have access to any assets of the Council and to require any employee of the Council to produce any assets under their control
 - be able to require from any employee or member of the Council any information or explanation necessary for the purposes of audit.
- 10.2 Directors and service managers are responsible for ensuring that the rights of Veritau staff to access premises, records, and personnel are preserved, including

where the Council's services are provided through partnership arrangements, contracts or other means.

11 Review

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

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

1 In recognition of the statutory duties of the Council's Chief Finance Officer (the CFO) ~~for internal audit~~, this protocol has been adopted to form the basis for a sound and effective working relationship between the CFO and internal audit.

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

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

Relationship between the Audit and Governance Committee and internal audit

- 1 The Audit and Governance Committee play a key role in ensuring the Council maintains a robust internal audit service and it is therefore essential that there is an effective working relationship between the Committee and internal audit. This protocol sets out some of the key responsibilities of internal audit and the Committee.
- 2 The Committee will seek to:
 - (i) raise awareness of key aspects of good governance across the organisation, including the role of internal audit and risk management
 - (ii) ensure that adequate resources are provided by the Council so as to ensure that internal audit can satisfactorily discharge its responsibilities
 - (iii) protect and promote the independence and rights of internal audit to conduct its work properly and to report on its findings as necessary.
- 3 Specific responsibilities in respect of internal audit include the following.
 - (i) Oversight of, and involvement in, decisions relating to how internal audit is provided.
 - (ii) Approval of the internal audit charter.
 - (iii) Consideration of the annual report and opinion of the Head of Internal Audit (HoIA) on the Council's control environment.
 - (iv) Consideration of other specific reports detailing the outcomes of internal audit work.
 - (v) Consideration of reports dealing with the performance of internal audit and the results of its quality assurance and improvement programme.
 - (vi) Consideration of reports on the implementation of actions agreed as a result of audit work and outstanding actions escalated to the Committee in accordance with the approved escalation policy.
 - (vii) Approval (but not direction) of the annual internal audit plan.
- 4 In relation to the Audit and Governance Committee, the HoIA will:
 - (i) attend its meetings and contribute to the agenda
 - (ii) ensure that overall internal audit objectives, workplans, and performance are communicated to, and understood by, the Committee
 - (iii) provide an annual summary of internal audit work, and an opinion on the Council's control environment, including details of unmitigated risks or other issues that need to be considered by the Committee

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

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

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Agenda Item 9



Report Reference Number: A/19/9

To:	Audit and Governance Committee
Date:	23 October 2019
Author:	Dawn Drury, Democratic Services Officer
Lead Officer:	Karen Iveson, Chief Finance Officer

Title: External Audit Progress Report

Summary:

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

Recommendations:

To consider the External Audit Progress Report.

Reasons for recommendation

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

1. Introduction and background

- 1.1 The report has been submitted by the external Auditor, Mazars and provides the Committee with a progress report in relation to the work and responsibilities of the external auditors.

2. The Report

- 2.1 The report is attached at Appendix A, and sets out a summary of external audit work yet to be completed for the 2018/19 financial year, along with a summary of the planning work to be undertaken in relation to the 2019/20 external audit.
- 2.2 The report also refers to recent national publications and highlights other relevant updates.

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

3. Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to consider the report.

5. Background Documents

None.

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Appendices:

A – External Audit Progress Report



Audit progress report

Selby District Council

October 2019





CONTENTS

1. **Audit progress**
2. **National publications**

This document is to be regarded as confidential to Selby District Council. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

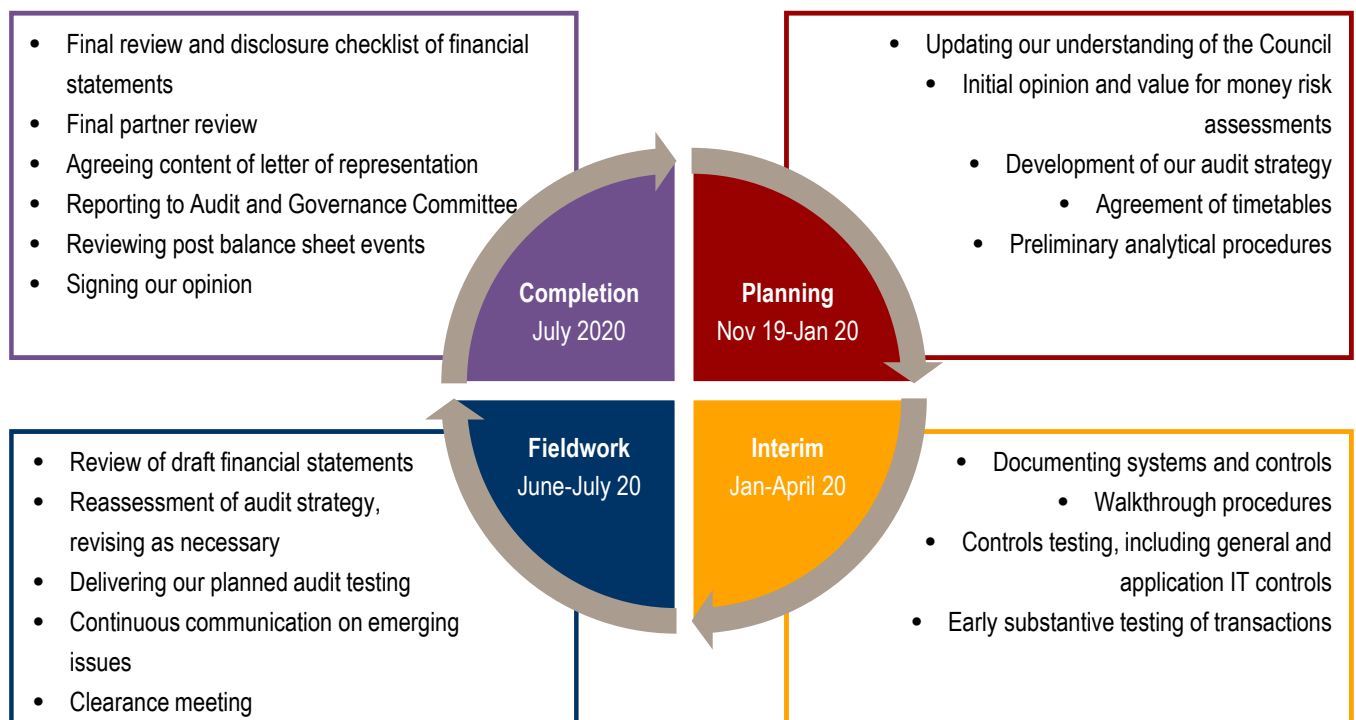
Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors.

Audit progress

The 2018/19 audit has been completed and we have issued the Annual Audit Letter for the year which is also on the agenda.

Work in the next quarter will include assurance work in respect of the 2018/19 Housing Benefits Subsidy return.



2. NATIONAL PUBLICATIONS

	Publication/update	Key points
National Audit Office (NAO)		
1.	Whole of Government Accounts 2017/18	Qualified.
2.	Consultation – new Code of Audit Practice from 2020	Second stage of consultation to take place in the second half of 2019. New Code to take effect from 2020/21.
Public Sector Audit Appointments Ltd (PSAA)		
3.	Local audit quality forum	June 2019 meeting slides are now available covering practical help for Audit Committees from a range of sources.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
4.	A practical guide for Local Authorities on Income Generation (2019 edition)	Updated publication. With more authorities relying on income generation to balance their budgets, the guide can help finance staff stand at arms-length to ensure councils act prudently.
Mazars		
5.	Rethinking Social Value: Unlocking Resources to Improve Lives	Research in respect of social value.
Local Government Association		
6.	Spending Round 2019: on the day briefing	Briefing on the latest spending round.

2. NATIONAL PUBLICATIONS

1. Whole of Government Accounts 2017/18, National Audit Office, May 2019

The Whole of Government Accounts consolidates the accounts of over 8,000 bodies across the public sector, including central and local government and public corporations such as the Bank of England, to produce an accounts-based picture of the UK's public finances. It sets out what the government receives, pays, owns and owes.

The headline results in WGA 2017/18 show income of £760.9 billion (2016/17 £720.8 billion), expenditure of £814.8 billion (2016/17 £760.7 billion). After financing costs are taken into account, the net expenditure for WGA is £212.4 billion (2016/17 £97.8 billion). On the Statement of Financial Position, WGA shows total assets of £2,013.8 billion (2016/17 £1,903.0 billion), and liabilities of £4,579.2 billion (2016/17 £4,323.7 billion).

The 2017/18 WGA has been qualified as a result of qualifications in underlying accounts and as a result of issues relating to the boundary, non coterminous year ends, and accounting policies applied by the Treasury when carrying out the WGA consolidation.

<https://www.nao.org.uk/report/whole-of-government-accounts-2017-18/>

2. Consultation – new Code of Audit Practice from 2020, NAO, May 2019

Schedule 6 of the Act requires that the Code be reviewed, and revisions considered at least every five years. The current Code came into force on 1 April 2015, and the maximum five-year lifespan of the Code means it now needs to be reviewed and a new Code laid in Parliament in time for it to come in to force no later than 1 April 2020.

The consultation is taking place in two stages. The first has concluded and the second will be undertaken in the second half of 2019. The NAO plans to consult on the draft Code text during late summer/autumn and then finalise the Code by the end of 2019, ready to be laid in Parliament early in 2020. The new Code will apply from audits of local bodies' 2020/21 financial statements onwards.

The first stage of the consultation showed broad support for maintaining the principles-based nature of the Code, being the wider scope of public audit, independence and public reporting. However the responses highlighted that this should be supported by more detailed sector-specific guidance.

Value for money arrangements

The 2014 Act places a specific duty on the local auditor to be satisfied whether the body they are auditing has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. In the current Code, this is referred to as work on arrangements to secure value for money (VFM arrangements).

Currently, the auditor reports against a single overall criterion as to whether: "In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people."

There were three common issues identified, namely:

- financial sustainability;
- financial governance; and
- wider partnership working.

The NAO plans to consider how the auditor should report their findings on the adequacy of arrangements, and whether this should be replaced, or supplemented, by a commentary on the specified risks set out in auditor guidance.

<https://www.nao.org.uk/code-audit-practice/about-code/>

2. NATIONAL PUBLICATIONS

3. Local audit quality forum June 2019 slides, Public Sector Audit Appointments, June 2019

The local audit quality forum meeting place in which all of the parties which share a responsibility for audit quality can share experiences and good practice. The June 2019 slides are now available as per the link below. The forum addressed 'practical help for Audit Committees', including the following:

- what should the Audit Committee look for in the financial statements?
- what is it like being an Audit Committee Chair;
- support for Audit Committees from CIPFA;
- how can Internal Audit help the Audit Committee to deliver its remit;
- support from the Local Government Association for Audit Committees; and
- new Code of Audit Practice consultation.

The next event is in November 2019. Local bodies, including Selby District Council, which have opted into PSAA's national scheme are entitled to attend LAQF events free of charge (up to two delegates per body).

<https://www.psaa.co.uk/wp-content/uploads/2019/06/10-07-19-LAQF-Presentation-Slides.pdf>

4. A practical guide for Local Authorities on Income Generation (2019 edition), CIPFA, July 2019

CIPFA's revised income generation guide reflects on the income generation issues of 2019 and the changes that are being made.

The issues that are examined in this publication include:

- the need for thorough testing and business cases to robustly assess income proposals;
- the impact of the 2018 MHCLG Statutory Investment Guidance; and
- how the pattern of local authority income is changing.

The guide will allow councils to maximise their income potential against a backdrop of Brexit uncertainties and other economic changes. With more authorities relying on income generation to balance their budgets, the guide can help finance staff stand at arms-length to ensure councils act prudently.

The publication also has practical guidance on income generation for different service areas and there is a full coverage of discretionary charging rules.

<https://www.cipfa.org/policy-and-guidance/publications/a/a-practical-guide-for-local-authorities-on-income-generation-2019-edition>

5. Rethinking Social Value: Unlocking Resources to Improve Lives, Mazars, June 2019

We have been taking views from our clients in the public and not-for-profit sectors on how social value is defined, delivered and its impact on communities. We are pleased to share the results of this research in our brand new report: '*Rethinking social value: unlocking resources to improve lives*'. The report focuses on:

- the opportunities around social value;
- leadership, communication, and building support;
- case studies highlighting innovative approaches in charities, not-for-profits and private sector partnerships; and
- how to measure the impact of social value.

<https://www.mazars.co.uk/Home/Industries/Public-Services/Public-Services-Insights/Rethinking-Social-Value>

2. NATIONAL PUBLICATIONS

6. Spending Round 2019: on the day briefing, Local Government Association, September 2019

Briefing issued by LGA in early September.

Key messages

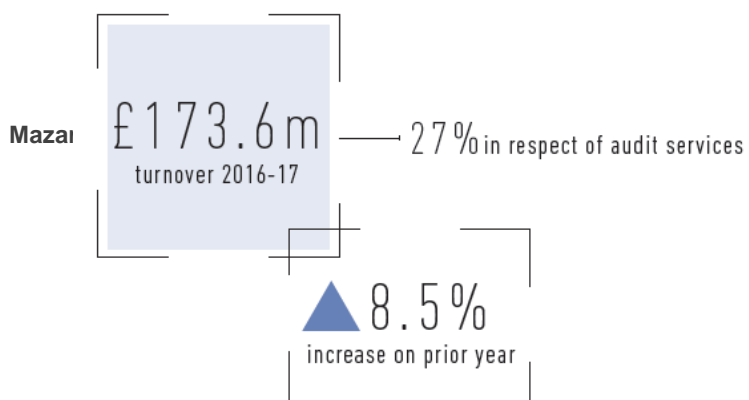
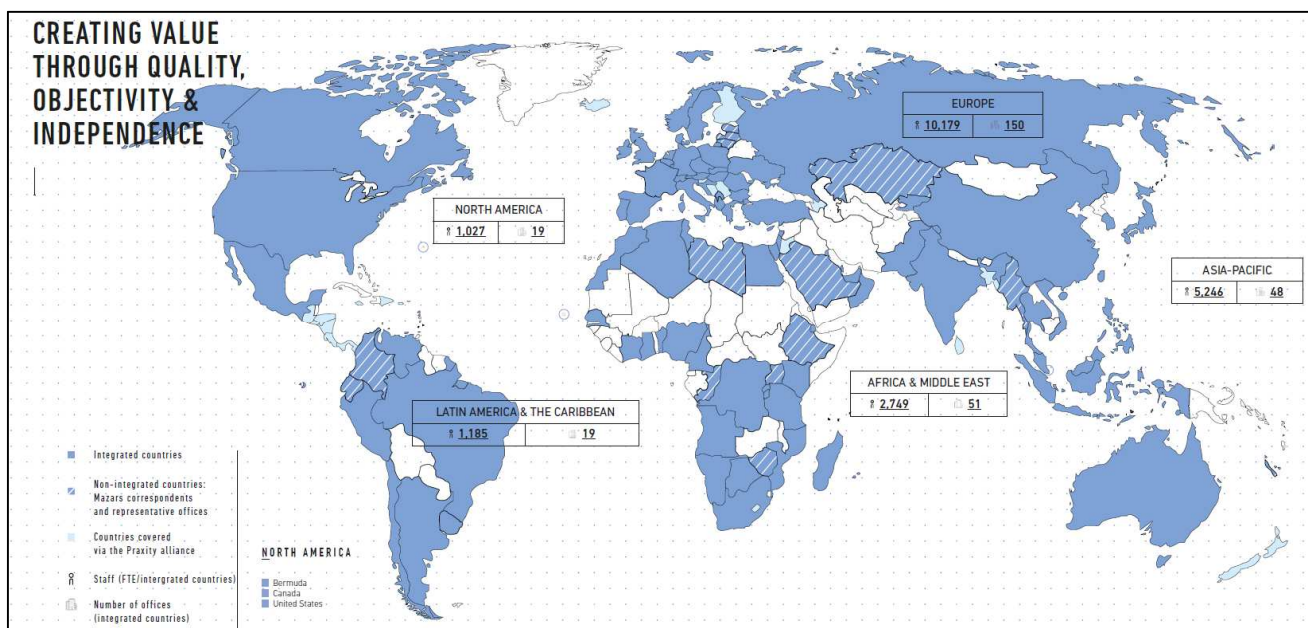
- The 2019 Spending Round has provided councils with much of the funding certainty and stability they need for next year. The Chancellor has announced a funding package of more than £3.5 billion for vital council services. This is the biggest year on year real terms increase in spending power for local government in a decade. This funding will allow councils to meet the increase in cost and demand pressures they face in 2020/21, which we assess as amounting to £2.6 billion.
- We are pleased the Government has responded to our calls and provided desperately-needed new money, including £1 billion for social care and £700 million for children and young people with special educational needs and disabilities. The Chancellor confirmed that key grants to local government will also continue next year.
- With this investment councils will be better able to ensure older and disabled people can live the lives they want to lead. Councils will also be better able to support our most vulnerable young people, and to continue to improve their local areas.

<https://www.local.gov.uk/parliament/briefings-and-responses/spending-round-2019-day-briefing>

MAZARS AT A GLANCE

Mazars LLP

- Fee income €1.5 billion
- Over 86 countries and territories
- Over 300 locations
- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand



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Report Reference Number: A/19/10

To:	Audit and Governance Committee
Date:	23 October 2019
Author:	Dawn Drury, Democratic Services Officer
Lead Officer:	Karen Iveson, Chief Finance Officer

Title: External Annual Audit Letter 2019

Summary:

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

Recommendations:

To consider the External Annual Audit Letter.

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 summarises the work undertaken for the Council 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 work undertaken for the financial year ending 31 March 2019.
- 2.2 The report confirms that the audit was completed in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (UK and Ireland).
- 2.3 The report also sets out key challenges and risks to the Council for the financial year 2019/20.

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

3. Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to consider the report.

5. Background Documents

None.

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Appendices:

A – External Annual Audit Letter



Annual Audit Letter

Selby District Council
Year ending 31 March 2019





CONTENTS

1. Executive summary
2. Audit of the financial statements
3. Value for money conclusion
4. Other reporting responsibilities
5. Our fees
6. Forward look

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

1. EXECUTIVE SUMMARY

Purpose of the Annual Audit Letter

Our Annual Audit Letter summarises the work we have undertaken as the auditor for Selby District Council (the Council) for the year ended 31 March 2019. Although this letter is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (the NAO). The detailed sections of this letter provide details on those responsibilities, the work we have done to discharge them, and the key findings arising from our work. These are summarised below.

Area of responsibility	Summary
Audit of the financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that the financial statements:</p> <ul style="list-style-type: none">• give a true and fair view of the Council's financial position as at 31 March 2019 and of its expenditure and income for the year then ended; and• have been prepared properly in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.
Other information published alongside the audited financial statements	<p>Our auditor's report issued on 31 July 2019 included our opinion that:</p> <ul style="list-style-type: none">• the other information in the Statement of Accounts is consistent with the audited financial statements.
Value for money conclusion	<p>Our report concluded that we are satisfied that in all significant respects, the 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.</p>
Reporting to the group auditor	<p>On 16 August 2019 we reported that your activity was below the threshold set by the NAO, meaning we were not required to review the Whole of Government Accounts return.</p>
Statutory reporting	<p>Our auditor's report confirmed that we did not use our powers under s24 of the 2014 Act to issue a report in the public interest or to make written recommendations to the Council.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Opinion on the financial statements

Unqualified

The scope of our audit and the results of our work

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our audit was conducted in accordance with the requirements of the Code of Audit Practice issued by the NAO, and International Standards on Auditing (ISAs). These require us to consider whether:

- the accounting policies are appropriate to the Council's circumstances and have been consistently applied and adequately disclosed;
- the significant accounting estimates made by management in the preparation of the financial statements are reasonable; and
- the overall presentation of the financial statements provides a true and fair view.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in our view, the financial statements give a true and fair view of the Council's financial position as at 31 March 2019 and of its financial performance for the year then ended.

Our approach to materiality

We apply the concept of materiality when planning and performing our audit, and when evaluating the effect of misstatements identified as part of our work. We consider materiality throughout the audit process, in particular when determining the nature, timing and extent of our audit procedures, and when evaluating the effect of uncorrected misstatements. An item is considered material if its misstatement or omission could reasonably be expected to influence the economic decisions of users of the financial statements.

Judgements about materiality are made in the light of surrounding circumstances and are affected by both qualitative and quantitative factors. As a result we have set materiality for the financial statements as a whole (financial statement materiality) and a lower level of materiality for specific items of account (specific materiality) if we decide attract public interest. We also set a threshold for reporting identified misstatements to the We call this our trivial threshold.

The table below provides details of the materiality levels applied in the audit of the financial statements for the year ended 31 March 2019:

Financial statement materiality	Our financial statement materiality is based on 2% of gross operating expenditure at surplus / deficit on provision of services level.	£1.079m
Trivial threshold	Our trivial threshold is based on 3% of financial statement materiality.	£0.032m

1. Executive summary

2. Audit of the financial statements

3. Value for money conclusion

4. Other reporting responsibilities

5. Our fees

6. Forward look

2. AUDIT OF THE FINANCIAL STATEMENTS

Our response to significant risks

As part of our continuous planning procedures we considered whether there were risks of material misstatement in the Council's financial statements that required special audit consideration. Risks are categorised as either significant (highest level), enhanced or standard.

We reported significant risks identified at the planning stage to the Audit and Governance Committee within the Audit Strategy Memorandum and provided details of how we responded to those risks in our Audit Completion Report. The table below outlines the identified significant and enhanced risks, the work we carried out on those risks and our conclusions.

Identified significant risk	Our response	Our findings and conclusions
Management override of controls In all entities, management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur, we consider there to be a risk of material misstatement due to fraud and thus a significant risk on all audits.	We addressed this risk by carrying out audit work in the following areas: <ul style="list-style-type: none">• 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.	There were no significant issues arising from our work that we were required to report to you.

2. AUDIT OF THE FINANCIAL STATEMENTS

Significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Property, plant and equipment valuations</p> <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>	<p>We addressed this risk via:</p> <ul style="list-style-type: none"> 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. 	<p>Council Dwellings were valued at 1 April 2018, and there was no evidence of review for any material changes at the balance sheet date of 31st March 2019. Valuation indices confirmed there was a material movement, and Council Dwelling values needed to be increased in line with market indices, resulting in a £2.185m adjustment.</p> <p>For one group of Council Dwellings, the value in the asset register did not agree to the value provided by the valuer, resulting in a £2.2m understatement in the valuation of Council Dwellings. The Council has adjusted the financial statements.</p> <p>We identified 8 assets where the value in the asset register did not agree to the value provided by the valuer. This led to an overstatement of assets in the financial statements of £334k. The Council did not adjust the financial statements for this error.</p> <p>Overall we obtained the assurance sought that PPE valuations were not materially misstated.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Significant risks (continued)

Identified significant risk	Our response	Our findings and conclusions
<p>Defined benefit liability valuation (pensions)</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>	<p>We addressed this risk by:</p> <ul style="list-style-type: none"> 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 included 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 included 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. 	<p>Legal rulings in respect of GMP equalisation and transitional provisions created additional defined benefit liabilities. These were not taken into account in the actuary's original estimate of the defined benefit liability. Management obtained updated figures from the actuary to identify the impact of these rulings on the defined benefit liabilities. This 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.</p>

2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations

As part of our audit we considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls.

We identified no internal control recommendations as part of audit. The results of our follow up of prior year recommendations are set out below.

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 unpresented 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.

2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations (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 as 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 has 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 occurred in 2018/19.

2. AUDIT OF THE FINANCIAL STATEMENTS

Internal control recommendations (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 has not identified any further issues in 2018/19.

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Our audit approach

We are required to consider 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.

Our auditor's report, issued to the Council on 31 July 2019, stated that, in all significant respects, the Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31st March 2019.

Sub-criteria	Commentary	Arrangements in place?
Informed decision-making	<p>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.</p> <p>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.</p> <p>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.</p> <p>Performance issues are included in reports where appropriate, and overall performance outcomes are monitored quarterly and also included in the Council's Annual Report.</p> <p>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.</p> <p>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.</p>	Yes

1. Executive summary

2. Audit of the financial statements

3. Value for money conclusion

4. Other reporting responsibilities

5. Our fees

6. Forward look

3. VALUE FOR MONEY CONCLUSION

Value for money conclusion

Unqualified

Sub-criteria	Commentary	Arrangements in place?
Sustainable resource deployment	<p>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.</p> <p>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 Drax power 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.</p> <p>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.</p> <p>The Council continues to deliver its financial plans and the 2018/19 outturn achieved a £59k underspend against the general fund budget.</p>	Yes
Working with partners and other third parties	<p>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.</p> <p>Another example is the commissioning of leisure services, including the opportunity presented by the new leisure village, through Wigan Leisure and Cultural Trust (WLCT).</p> <p>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.</p>	Yes

1. Executive summary

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4. OTHER REPORTING RESPONSIBILITIES

Exercise of statutory reporting powers	No matters to report
Completion of group audit reporting requirements	Below review threshold
Other information published alongside the audited financial statements	Consistent

The National Audit Office's (NAO) Code of Audit Practice and the 2014 Act place wider reporting responsibilities on us, as the Council's external auditor. We set out below, the context of these reporting responsibilities and our findings for each.

Matters on which we report by exception

The 2014 Act provides us with specific powers where matters come to our attention that, in our judgement, require reporting action to be taken. We have the power 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 statutory reporting powers.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. On 16 August 2019 we reported that your activity was below the threshold set by the NAO, meaning we were not required to review the WGA return.

Other information published alongside the financial statements

The Code of Audit Practice requires us to consider whether information published alongside the financial statements is consistent with those statements and our knowledge and understanding of the Council. In our opinion, the other information in the Statement of Accounts is consistent with the audited financial statements.

5. OUR FEES

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work in the Audit Strategy Memorandum, presented to the Audit and Governance Committee in April 2019.

Having completed our work for the 2018/19 financial year, we can confirm that our final fees are as follows:

Area of work	2018/19 proposed fee	2018/19 final fee
Delivery of audit work under the NAO Code of Audit Practice	£34,425	£34,425
Housing Benefit Subsidy Claim	£12,450	£12,450*

*subject to completion of work.

Fees for other work

We confirm that we have not undertaken any non-audit services for the Council in the year.

6. FORWARD LOOK

Financial outlook

The Council delivered an underspend of £59k for 2018/19. The Council is forecasting a breakeven position for 2019/20 but the financial outlook remains uncertain for the short and medium-term.

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 Drax power 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. The Programme for Growth has further spending planned for 2019/20.

Strategic and operational challenges

As set out above, the Council is in a position where it has one-off windfall funds available for investment, but the base budget continues to face the same austerity pressures as other public sector bodies, meaning that a key area of focus for the Council will be continued strong budget management and the identification of further savings in the base budget, wherever possible. The Council will need to ensure operational and financial plans deliver statutory duties within available resources.

Next year's audit and how we will work with the Council

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

In the coming year we will continue to:

- liaise with the Council's Internal Auditors to minimise duplication of work;
- attend Audit and Governance Committee meetings and present Audit Progress Reports including updates on regional and national developments; and
- host events for officers such as our Local Government Accounts workshop.

We will meet officers to identify any learning from the 2018/19 audit and will continue to share our insights from across local government and relevant knowledge from the wider public and private sector.

In terms of the technical challenges that officers face around the production of the statement of accounts, we will continue to work with them to share our knowledge of new accounting developments and we will be on hand to discuss any issues as and when they arise.

The Council has taken a positive and constructive approach to our audit and we wish to thank Members, the Audit and Governance Committee and officers for their support and co-operation during our audit.



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Report Reference Number: A/19/11

To: Audit and Governance Committee
Date: 23 October 2019
Author: Karen Iveson, Chief Finance Officer
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Admittance of Scarborough Borough Council to Veritau North Yorkshire

Recommendations:

It is recommended that Scarborough Borough Council be re-admitted to Veritau North Yorkshire, subject to obtaining the necessary shareholder approvals and the satisfactory conclusion of due diligence checks.

Reasons for recommendation

To improve the company's resilience and efficiency.

1. Introduction and background

- 1.1 This report seeks shareholder approval for the re-admittance of Scarborough Borough Council into Veritau North Yorkshire Ltd.
- 1.2 Veritau North Yorkshire (VNY) was established in 2012, as a subsidiary of Veritau Ltd. Veritau is wholly owned by North Yorkshire County Council and City of York Council. Veritau North Yorkshire was established with Veritau holding 50% shareholding and five North Yorkshire district councils equally sharing the remaining 50%.
- 1.3 In 2014, one of those councils, Scarborough Borough Council opted to leave the shared service and to instead establish its own in-house team for internal audit and fraud services. The council therefore ceased to be a member of VNY, with the remaining four districts again equally sharing 50% of the company shares.
- 1.4 As a result of subsequent budget cuts this in-house team has now reduced in size and consists of 4 FTE posts including the Head of Internal Audit. The programme of work is approximately 500 days per annum. The Head of Internal Audit post is also now vacant. The council has recognised that the

current arrangements are no longer sustainable and has therefore asked to be re-admitted to Veritau North Yorkshire.

- 1.5 Given the original company structure, it is therefore proposed that Scarborough Borough Council is re-admitted as a member to Veritau North Yorkshire Limited.

2 The Report

- 2.1 The re-admittance of Scarborough Borough Council will impact on the current company share holdings. Subject to the agreement of the existing shareholders a share reorganisation would be undertaken to facilitate this. The new shareholding would be:

- Hambleton District Council – 10%
- Richmondshire District Council – 10%
- Ryedale District Council – 10%
- Scarborough Borough Council – 10%
- Selby District Council – 10%
- Veritau Limited – 50%

This is the same shareholding that existed when VNY was first established.

- 2.2 Scarborough Borough Council will be asked to make a capital contribution to the company of approximately £10k.
- 2.3 As a shareholder in the company, Scarborough Borough Council will be able to appoint a director to the board. In addition the existing company articles and shareholders' agreement will be reviewed and updated, if necessary, as part of the integration process.
- 2.4 Subject to approval, Scarborough Borough Council will transfer responsibility for internal audit and counter fraud services to VNY on 1 April 2020. Interim management support will be provided to the council during the transition period.
- 2.5 Those members of staff currently undertaking these services will transfer to the company on 1 April 2020. The transfer will be completed in accordance with the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) and the Collective Redundancies and Transfer of Undertakings (Protection of Employment) (Amendment) Regulations 2013. VNY will complete a consultation exercise with those members of staff identified as being in scope and the relevant unions.
- 2.6 Scarborough Borough Council will be expected to enter into a long-term service contract with VNY. It is also expected that any existing contracts held

by Scarborough Borough Council for the supply of audit or fraud services to third parties will be novated to VNY.

- 2.7 Due diligence will also be undertaken although the information received to date does not indicate any potential problems.

3. Implications

- 3.1 The proposal complies with the relevant legal framework concerning Local Authority companies and trading.

- 3.2 There are no direct financial implications for the Council in approving the recommendations. Whilst the Council's shareholding in VNY will reduce, the company largely breaks-even and company dividends are not anticipated.

- 3.3 There are a number of advantages for Veritau and its shareholders in accepting additional council members, including:

- greater efficiencies and cost savings through economies of scale;
- the ability to retain skilled and experienced staff by creating greater critical mass and providing more opportunities for career development and specialism;
- an improved Teckal¹ position (which in turn increases the company's ability to sell services to other external clients);
- an increased profile – being seen as the supplier of choice for assurance services in the region;
- the ability for our partners to sell other traded services to the new councils;
- the reduced risk that these councils and others might collaborate and create a potential rival service or join up with another existing partnership resulting in increased competition.

- 3.4 An alternative approach would be for Veritau to offer to supply services to Scarborough Borough Council on a contractual basis. However, any service is likely to be more limited in nature (for example the provision of management support or the completion of discrete packages of work). Any contract might also be relatively short providing less certainty to all parties. The 'Teckal' implications would also not be favourable and therefore this approach is not recommended.

¹ The Teckal exemption allows participating authorities to award contracts to jointly owned companies without the need for a procurement exercise subject to a number of conditions being satisfied. One of these conditions is that the value of external work should not exceed 20% of total activities.

4. Conclusion

- 4.1 Re-admitting Scarborough Borough Council into VNY would add resilience and further efficiency to our internal audit service.

5. Background Documents

None

6. Appendices

None

Contact Officers:

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Agenda Item 13

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

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