



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 30 JANUARY 2019**
Time: **5.00 PM**
Venue: **COMMITTEE ROOM - CIVIC CENTRE, DONCASTER ROAD,
SELBY, YO8 9FT**
To: **Councillors K Arthur (Chair), I Reynolds (Vice-Chair),
J Cattanach, J Chilvers, B Marshall, M McCartney and
B Sage**

Agenda

1. Apologies for Absence

2. Disclosures of Interest

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

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

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

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

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

3. Minutes (Pages 1 - 6)

To confirm as a correct record the minutes of the Audit and Governance Committee held on 24 October 2018.

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

5. Audit Action Log (Pages 7 - 8)

To review the Audit Action Log.

6. Audit and Governance Work Programme (Pages 9 - 10)

To note the current Work Programme and consider any amendments.

7. Information Governance Annual Report 2018 (A/18/13) (Pages 11 - 16)

To note the report from the Senior Solicitor to the Council, which provides an update on information governance issues matters during 2018.

8. External Audit Progress Report (A/18/14) (Pages 17 - 28)

To consider the External Audit Progress Report.

9. Review of Risk Management Strategy (A/18/15) (Pages 29 - 48)

To receive the report from the Audit Manager (Veritau), which presents the reviewed Risk Management Strategy, and asks the Committee to endorse the actions of officers in furthering the progress of risk management.

10. Corporate Risk Register 2018/19 (A/18/16) (Pages 49 - 72)

To receive the report from the Audit Manager (Veritau), which provides an update on movements within the Corporate Risk Register, and asks the Committee to endorse the actions of officers in furthering the progress of risk management.

11. Internal Audit and Counter Fraud Progress Report (A/18/17) (Pages 73 - 108)

To receive the report from the Audit Manager (Veritau) and Counter Fraud Manager (Veritau), which asks the Committee to note the update on progress made in delivering the internal audit and counter fraud work for 2018/19; and comment on the results of the external assessment of internal audit.

12. Review of Annual Governance Statement Action Plan 2017/18 (A/18/18) (Pages 109 - 116)

To note the report from the Chief Finance Officer, which presents progress on the Annual Governance Statement (AGS) 2017/18.

13. Counter Fraud Framework Update (A/18/19) (Pages 117 - 160)

To approve the updated Counter Fraud and Corruption Strategy Action Plan; in addition the Committee are asked to comment on and note the updated Counter Fraud Risk Assessment.

Appendix C to the report is exempt from publication by virtue of paragraph 3 in Part 1 of Schedule 12A of the Local Government Act 1972 (as amended). If councillors wish to discuss information contained within the appendix it will be necessary to pass the following resolution to exclude the press and public:

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 item as there will be disclosure of exempt information as defined in Section 100(1) of the Act as described in paragraph 3 of Part 1 of Schedule 12(A) of the Act.

14. Annual Review of the Constitution (A/18/20) (Pages 161 - 170)

To receive the report from the Democratic Services Manager / Deputy Monitoring Officer, which asks the committee to consider the proposed changes to the Constitution and provide comments.

Janet Waggott

Janet Waggott, Chief Executive

Dates of next meetings (5.00pm)

Wednesday, 10 April 2019

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

Recording at Council Meetings

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

Audit & Governance Committee
Wednesday, 30 January 2019

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Minutes

Audit & Governance Committee

Venue:	Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 24 October 2018
Time:	5.00 pm
Present:	Councillor K Arthur (Chair), Councillor I Reynolds (Vice-Chair) (from minute item 24), Councillor J Chilvers, Councillor B Marshall, Councillor M McCartney and Councillor B Sage (from minute item 22)
Officers present:	Karen Iveson (Chief Finance Officer (s151), Danielle Stanley (Trainee Solicitor), Nicola Hallas (Manager, Mazars LLP), Mark Kirkham (Partner, 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 Jo Nylan (Senior Solicitor)
Public:	0
Press:	0

16 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillor J Cattanach.

17 DISCLOSURES OF INTEREST

There were no disclosures of interest.

18 MINUTES

The Committee considered the minutes of the Audit and Governance

Committee meeting held on 25 July 2018.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 25 July 2018.

19 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair welcomed Nicola Hallas to the Audit and Governance Committee, who had replaced Gavin Barker as the external auditor from Mazars.

The Chair reported that the government had announced it was to strengthen rules preventing people found guilty of serious crimes or misbehaviour from serving on local councils. The Committee were informed that the current rules made it clear that anyone convicted of an offence carrying a prison sentence of more than three months was banned from serving as a local councillor, however the new measures would see the disqualification rules changed to include those who were subject to an Anti-Social Behaviour Injunction, a Criminal Behaviour Order, a Sexual Risk Order or who were on the Sex Offenders' Register.

The Chair explained that the changes followed a consultation in 2017 which Selby District Council responded to, to confirm that the Council broadly welcomed the proposals however, suggested that certain fraud offences should also be included and that the rules for disqualifying people from standing as MP's should be brought into line with the rules for council candidates. It was noted that the changes would occur when there was sufficient parliamentary time available as revisions to three separate Acts of Parliament were required.

In relation to a consultation on local government ethical standards by the Committee for Standards in Public Life which had been considered by the Audit Committee earlier in the year, the Chair informed the meeting that the council's response was amongst 317 that the Committee had received. It was explained that the consultation responses were now being analysed and the report was due in December 2018. Members were informed that the Committee would make recommendations on the contents of Codes of Conduct and the availability of effective sanctions. It was noted that the final report of the Committee would be brought to the Audit and Governance Committee in January 2019 for discussion.

20 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

The Democratic Services Officer provided an update on the remaining action, which was noted by the Committee.

RESOLVED:

To note the Audit Action Log.

Audit & Governance Committee – Minutes
Wednesday 11 October 2018

21 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

The Democratic Services Officer asked the Committee to consider the rescheduling of the Committee meeting due to take place on 24 April 2019, due to the Easter break and close proximity to the Elections; it was proposed that the date be brought forward to Wednesday 10 April 2019. The Committee approved the amendment.

RESOLVED:

- i. To note the Work Programme.**
- ii. To reschedule the Audit and Governance meeting due to take place on 24 April 2019 to Wednesday 10 April 2019.**

22 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 2017-18 (A/18/9)

The Committee received the report, presented by the Trainee Solicitor who explained that the Local Government and Social Care Ombudsman was the final stage for complaints made against Local Authorities. It was confirmed that the Council had received 23 complaints in the year 2017/18 with 9 referred back to the Council for a local resolution; of the remaining 14 only 5 cases had been progressed to a detailed investigation by the Ombudsman, of which none were upheld.

The Chair questioned the purpose of Appendix A in the report as it contained no information relating to Selby District Council. It was explained that the appendix provided a national picture and was there for completeness. The Chair requested that for future years it be highlighted that the appendix was purely for information.

RESOLVED:

To note the Local Government and Social Care Ombudsman Annual Review Letter.

23 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT (A/18/10)

The Audit Manager, Veritau presented the report and drew the Committee's attention to the fact that in order to comply with the Public Sector Internal Audit Standards (PSIAS), internal auditors working in local government were required to maintain a quality assurance and improvement programme (QAIP) with an external assessment of their working practices undertaken at least once every five years. It was highlighted that the last external assessment of Veritau was carried out in

April 2014 by the South West Audit Partnership (SWAP); therefore a further assessment was to be undertaken by SWAP in November 2018.

The Committee were informed that the assessment would include a review of documentary evidence and face to face interviews with a number of senior officers; the assessors may also wish to speak with the Chair of the Audit Committee. It was confirmed that the results of the assessment would be included in a future internal audit progress report to the Committee.

The Audit Manager, Veritau pointed out that seven 2018/19 audits were in progress and highlighted to the Committee the progress in agreed actions, the finalised report on the audit of creditors and the current status and key options for the audits reported previously.

The Counter Fraud Manager, Veritau presented the section of the report related to the counter fraud work being undertaken in 2018/19. The Committee was informed that 36% of completed fraud investigations had resulted in a successful outcome, actual savings of £4,900 had been achieved as a result and 54 fraud referrals had been received.

In relation to data matching, the Committee received an update on the 2018/19 National Fraud Initiative (NFI), a regular data matching exercise run by the Cabinet Office. It was explained that data was currently being gathered and processed and the results were expected to be released in February 2019. Results had recently been released around the NFI pilot project that the Council had participated in; there were over 4,400 matches to be reviewed.

The Committee asked a number of questions of officers, and noted the contents of the report.

RESOLVED:

- i. **To note the report.**
- ii. **To note the arrangements for external assessment of internal audit.**

24 EXTERNAL ANNUAL AUDIT LETTER (A/18/12)

The Partner, Mazars LLP requested that agenda item 10, External Annual Audit Letter 2018 be considered prior to agenda item 9, External Audit Progress Report for continuity, the Chair was in agreement.

The Partner, Mazars LLP presented the report and highlighted that the External Annual Audit Letter was a formal report on the outcome of the external audit, and that the positive findings had been presented to the Committee at the previous meeting in July 2018.

The Committee's attention was drawn to page 191 of the report which

confirmed that the forward look at the financial outlook was good and that the Council had continued to make good progress in addressing the financial challenges from public sector austerity.

In response to a query relating to why property was valued with plant and equipment. The Partner, Mazars LLP stated that it was in accordance with government practice.

RESOLVED:

To note the report.

25 EXTERNAL AUDIT PROGRESS REPORT (A/18/11)

The Committee considered the report presented by the Manager, Mazars LLP which provided the Committee with a progress report in relation to the work and responsibilities of the external auditors. It was explained that the report set out a summary of the planning work to be undertaken in relation to the 2018/19 external audit.

The scale of the Social Care problem was queried by the Committee, the Partner, Mazars LLP pointed out that this was a North Yorkshire County Council issue however, adult social care had been identified as a key area of pressure with projected funding gaps in the future. The Chief Finance Officer highlighted that when government resets the system of local government finance from 2020/2021, district council funding would be watched with interest as the effects could be felt by Selby District Council, and confirmed that although the Council had reasonable reserves some of those monies were committed to specific items and therefore this risk would require careful management.

RESOLVED:

To note the report.

The meeting closed at 5.29 pm.

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Audit and Governance Committee: Action Log 2017-18

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
17 Jan 2018	32 - Information Governance Annual Report	To ask the Solicitor to the Council to present the information in a table in the 2018 Information Governance Annual Report	The Solicitor to the Council will look at incorporating the changes in the 2018 Information Governance Annual Report.	GM	In progress

Officers:

KI - Karen Iveson, Chief Finance Officer

GM - Gillian Marshall, Solicitor to the Council

JR - June Rothwell, Head of Operational Services

SR - Stuart Robinson, Head of Business Improvement and Development

DSO - Democratic Services Officer

Last updated: 25-Jul-18

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Audit and Governance Committee Work Programme 2018/19

30 January 2019	Review of Action Log	To consider the latest Action Log
	Information Governance Annual Report 2018	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 and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	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 2017/18	To review the Annual Governance Statement Action Plan 2017/18
	Counter Fraud Policy Review	To review the Counter Fraud Policy

10 April 2019	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 and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Internal Audit and Counter Fraud Plan 2019/20	To approve the Internal Audit and Counter Fraud Plan 2019/20
	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 2018/19	To approve the 2018/19 Annual Report of the Audit and Governance Committee
	Work Programme 2019/20	To approve the Audit and Governance Committee Work Programme for 2019/20

Agenda Item 7



Report Reference Number: A/18/13

To: Audit and Governance Committee
Date: 30 January 2019
Author: Caroline Fleming, Senior Solicitor
Lead Officer: Stuart Robinson, Head of Business Development & Improvement

Title: Information Governance Annual Report

Summary:

This is the Council's annual report on Information Governance arrangements for 2018.

Recommendations:

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

Reasons for recommendation

To meet the requirement within the Audit and Governance Committee Terms of Reference.

1. Introduction and background

1.1 The current arrangement of annual reporting started following the Council's internal auditors (Veritau) publishing their report into their review of the Information Governance and Data Protection arrangements at Selby District Council in 2014. A project was established with a view to putting in place systems and controls to address the issues identified and the plan was updated as the original actions were completed. Subsequent audits took place and found that the arrangements for managing risk were poor, with significant control weaknesses in key areas and major improvements required before an effective control environment would be in operation. Their overall opinion of the controls within the system at the time of the audit was that they provided Limited Assurance. A project was established with a view to putting in place systems and controls to address the issues identified during the audit.

- 1.2 To reflect changes brought about by the General Data Protection Regulation (GDPR) a new Information Governance Strategy and policies have been put in place. A Central Information Governance Group (CIGG) was set up with terms of reference and membership from Legal, Policy and Performance, Business Development and Improvement, Data and Systems, Customers, Development Management, Contracts and Commissioning, Democratic Services, Operations and Veritau to monitor compliance.
- 1.3 All staff received briefings on the GDPR on 16 April, 25 April and 4 May 2018 and further mandatory training was rolled out. IG is included in induction briefings.
- 1.4 In 2018 Veritau published a report in relation to the Information Security check for 2018. As for the report for 2016/2017 the key finding of the report is that the Council is reasonably well protected against accidental disclosure of information.

2. The Report

- 2.1 This report sets out the information governance issues that have arisen during 2018.

- 2.2 General Data Protection Regulation (GDPR)

The GDPR came into force on 25th May 2018 and the Data Protection Act 1998 has been replaced by the Data Protection Act 2018. It is expected that the provisions of the GDPR will remain in force post-Brexit, and for the foreseeable future.

Although in general the principles of data protection remain similar, there is greater focus on evidence-based compliance with specified requirements for transparency, more extensive rights for data subjects and considerably harsher penalties for non-compliance. The GDPR introduces a principle of ‘*accountability*’. This requires that organisations must be able to *demonstrate compliance*.

The new data protection legislation requires that the Council has a Data Protection Officer. Veritau Limited undertake this role on behalf of Selby District Council. In addition an information asset register has been produced to understand the Council’s information assets and the risks to them.

Veritau and the CIGG have identified priority areas going forward in relation to the Information Asset Registers, Privacy Notices, training, policy review, communications and the preparation of an information governance strategy for 2019-20.

- 2.3 Information sharing agreements

The Council remains a signatory to the North Yorkshire Multi Agency Information Sharing Protocol.

The Council is in the process of completing a variation to data sharing agreements in relation to the settlement of Syrian refugees in the District to reflect changes brought about by GDPR.

The CIGG action plan includes an action to review information sharing arrangements in 2019.

2.4 Information Security checks

Veritau carried out an information security check at the Civic Centre in 2018. The purpose of the check was to test the systems in place and assess the extent to which confidential, personal or sensitive data is stored securely and to ensure that data security is being given sufficient priority within council offices.

The last check was in 2018. Overall, the checks established that the Council is reasonably well protected against accidental disclosure of information. However, weaknesses were identified such as lack of key safes and unclear desks which have since been addressed.

2.5 Data Protection Breaches

The number of data protection breaches represents an increase in incidents from the previous year but this is considered to be the result of increased awareness of both the requirements around data breaches and the correct procedure. The purpose of the procedure is to document breaches so that lessons can be learned and procedures can be updated. Data breaches are monitored through the CIGG.

Within the Council a number of data security incidents have been investigated since the last report to Committee in January 2017.

The first breach in January 2018 was at a level that required reporting to the ICO who decided that the data protection breach did not meet their criteria for formal enforcement action. The Council took action in relation to recommendations that arose following its own investigation which included further data protection and software training and quality management of information held. The remaining breaches were identified as amber and did not reach the threshold of referral to the ICO. The incidents were:

- Disclosure of personal details on planning portal
- Email sent to address in corporate address book in error
- Benefit notification letter sent to wrong person
- Annual bill sent to wrong person
- Rent arrears collection letter sent to wrong person
- Council tax bill & Housing benefit entitlement letter sent to wrong person
- Council tax bill sent to wrong person
- Acknowledgement letter sent to wrong person
- Award letter sent to wrong person
- Email sent to wrong person
- disclosure of personal details on planning portal
- Letter sent to wrong person

Personal email addresses sent to others
 Invoice request sent to wrong email address
 Email forwarded to local authority in error
 Email forwarded with another customers email
 Signature on public access
 Witness statement sent to wrong person
 Email sent with another person's work mobile number

Each incident was subject to a formal breach review by the relevant Lead Officer. Recommendations arising from the breach investigations were implemented locally.

2.6 Freedom of Information

The key findings of the report are that the Council currently has a well defined system in place to administer and respond to FOI requests. As reported in January 2017 the Council's response rate was 80.18% completed in time. Following the re-introduction of a system for chasing responses from service areas before they are due and also introducing an escalation process to senior management if a response is at imminent risk of being classified late the "in time" response rate increased.

The table below shows the number of FOI requests received and responded to in 2018 which shows a response "in time" of 90.42%.

Month	Received	Outstanding	Completed	% in time (20 days)	% out of time (20 days)
Jan-18	61	0	61	90.16%	9.84%
Feb-18	68	0	67	88.06%	11.94%
Mar-18	59	0	59	84.75%	15.25%
Apr-18	69	0	69	94.20%	5.80%
May-18	54	0	54	88.89%	11.11%
Jun-18	60	0	60	93.33%	6.67%
Jul-18	68	0	68	88.24%	11.76%
Aug-18	67	0	67	88.06%	11.94%
Sep-18	45	0	44	88.64%	11.36%
Oct-18	63	1	62	88.71%	11.29%
Nov-18	52	2	50	92.00%	8.00%
Dec-18	38	5	33	100.00%	0.00%
Total	704	8	694	90.42%	9.58%

The Council's performance data for 2015 reported to the Audit and Governance Committee showed a response "in time" rate of 77.59%. The performance data reported for 2016 and 2017 showed a response "in time" rate of 80.18% and 95.45% respectively.

The target being worked to is 86% as the Information Commissioner will consider formal performance monitoring of an authority where it responds to 85% or fewer requests within the statutory time period. Performance during 2018 has been above target. Legal Services and Business Support continue to work with service areas to ensure that requests are responded to within statutory time limits.

The CIGG will be reviewing the requests and look at “repeat requests” and publication on the website.

3 Legal/Financial Controls and other Policy matters

Legal Issues

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

Financial Issues

- 3.2 There are no financial issues in this report.

Impact Assessment

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

4. Conclusion

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

5. Background Documents

None

Contact Officer:

*Caroline Fleming
Senior Solicitor
Selby District Council
cfleming@selby.gov.uk*

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Agenda Item 8



Report Reference Number: A/18/14

To: Audit and Governance Committee
Date: 30 January 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, which sets out a summary of external audit work completed to date and highlights that the planning work in relation to the 2018/19 external audit is now underway.

2.2 The report also sets out key emerging national issues and developments which may be of interest to the Committee.

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

3. Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

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Appendices:

A – External Audit Progress Report

External Audit progress report

Selby District Council

January 2019





CONTENTS

- 1. Audit progress**
- 2. Request for information**
- 3. National publications**

This document is to be regarded as confidential to the 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

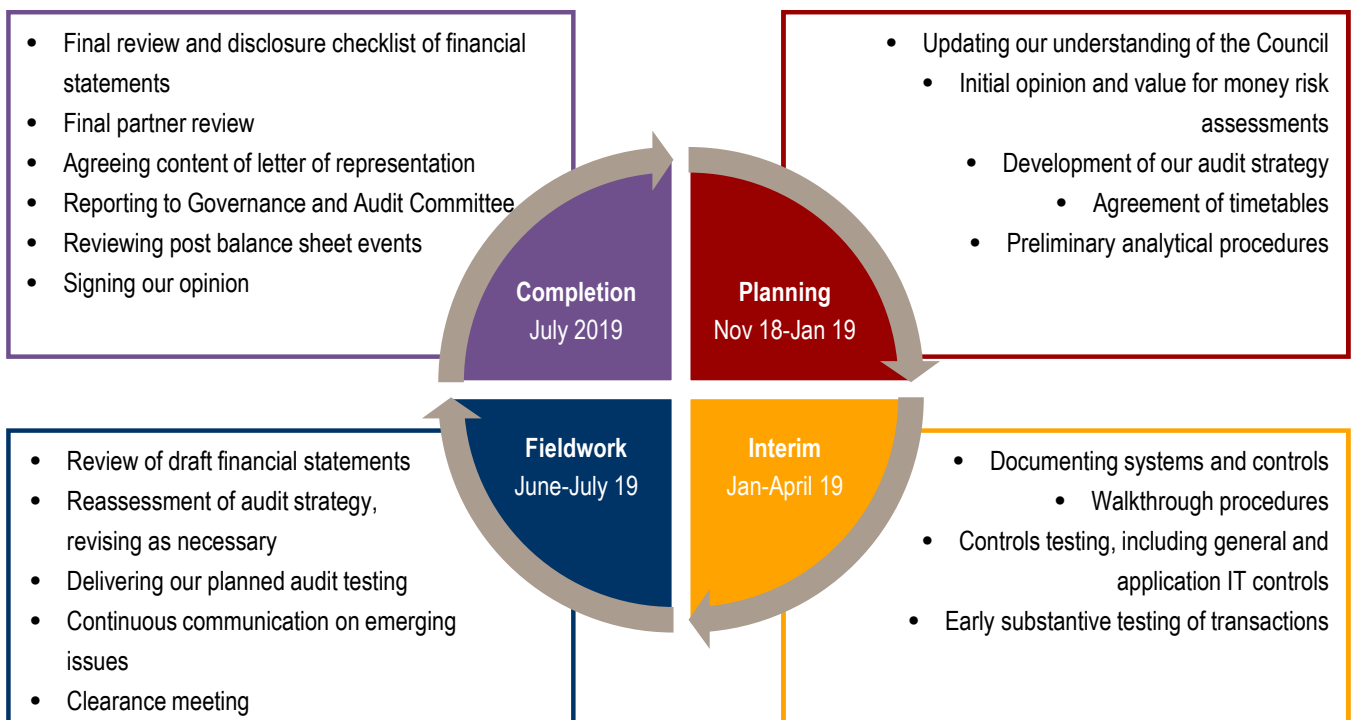
Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditor.

Audit progress

Our key audit stages are summarised in the diagram shown below. Upon completion of our initial planning and risk assessment, we will present our Audit Strategy Memorandum to the Governance and Audit Committee for discussion. This will set out the significant risks we have identified for the audit, for both the opinion on the statement of accounts and the value for money conclusion, and our approach to the audit.

There are no significant matters arising from our work that we are required to report to you at this stage.



Financial Reporting Workshops

Planning of our Local Government Financial Reporting workshops for early in the New Year is well advanced. These workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items will include a revisit of 2017/18 issues including early close implications, changes in the 2018/19 Code and a forward look to future regulatory and policy changes. The Leeds event is on Wednesday 30th January 2019 at our new Leeds Office at Wellington Place and we have invited relevant officers from the Council.

1. AUDIT PROGRESS (CONTINUED)

Certification of claims and returns

As the Council's appointed auditor, we acted as an agent of Public Sector Audit Appointments (PSAA) who were responsible for making certification arrangements for specified claims and returns for 2017/18 and the only claim or return within this regime was the Housing Benefit Subsidy Return.

The prescribed tests for our housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing Benefit Subsidy Return, on completion of the specified work, we issue a certificate. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by a local authority, the grant paying body may withhold or claw-back grant funding.

The 2017/18 Housing benefits return was amended and was subject to a qualification letter. Detailed findings, including the extrapolation of errors identified, were reported in our qualification letter to the Department for Work and Pensions (DWP) dated 29 November 2018. The table below details our findings.

Claim or return	Value of claim or return	Amended	Qualified
Housing benefit subsidy	£14,973,513	Reduction of £6k arising from reconciliation adjustments identified by officers which had not been completed when the original claim was submitted.	<p>There were two reporting issues.</p> <p>We identified 3 errors in a sample of 60 cases for rent rebates where benefit had been incorrectly paid as a result of the Council miscalculating the claimants average weekly income. These cases resulted in an overstatement of £117.17. If extrapolated across the population, subsidy would have been overstated by £1,025.</p> <p>We identified 6 errors in a sample of 60 cases for rent allowances where benefit had been incorrectly paid as a result of the Council miscalculating claimants' average weekly income. These cases all resulted in understatements and, as such, no amendments or extrapolations were required.</p>

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

We welcome the assistance provided by officers with this work, which enables us to complete our certification work as efficiently and effectively as possible.

1. AUDIT PROGRESS (CONTINUED)

Certification Fees

PSAA set an indicative fee for our work on the Council's Housing Benefit Subsidy Return. This indicative fee, and the final fee charged for 2017/18 is detailed in the table below:

Claim or return	2017/18 indicative fee	2017/18 final fee	2016/17 final fee
Housing benefit subsidy	£13,450 + VAT	£13,450 + VAT	£10,628 + VAT

2. REQUEST FOR INFORMATION

International Auditing Standards require auditors to enquire about arrangements the entity has put in place:

- to prevent and detect fraud; and
- to comply with applicable law and regulations.

Our request also covers the appropriateness of the going concern assumption.

We list our questions below and would be grateful if the Committee could provide a response by 31 March 2019. Your responses will inform our assessment of the risk of fraud and error within the financial statements, which in turn determines the extent of audit work we need to undertake.

1. How do you exercise oversight of management's processes in relation to:

- undertaking an assessment of the risk that the financial statements may be materially misstated due to fraud or error;
- identifying and responding to risks of fraud in the Trust, please detail any specific risks of fraud which management have identified, and classes of transactions, account balances, or disclosure for which a risk of fraud is likely to exist;
- communicating to employees its view on business practice and ethical behaviour; and
- communicating to you the processes for identifying and responding to fraud or error.

2. How do you oversee management processes for identifying and responding to possible breaches of internal control? Are you aware of any significant breaches of internal control during 2018/19?

3. How do you gain assurance that all relevant laws and regulations have been complied with? Are you aware of any instances of significant non-compliance during 2018/19?

4. Are you aware of any actual or potential litigation or claims that would affect the financial statements?

5. Have you carried out a preliminary assessment of the going concern assumption and if so have you identified any events which may cast significant doubt on the Council's ability to continue as a going concern?

2. NATIONAL PUBLICATIONS

Publication / update	
National Audit Office (NAO)	
1.	Adult social care at a glance
2.	Financial sustainability of local authorities 2018 visualisation
Chartered Institute of Public Finance and Accountancy (CIPFA)	
3.	Code of Practice on Local Authority Accounting / supporting guidance notes for practitioners – 2018/19 Accounts
4.	Implementation date for IFRS 16 Leases

1. Adult social care at a glance, NAO, July 2018

This overview updates the report 'Adult social care in England: an overview (2014)', highlighting key trends, developments and system pressures. This report includes a diagram setting out the interaction of local authority and health services amongst others.

Adult social care covers social work, personal care and practical support for adults with a physical disability, a learning disability, or physical or mental illness, as well as support for their carers. The overview summarises access to and also types of adult social care, accountability, developments in the sector since 2014, spending on social care, the needs, outcomes and market for care. The overview also summarises the various reports issued by the NAO on specific programmes and issues relating to adult social care.

<https://www.nao.org.uk/report/adult-social-care-at-a-glance/>

2. Financial sustainability of local authorities 2018 visualisation, NAO, November 2018

The NAO have published interactive visualisations that describe the changes in local authorities' financial circumstances from 2010/11 to 2016/17.

The data presented shows changes in income and spending along with an analysis of factors such as budget overspends and use of reserves. These figures vary for a range of reasons such as local political priorities, changes in local demand and changes in government policy and priorities. The report warns that any comparison between places need to be undertaken with caution. The complexity of factors underlying the data means that differences in figures presented should not be viewed as indicative of the current 'performance' of an authority. Any differences between authorities is an opportunity to ask further questions to gain a better understanding of what is happening locally.

Councils can use these visualisations to explore the broad trends identified in the NAO report Financial sustainability of local authorities 2018 (July 2018) in order to increase their understanding of individual local authorities.

<https://www.nao.org.uk/highlights/financial-sustainability-of-local-authorities-2018-visualisation/>

2. NATIONAL PUBLICATIONS

3. Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018-19 Accounts, CIPFA, December 2018

CIPFA has published the Code of Practice on Local Authority Accounting in the United Kingdom and supporting guidance notes for practitioners for the 2018/19 Accounts. The guidance notes detail key accounting changes introduced by the 2018/19 accounting code and provide practical support for the preparation of the year-end accounts.

Other recent and related publications from CIPFA which councils may wish to be aware of include:

- Code of Practice on Local Authority Accounting in the United Kingdom: Disclosure Checklist for 2018/19 Accounts;
- Service Reporting Code of Practice for Local Authorities 2019/20;
- The Prudential Code for Capital Finance in Local Authorities: Guidance Notes for Practitioners (2018 edition);
- Treasury Management in the Public Services: Guidance Notes for Local Authorities including Police and Fire Authorities (2018); and
- LGPS Fund Accounts 2018/19: Example Accounts and Disclosure Checklist.

<https://www.cipfa.org/policy-and-guidance/publications/codes-of-practice>

4. Implementation date for IFRS 16 Leases, CIPFA, December 2018

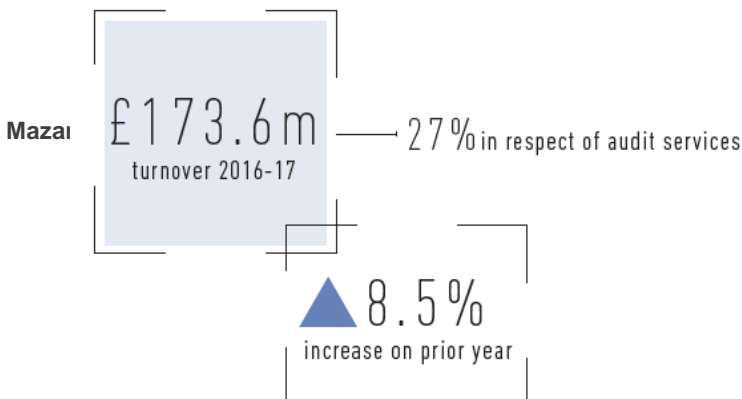
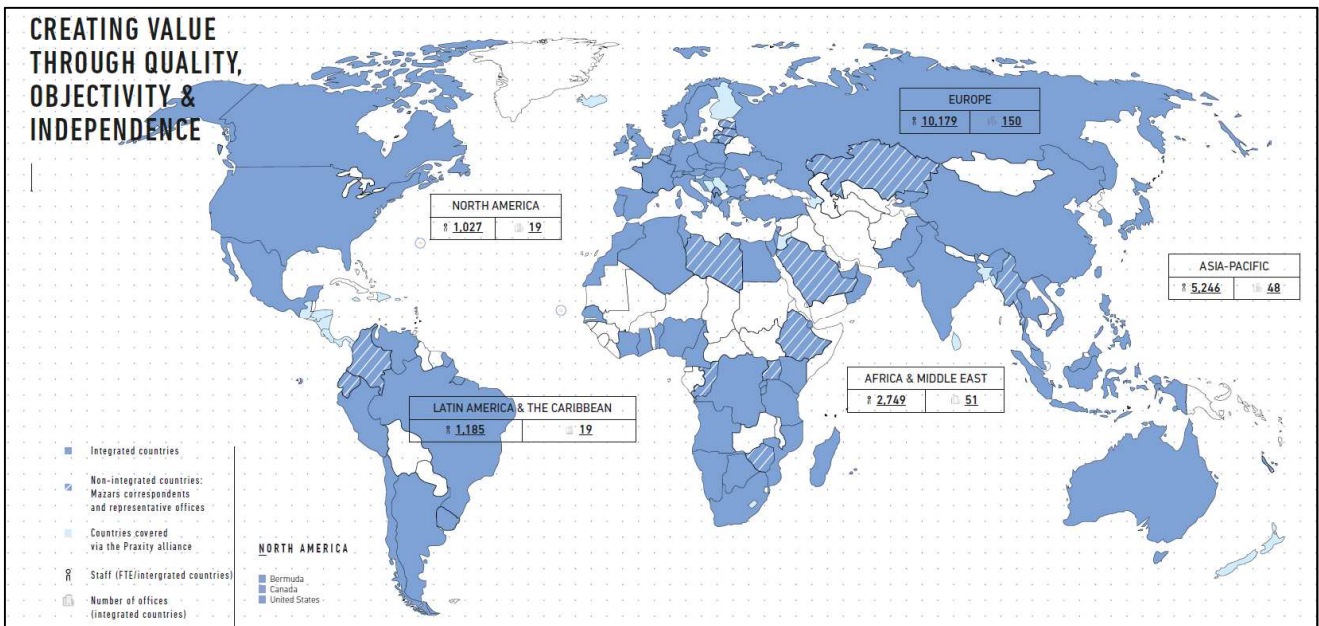
The Council should be aware of this statement from the CIPFA/LASAAC Code board on the implementation date of IFRS 16 Leases. CIPFA/LASAAC have confirmed that the effective date of implementation in the Code has been deferred for one year only to 1 April 2020, for alignment with the wider public sector.

<https://www.cipfa.org/policy-and-guidance/technical-panels-and-boards/cipfa-lasaac-local-authority-code-board>

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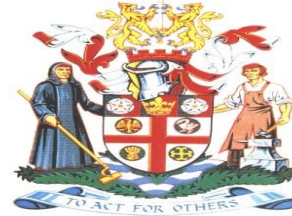
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Report Reference Number: A/18/15

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

Title: Review of the Risk Management Strategy

Summary:

The report presents to Councillors the reviewed Risk Management Strategy following approval by the Extended Leadership Team. It was last brought to the Audit and Governance committee in January 2018.

Recommendation:

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

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

2.1 The primary objectives of the strategy are to:-

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

- Create and maintain effective processes that will allow the Council to produce risk management assurance statements annually.
- 2.2 The strategy remains largely unchanged following the review. However, minor amendments have been made in some sections to improve readability and also to dates and references where appropriate. The changes have been highlighted in yellow and shown as tracked changes in the attached Appendix 1.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

- 3.1.1 There are no legal implications.

3.2 Financial Issues

- 3.2.1 There are no financial implications.

4. Conclusion

- 4.1 The revised strategy will help to ensure that risk management arrangements are in line with best practice and embedded into the Council's processes and procedures.

5. Background Documents

Risk Management Strategy – January 2018.

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Appendices:

Appendix 1 - Risk Management Strategy – January 2019.



Risk Management Strategy

2019

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1. Introduction

This document sets out a strategy for managing risk within Selby District Council. To ensure that the strategy remains focused and in keeping with the overall aims and objectives of the Council, there is a need to review it on an annual basis. As such this document has been reviewed in December 2018.

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

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

The objectives of the strategy are to:-

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

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

2. What is risk management?

Risk management can be defined as:

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

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

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

There are two types of risk:-

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

3. Why do we need a Risk Management Strategy?

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

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

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

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

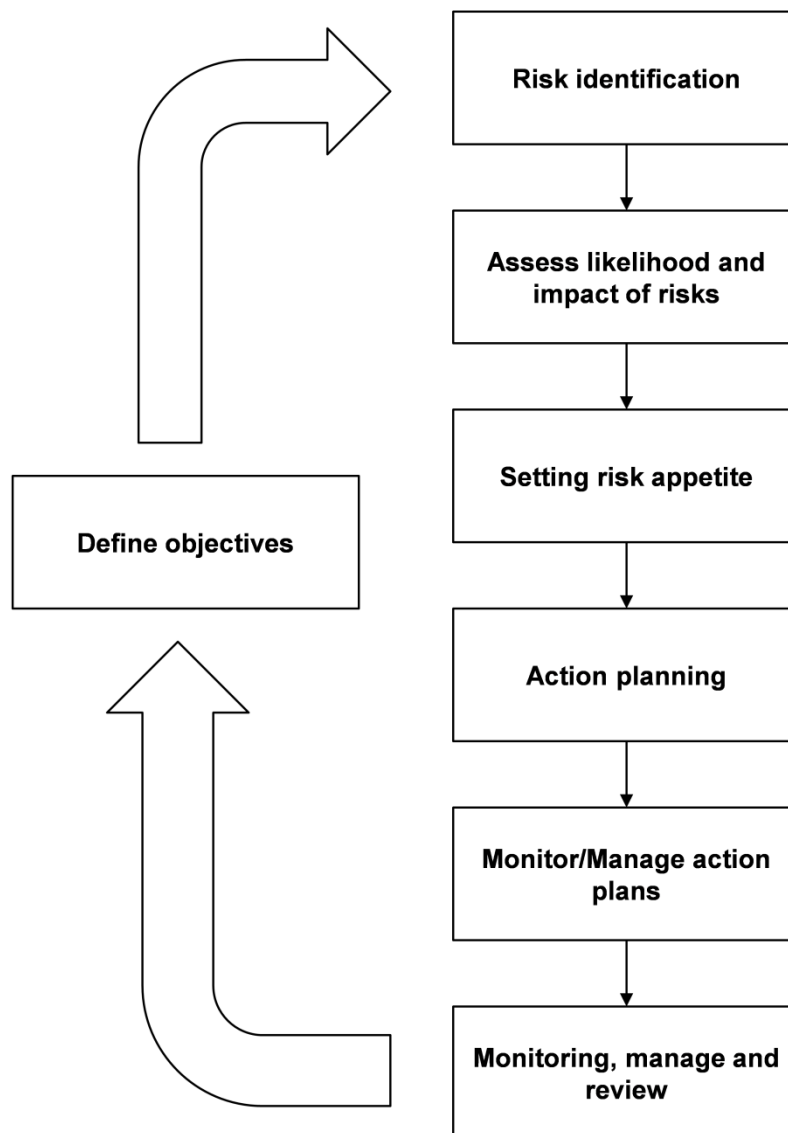
4. What are the benefits of risk management?

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

5. What is the Risk Management Process?

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

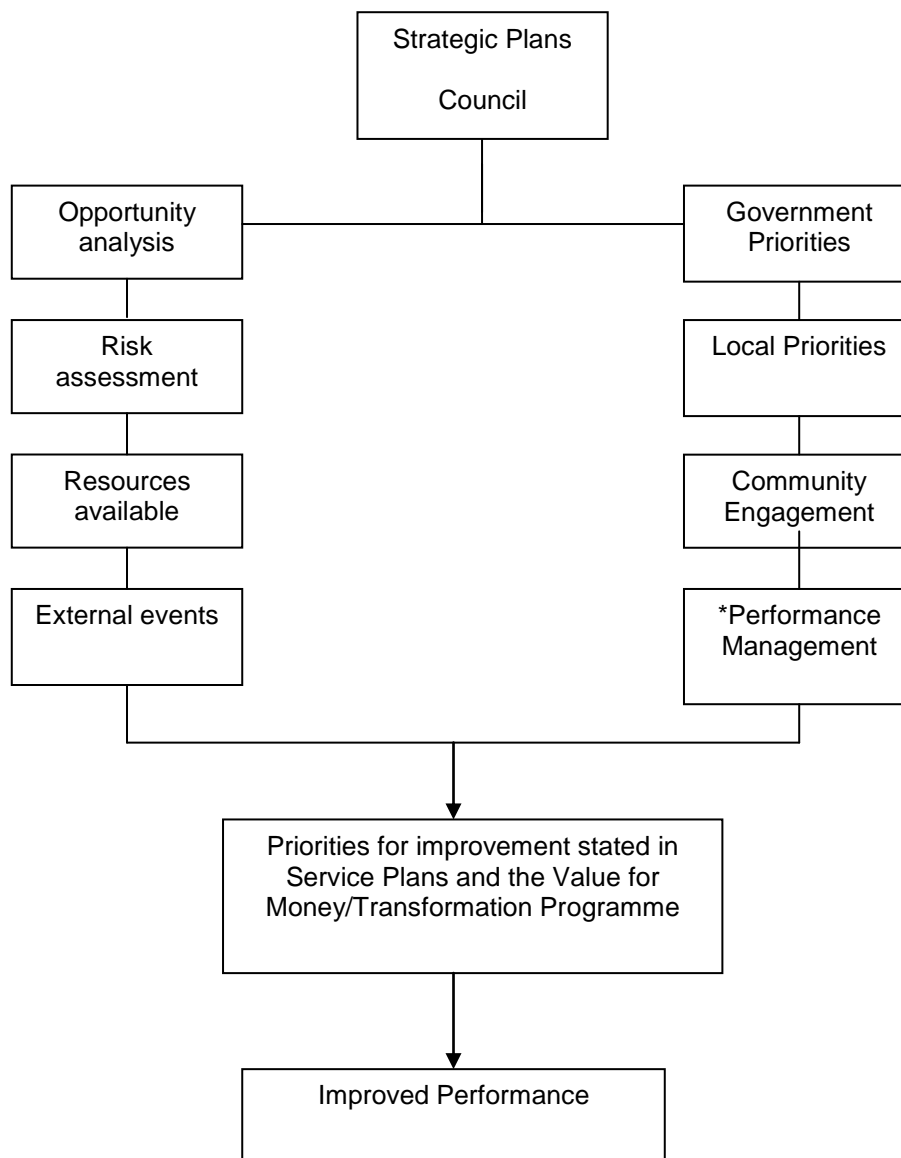
Figure 1: The Risk Management Process



6. Risk Management linking into Corporate Planning

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

Figure 2: Risk Management linking into priority setting



*Risk management and performance management share similarities in process and purpose and should be integrated to ensure that the other is operating effectively. The information generated through the performance management process at both the corporate and service level should be considered when scoring and updating risks so that only the most up-to-date information is used.

7. Risk Strategy for Selby

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

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

8. Risk Culture

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

9. Business Culture (Commercial Development)

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

The objectives will be achieved by:-

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

10. Partnership Working

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

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

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

12. Risk Management in our Decision Making

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

13. Monitoring of Risk Trends

The Council's exposure to risk over time is subject to change as its internal and external environments change. It is imperative that changes in risk scores (and thus the risk 'trend') are kept under review so it can be ensured that appropriate risk treatment measures are in place and in order to make a determination as to whether these measures are functioning effectively. To

facilitate this process, in reviewing the Corporate Risk Register, senior officers and Councillors will consider the direction of change in risk since the last assessment was undertaken.

14. Annual review of Risk Management Strategy

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

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

- strategic objectives;
- governance arrangements;
- community focus;
- organisational structures and processes;
- standards of conduct;
- service delivery arrangements;
- medium term financial strategy;
- Annual Governance Statement

Risk management methodology**Appendix 1**

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

Stage 1 – Identification, analysis, profiling and prioritisation of risks**Identifying the risks**

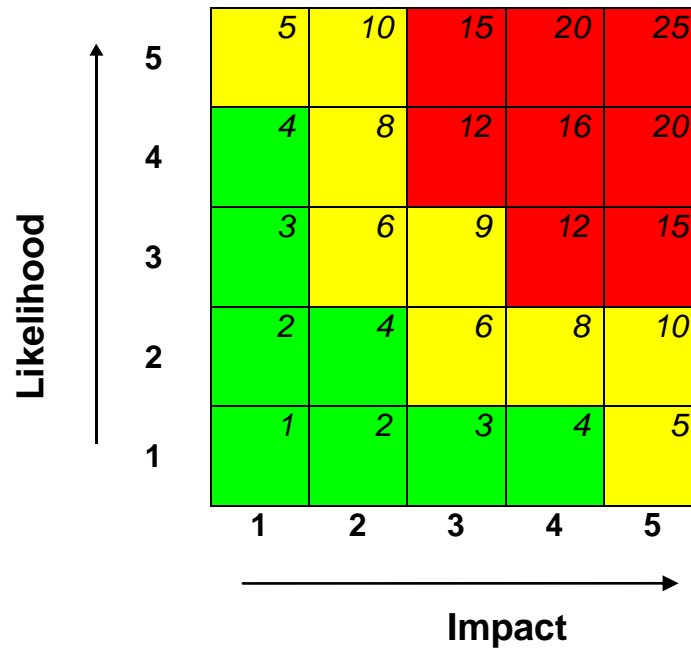
There are different methods to identify risks. Workshops and drop in sessions are facilitated for managers which encourage officers to share their concerns, problems and potential risks that they foresee. A review of published information such as service plans, strategies, financial accounts, media mentions,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

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

Analysis, risk profiling and prioritisation

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

Although the risk profile produces a priority for addressing each risk, determining the Council's appetite for risk can enhance this. All risks above the risk appetite cannot be tolerated and must be managed down, transferred or avoided. The appetite for risk will be determined by management. The risk profile used and risk scoring key are shown below:



Score	Likelihood	Score	Impact
1	Very Low	1	Negligible
2	Low	2	Marginal
3	Significant	3	Medium
4	High	4	Critical
5	Very High	5	Catastrophic

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

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

Stage 2 - Action Planning

The potential for controlling the risks identified will be addressed through the management action plans. Most risks are capable of being managed – either through mitigation planning (managing down the likelihood), contingency planning (managing the impact) or a mixture of both. Relatively few risks have to be avoided or transferred, although there will be a greater tendency to transfer (insure) risks that have a high impact, but a low likelihood. Action plans will also identify the resources required to deliver the improvements, key dates and deadlines and critical success factors/key performance indicators.

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

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

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

Stage 3 Management of risks

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

Categories of Risk

Appendix 2

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

Roles and responsibilities**Appendix 3****The Executive**

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

Audit and Governance Committee

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

Leadership Team

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

Officer Risk Champion

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

Supporting Services

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

Senior Officers

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

The Council - Partners

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

Internal Audit

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

All employees and Councillors

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

The Importance of an Integrated Approach

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

Agenda Item 10



Report Reference Number: A/18/16

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

Title: Corporate Risk Register 2018-19

Summary:

The report updates Councillors on movements within the Corporate Risk Register (Appendix 1) for the Council, which was last reported to this committee in July 2018.

Recommendation:

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

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

2.1 Risks are recorded and reported through the Pentana system. Appendix 1 shows details of the corporate risks currently included in the system. The following information is included:

- Title of the risk.
- Risk description.
- Individual risk scores.
- Risk owner – identifies the officer responsible for monitoring the risk. This is a member of the Leadership Team.
- Causes of the risk identified.
- Consequences of the risk identified.
- Controls and mitigating actions in place – identifies the required management action and controls which have been put in place to manage the risk. In line with the Risk Management Strategy, only risks with a current score of 12 or over require a formal action plan.
- Original risk rating – identifies the risk level before any treatment.
- Current risk rating – identifies the level at which the risk has currently been assessed, based on the likelihood and impact.
- Target risk rating – identifies the risk level the Council is working towards.

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

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

2.4 The risks were reviewed and updated by officers in January 2019.

2.5 There a total of 11 risks on the Council's Corporate Risk Register for 2018-2020. This includes 5 risks with a score of 12 or more (high risk). The Financial Resources risk has reduced from 16 to 12 but all of the other risk scores are unchanged as at the time of reporting. No new risks have been added to the register since it was previously reported to this committee in July 2018.

3. Legal/Financial Controls and other Policy matters

3.1 Legal Issues

3.1.1 There are no legal implications.

3.2 Financial Issues

3.2.1 There are no financial implications.

4. Conclusion

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

5. Background Documents

Risk Management Strategy.

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Appendices:

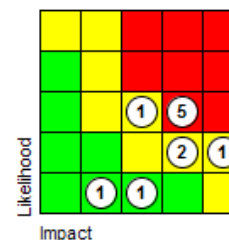
Appendix 1 – Corporate Risk Register

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Selby District Council Corporate Risk Register 2018-2020









Overview: January 2019


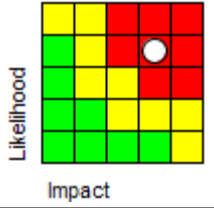
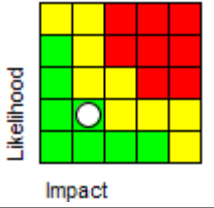
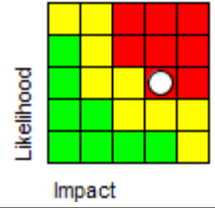
Risk Status	
	High Risk
	Medium Risk
	Low Risk




Status	Code	Previous Risk Score (July 2018)	Current Risk Score	Trend	Title
	SDC_CRR_000	12	12		Failure to deliver corporate priorities
	SDC_CRR_003	16	12		Financial Resources
	SDC_CRR_004	12	12		Organisational Capacity
	SDC_CRR_008	12	12		Economic Environment
	SDC_CRR_014	12	12		Systems and Technology
	SDC_CRR_002	10	10		Health and Safety Compliance
	SDC_CRR_017	9	9		Managing Partnerships

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Status	Code	Previous Risk Score (July 2018)	Current Risk Score	Trend	Title
	SDC_CRR_006	8	8		Managing Customer Expectations
	SDC_CRR_007	8	8		Fraud & Corruption
	SDC_CRR_001	3	3		Failure in corporate governance arrangements
	SDC_CRR_013	2	2		Information Governance/Data Protection


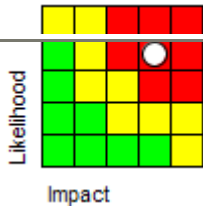
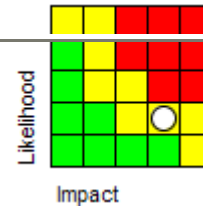
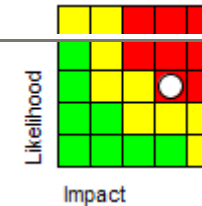
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Failure to deliver corporate priorities	The Council fails to deliver its corporate priorities as set out and approved by Councillors.	Chief Executive Janet Waggott
Causes		<ul style="list-style-type: none"> Lack of prioritisation Priorities not reflected in service plans Windfalls re direct priorities Political and/or external factors Capacity/single point of failure Lack of clarity over corporate priorities 	Consequences	<ul style="list-style-type: none"> Poor performance - impacting on residents Poor reputation - residents and partners Political instability Staff morale decreased Missed opportunities for funding Partnership not fulfilled
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Refreshed Corporate Plan (approved April 2018); Clear priorities – cascaded via PDRs/1:1s Shared with wider workforce via Staff Briefings Corporate Comms Plan being developed – priorities agreed Delivery via service plans – currently being drafted by Heads of Service in conjunction with employees Monitoring via Leadership Team as programme board Executive oversight through quarterly corporate performance monitoring (also subject to quarterly Scrutiny) 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
				
16		4		12
Notes				Review Date
<p>Progress being made on many key priorities in 2018/19.</p> <p>Officers working closely with portfolio holders to progress areas with greatest challenges such as economic growth (Exec to consider progress/proposals for next steps in Jan 2019)</p>				December 2018

Executive monitoring corporate performance quarterly - some concerns, e.g. voids, identified and subject to improvement	
Corporate projects identified - focusing on key priorities - agreed and monthly monitoring in place at LT	
All service plans in place and being monitored via Pentana	
New performance management framework agreed by LT - training on PMF and Pentana being rolled out	
Corporate plan/priorities scheduled for review in 2019 - supported by residents survey	


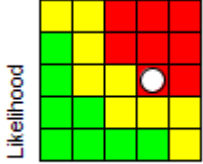
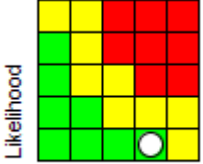
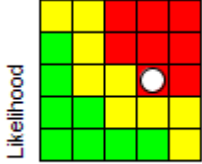
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Financial Resources	The Council's financial position is not sustainable beyond 2021.	Chief Finance Officer (S151 Officer) Karen Iveson
Causes		<ul style="list-style-type: none"> Poor financial planning Funding cuts/ Investment Strategy Poor spending Poor decisions Partnership contract (goes awry) Fair Funding Review (demonstrate why costs) Over commitment (i.e. Northamptonshire) Economic - high inflation/increased demand Loss of control in service delivery Political environment changes 	Consequences	<ul style="list-style-type: none"> Unable to deliver its Corporate Plan ambitions and Statutory functions Unable to meet financial commitments (long/medium/short term) Unable to set a balanced budget as required by legislation. Central Government intervention Forced to make unplanned service reductions which impact on residents and businesses. Significant reputational and political change.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Long term financial strategies (GF & HRA) setting out high level resources and commitments and owned by Council members. 3 year budget underpinned by reasonable assumptions (inflation, interest rates etc). Effective in year budget management arrangements in place. Savings plan approved with supporting delivery plans for each saving. Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
<p>Likelihood</p> <p>Impact</p>		<p>Likelihood</p> <p>Impact</p>		<p>Likelihood</p> <p>Impact</p>
20		9		12
Notes				Review Date


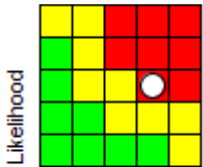
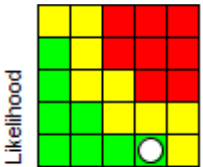
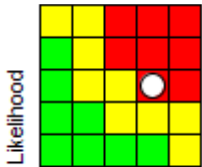
Financial uncertainty remains pending the reform of local government funding and the reset of the current business rate retention system from 2020/21. The Council's draft medium term financial plan to 2021/22 shows an annual savings requirement of circa £2m. A risk assessed savings plan is in place with savings front loaded. However, delivery plans in key areas of transformation are still to be implemented and whilst Selby is at 'safety net', income from business rates growth remains high risk.

December 2018

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

16	8	12
Notes		Review Date
Recruitment pressures in a number of areas for example, assets and vacancies in key roles in EDF mean that delivery on key projects and service delivery in housing could be significantly impacted. Risk of high agency spend to cover vacant posts in assets and also in EDF.		December 2018


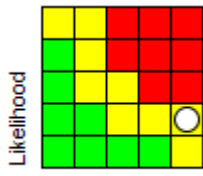
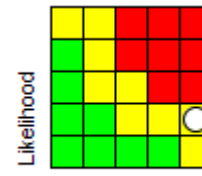
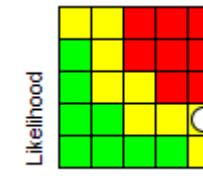
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Economic Environment	Poor net economic growth.	Director of Economic Regeneration and Place Dave Caulfield
Causes		<ul style="list-style-type: none"> Negative impact of Brexit transition Potential of Strategic Development sites not realised Labour shortages Skills shortages Delays to infrastructure development/spending 	Consequences	<ul style="list-style-type: none"> Potential negative impact on income. Increased demand for services. Increased demand for interventions to stimulate economic growth.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> Proactive engagement with LEPs to influence economic growth programmes. Engagement with key businesses to understand future challenges and opportunities to identify where the Council can provide additional support. Engagement with key partners to influence investment programmes and decisions. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>Likelihood</p> <p>Impact</p> <p>12</p>		 <p>Likelihood</p> <p>Impact</p> <p>4</p>		 <p>Likelihood</p> <p>Impact</p> <p>12</p>
Notes				Review Date
<p>Current uncertainty regarding Brexit and national politics poses a major risk to UK economic conditions and these are beyond the Council's control. However, the Council is highly active in supporting the local economy through the priorities in its Economic Development Framework. Moving forward, a more focused approach is proposed through a 2 year Delivery Plan to regenerate and improve the towns alongside delivering the strategic sites. The strong relationship established with businesses in the District means the Council is aware of and can react quickly to local issues.</p>				December 2018


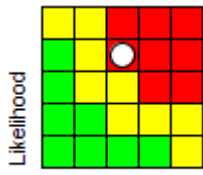
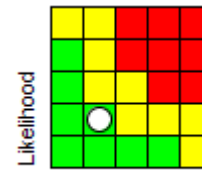
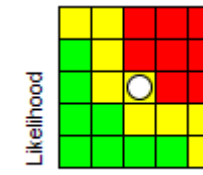
Status	Risk Score	Risk Title	Description	Risk Owner
	12	Systems and Technology	Lack of investment in the right technology and systems.	Director of Corporate Services and Commissioning Julie Slatter
Causes		<ul style="list-style-type: none"> • Failure to invest /keep up to date • Lack of knowledge to specify what we need • Fraud - internal theft of data or sabotage of system/data • Lack of training • Poor implementation • Policies not up to date • Not utilising fully 	Consequences	<ul style="list-style-type: none"> • System fails - cannot deliver (or less than optimal) • Fraud or financial impact • ICO action/fine • Wasted money/resources • Loss of critical data • Reputational damage and/or undefendable claims
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Digital Strategy and Implementation Plan drafted – expected to be approved by Executive July 2019. Focus on: • Digital customers – channel shift/self service and meeting changing expectations • Digital workforce – using technology to transform how • Digital foundations – maintaining modern, secure systems and infrastructure and strengthening governance and resilience • Strategy will ensure IT investment is aligned to business needs and requirements. • Programme supported by clear business cases and benefit realisation reports. • Continue to maximise opportunities for partnership working – e.g. through Better Together - which will deliver on shared ICT resources. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>Likelihood</p> <p>Impact</p> <p>12</p>		 <p>Likelihood</p> <p>Impact</p> <p>4</p>		 <p>Likelihood</p> <p>Impact</p> <p>12</p>
Notes				Review Date
Continue to be PSN compliant.				December 2018

However, LGA Cyber Security Stocktake identified a number of areas for improvement - including governance and training - action plan agreed and being worked through with LGA, NYCC and other NY districts	
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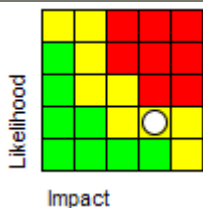
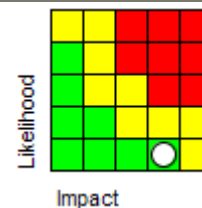
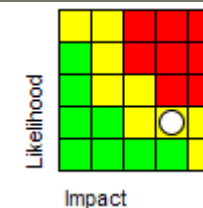
LT has agreed proposals to update DR arrangements - including remote access, firewalls and back up - to be delivered in Q4	
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Delivery of Digital Strategy continues - Q4 focus on channel shift, Microsoft 365, housing system, DR, PSN health check	
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Status	Risk Score	Risk Title	Description	Risk Owner
	10	Health and Safety Compliance	Failure to comply with Health and safety legislation.	Director of Corporate Services and Commissioning Julie Slatter
Causes		<ul style="list-style-type: none"> • Incident involving a member of staff, visitor or member of the public • Incident involving council property or on council owned land. • HSE or third-party investigation. • Non-compliance with Health and Safety legislation. 	Consequences	<ul style="list-style-type: none"> • Actual or potential injury or loss of life. • Environmental degradation. • Financial loss / impact on value of assets. • Reputational damage.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Health and Safety Policy and Plan has been reviewed and is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous. • Health and safety due diligence assessment on service areas and contractors. • Public liability and property insurance. • Risk management system in place to manage equipment, contractors, property and environmental and health and safety risks. • Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance. • Risk assessing, and then managing accordingly, every property and asset. • Statutory checks to ensure regulatory HS&E Compliance. • Event Safety Plan for all events managed by external consultants. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>Likelihood</p> <p>Impact</p>		 <p>Likelihood</p> <p>Impact</p>		 <p>Likelihood</p> <p>Impact</p>
10		10		10
Notes				Review Date
No update on the risk score, Employees continue to be consulted on Health and Safety matter through the forum and a new formal H&S Committee is also to be established.				December 2018

Status	Risk Score	Risk Title	Description	Risk Owner
	9	Managing Partnerships	Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc).	Director of Economic Regeneration and Place Dave Caulfield
Page 655	Causes	<ul style="list-style-type: none"> Poor relationship management Political buy in Performance Management Clarity of Purpose Commissioning/contract management Lack of Shared objectives Due Diligence Partnership governance 	Consequences	<ul style="list-style-type: none"> Service Failure - quality of delivery Reputational Loss of Service Impact on customers/residents from lack of partnership resources Conflicting priorities Unable to gain additional resource/staff/funding Capacity - ventures Overspending Legal challenge and costs Conflicting governance liability of additional cost/spend.
	Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> Targeted work with key developers and investors. Close working with the LEP's to identify potential investment opportunities. Close involvement in shaping the asks within any Devolution deal. Re-structure to increase capacity in economic development, regeneration and partnerships. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p>Likelihood</p> <p>Impact</p> <p>12</p>		 <p>Likelihood</p> <p>Impact</p> <p>4</p>		 <p>Likelihood</p> <p>Impact</p> <p>9</p>
Notes				Review Date

No update this period.	
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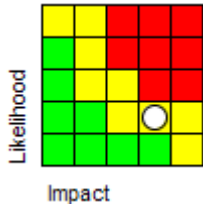
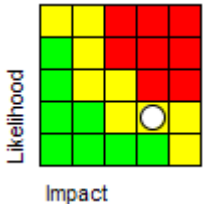
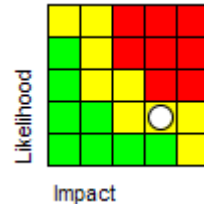
Status	Risk Score	Risk Title	Description	Risk Owner
	8	Managing Customer Expectations	Inability to meet customers' demand for services.	Chief Executive Janet Waggott
Causes	<ul style="list-style-type: none"> Lack of clear standards/standards not being met Staff not demonstrating core values/behaviours Poorly trained staff/ineffective learning Staff not empowered to take decisions Ineffective front:back office processes Lack of resources/resources not aligned to priorities Poor services 		Consequences	<ul style="list-style-type: none"> Poor customer satisfaction. Quality and timeliness of service suffers. Sustainability of service. Increased customer complaints. Impact on Elected Members.
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> Increase community delivery. Channel shift to self-service. Re-design services using quality data. Develop structured multi-agency partnerships. Right first time services to remove avoidable work. 			
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
				
8		4		8
Notes				Review Date
Customer Service Standards launched. Updated Customer Strategy being drafted for 2019 .				December 2018


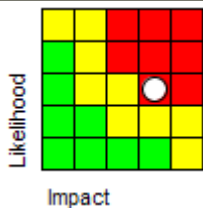
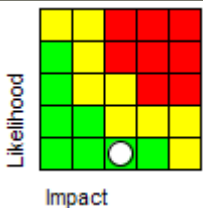
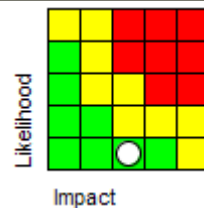
Proposals for moving Contact Centre are in the process of being considered.

Digital Customers Programme Board in place to ensure coordinated approach to channel shift, customer strategy, contact centre changes etc

Resident Survey planned for early 2019

Work in train to improve website with NYCC

Status	Risk Score	Risk Title	Description	Risk Owner		
	8	Fraud & Corruption	Incident of fraud and/or corruption occurs within the Council.	Chief Finance Officer (S151 Officer) Karen Iveson		
Causes	<ul style="list-style-type: none"> • Low staff morale • Debt (Individual) • Lack of vigilance by staff • System weakness - unknown • Failure to report changes • Incorrect information 		Consequences	<ul style="list-style-type: none"> • Financial and reputational loss. • Potentially more fraud (gaps not closed) 		
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Counter fraud arrangements reviewed through annual self-assessment. • Counter Fraud and Corruption Strategy and Policy to be reviewed regularly. 					
Risk Assessments						
Page 69	Original Risk Rating		Target Risk Rating		Current Risk Rating	
						
	8		8		8	
Notes				Review Date		
Arrangements for the detection and prevention of fraud are in place but there is pressure on current resources. Workloads are being monitored and contingencies are available should additional support be required.				December 2018		

Status	Risk Score	Risk Title	Description	Risk Owner
	3	Failure in corporate governance arrangements	The Council's governance and transparency of decision making is not effective and does not align with the Council's required flexibility to adapt.	Solicitor to the Council TBC
Causes	The changing agenda and drive towards commercialisation requires the council to be 'fleet of foot' which may impact the ability to be accountable and transparent and legally compliant.		Consequences	<ul style="list-style-type: none"> • Councillors and managers may make decisions outside their accountability. • The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage. • Budgets may be overspent and outcomes may not improve.
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Constitution reviewed and updated in 2015 including rules on decision making, access to information rules, contract procedure rules and financial procedure rules. • Governance training programme delivered to management team 			
Page 70	Risk Assessments			
	Original Risk Rating	Target Risk Rating	Current Risk Rating	
	 <p style="text-align: center;">12</p>	 <p style="text-align: center;">3</p>	 <p style="text-align: center;">3</p>	
Notes				Review Date
<p>3 governance framework training sessions provided to staff in 18/19 - records with HR</p> <p>Governance audit against CIPFA Framework completed 18/19</p> <p>Completion of annual review of constitution is on track for approval March 19</p>				December 2018

Status	Risk Score	Risk Title	Description	Risk Owner
✓	2	Information Governance/Data Protection	Non-compliance with the Freedom of Information and General Data Protection Regulation acts.	Solicitor to the Council TBC
Page 7	Causes	<ul style="list-style-type: none"> Retaining information “just because” it might be useful, way past its retention date Don’t inform someone that we are processing their data If we collect data for a specific purpose and we are unable to fulfil that purpose Asking for more information that necessary on our forms Incorrect use of email distribution lists (identifying all recipients) We don’t notify the correct authorities of a data breach We don’t respond to people under their data protection rights 	Consequences	<ul style="list-style-type: none"> Loss or inappropriate use of personal data and information Damaged reputation Financial penalty
	Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members. Breaches recorded, monitored and followed up. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
<p>Likelihood</p> <p>Impact</p> <p>6</p>		<p>Likelihood</p> <p>Impact</p> <p>2</p>		<p>Likelihood</p> <p>Impact</p> <p>2</p>
Notes				Review Date
Significant work done on IG during 18/19 to prepare for and embed GDPR				December 2018

Veritau appointed as DPO	
GDPR action plan in place and monitored	

Agenda Item 11



Report Reference Number: A/18/17

To: Audit and Governance Committee
Date: 30 January 2019
Author: Phil Jeffrey; Audit Manager (Veritau)
Jonathan Dodsworth; Counter Fraud Manager
(Veritau)
Lead Officer: Karen Iveson; Chief Finance Officer (s151
Officer)

Title: Internal Audit and Counter Fraud Progress Report 2018/19

Summary:

The purpose of the report is to provide an update on progress made in delivering the internal audit workplan for 2018/19, and to summarise the findings of recent internal audit work. The report also updates the committee on counter fraud work undertaken in the financial year.

Recommendations:

That the committee:

- a) **Note progress on delivery of internal audit and counter fraud work**
- b) **Comment on the results of the external assessment of internal audit.**

Reasons for recommendation

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

1. Introduction and background

- 1.1 The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).
- 1.2 The Audit and Governance Committee approved the Internal Audit and Counter Fraud plans for 2018/19 at its meeting held on 18 April 2018. The purpose of this report is to inform Members of the progress made to date in delivering the 2018/19 plans and to summarise the outcomes of internal audit reviews.

2. The Report

- 2.1 Details of internal audit and counter fraud work undertaken in 2018/19 are included in the reports attached at Appendix 1 and Appendix 2 respectively.
- 2.2 Veritau carries out its work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 There is no direct linkage to any of the Council's Priorities, as internal audit and counter fraud are support services, providing assurance on corporate governance arrangements, internal control and risk management to the Council's managers in respect of their services.
- 2.4 Specifically, this support is provided to the Council's S151 Officer on financial systems, and support and advice on counter fraud arrangements and investigation services.

3. External Assessment

- 3.1 In order to comply with the Public Sector Internal Audit Standards (PSIAS), internal auditors working in local government are required to maintain a quality assurance and improvement programme (QAIP). As part of this programme, providers are required to have an external assessment of their working practices at least once every five years. An external assessment of Veritau Limited and VNY Limited¹ was undertaken in November 2018 by the South West Audit Partnership (SWAP). A copy of the assessors report is included at Appendix 3.
- 3.2 The report concludes that Veritau internal audit activity generally conforms to the PSIAS² and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014. However, the report does include some areas for further development. These areas, and initial draft proposed actions, are summarised in figure 1 below. Further comment on the proposed actions would be welcomed.

Figure 1: external assessment - action plan

Matter for Consideration	Response	Responsibility	Action by
Guidance from the IIA recommends that the	While IIA guidance recommends this	NA	NA

¹ Referred to collectively as Veritau in the remainder of this section.

² PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

<p>Audit Committee (Board) “Meets with the Head of Internal Audit at least once a year without the presence of management.” This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a ‘purest’ approach and hold at least one meeting a year with the Audit Committee or Chair without management being present. The HoIA audit should consider if Veritau should adopt a similar approach or be satisfied that such meeting will take place should it become necessary to do so. (Attribute Standard 1111).</p>	<p>approach, there is no explicit requirement for annual meetings in the standards. And existing audit charters for each client already recognise that the Head of Internal Audit will meet with members of the relevant committee in private, as required.</p> <p>No formal changes to current arrangements are proposed. Although formal annual meetings will be arranged if individual committees express a preference for this arrangement.</p>		
<p>The self-assessment identified that Council CEO’s or Audit Committee Chairmen do not contribute to the performance appraisal of the HoIA. The responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chairman of the Board may want to consider the introduction of a 360-degree feedback process when assessing</p>	<p>The chairman of the Veritau board will be asked to consider whether further input from client Chief Executives and Chairs of Audit Committees (or equivalent) is needed to meet the requirements of the standards.</p>	<p>Veritau Chair</p>	<p>May 2019</p>

<p>the HoIA's performance. (Attribute Standard 1100).</p>			
<p>While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be given to priority ranking audit work. (LGAN requirement).</p>	<p>All work included in annual audit plans is considered a priority for audit in the coming year. However, it is recognised that further prioritisation may support decision making, for example where changes to audit plans are required.</p> <p>As part of the development of audit plans for 2019/20, we will explore how audits included in each plan are given a priority rating.</p>	<p>Deputy Head of Internal Audit and Audit Managers</p>	<p>April 2019</p>
<p>Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (Attribute Standard 2050).</p>	<p>A review of potential sources of assurance for each client will be undertaken during the course of 2019/20. This will be used to assess the scope for more detailed assurance mapping at each client; and to help develop a standard approach if appropriate.</p>	<p>Deputy Head of Internal Audit and Audit Managers</p>	<p>April 2020</p>
<p>It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is</p>	<p>Actions included in 2018/19 annual reports will be SMART.</p> <p>Progress against actions will be reported to the Veritau and VNY boards during the course of the year.</p>	<p>Head of Internal Audit</p>	<p>June 2019 (annual report)</p>

reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (Attribute Standard 1320).			
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4. Legal/Financial Controls and other Policy matters

4.1 Legal Issues

4.1.1 There are no legal issues.

4.2 Financial Issues

4.2.1 There are no financial issues.

5. Conclusion

5.1 At the time of drafting this report, there are sixteen 2018/19 audits in progress. Two of these reports are currently at draft report stage. One 2017/18 report has 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 2019 (the cut off point for 2018/19 audits).

5.2 Up to 31 December, the fraud team has achieved £9.5k in savings for the council and detected £33.6k of loss. There are currently 11 ongoing investigations.

6. Background Documents

SDC Internal Audit and Counter Fraud Plans 2018/19

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Richard Smith; Deputy Head of Internal Audit; Veritau
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Appendices: Appendix 1 – Internal Audit Progress Report 2018/19

Appendix 2 – Counter Fraud Progress Report
2018/19
Appendix 3 – Internal Audit external assessment
report.



Selby District Council

Internal Audit Progress Report 2018/19



Audit Manager:	Phil Jeffrey
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	30 th January 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 2018/19 Internal Audit Plan at their meeting on the 18th April 2018. The total number of planned days for 2018/19 is 375 (including 33 days for risk management). 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 2018/19

- 3 A summary of the audit work completed in the year to date is attached at Table 1.
- 4 At the time of drafting this report, there are sixteen 2018/19 audits in progress. Two of these reports are currently at draft report stage. One 2017/18 report has 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 2019 (the cut off point for 2018/19 audits).
- 5 Veritau officers are involved in a number of other areas relevant to corporate matters:
 - **Support to the Audit and Governance Committee;** this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.
 - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.
 - **Risk Management;** Veritau 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.
- 7 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.

8 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

9 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.

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). Further details can be found at Table 3.

11 A total of 59 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 57 have been satisfactorily implemented. In a further 2 cases, the actions had not been implemented by the target date; a revised target date was subsequently agreed and the action will be followed up again after that point. A further 5 remaining actions agreed in 2016/17 have not yet been followed up because follow up work is still in progress. For these outstanding actions, we expect completion imminently or they are being followed-up as part of a 2018/19 audit. A summary of this follow up work is included below:

2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	57	1	21	35
Revised date agreed	2	0	2	0
Follow up in progress	5	0	4	1
Not yet followed up	0	0	0	0
Total agreed actions	64	1	27	36

- 12 A total of 38 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 32 have been satisfactorily implemented. In a further 6 cases, the actions had not been implemented by the target date; a revised target date was subsequently agreed and the action will be followed up again after that point. A further 4 remaining actions agreed in 2017/18 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:

2017/18 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	31	1	15	15
Revised date agreed	6	1	3	2
Follow up in progress	3	0	1	2
Not yet followed up	2	0	1	1
Total agreed actions	42	2	20	20

Table 1: 2018/19 Audits

Audit	Status	Audit Committee
<u>Corporate Risk Register</u>		
Savings Delivery	In progress	
Programme for Growth – Selby 950	Draft report issued	
Economic Development Framework	In progress	
<u>Financial Systems</u>		
Benefits	Not started	
Capital Accounting	In progress	
Council House Repairs	In progress	
Council Tax & NNDR	In progress	
Creditors	In progress	
General Ledger	Not started	
Payroll	In progress	
<u>Regularity / Operational Audits</u>		
Community Engagement	Not started	
Data Quality	Not started	
Housing Development	Draft report issued	
Organisational Development	Cancelled	
Performance Management	In progress	
Planning	Not started	
<u>Technical / Project Audits</u>		
Business Continuity and Disaster Recovery	In progress	
Contract Management and Procurement	Not started	
ICT Governance	In progress	
Information Security	In progress	
Insurance	In progress	
Project Management	In progress	
Better Together	In progress	

Table 2: Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Governance Arrangements	21 st August 2018	Substantial Assurance	0	1	0

Table 3: Summary of audits completed to 16 January 2019; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
Governance Arrangements	Substantial Assurance	Overall, the Council substantially meets the requirements of the CIPFA good governance framework. However, the Council's Annual Governance Statement does not explicitly review arrangements against the CIPFA framework and it has no consolidated document or information that clearly outlines its governance arrangements.	21 st August 2018	0	1	0	A summary document will be produced that sets out the systems, processes, policies and other arrangements that make up the Council's governance arrangements and will explicitly reference the CIPFA delivering good governance principles.	Completed.

¹ Priority 2 or above

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance (2015/16)	<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 JDs • 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 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 SDG.</p> <p>In this capacity, a new Information Governance Action Report has been developed by Veritau for Q4 2018/19 which will address these outstanding actions. Veritau are scheduled to report progress on this action plan to the SIRO and CIGG by 29 March 2019.</p> <p>It is proposed to share this report with Audit & Governance Committee on 10 April 2019.</p> <p>Revised date 31 Mar</p>

					2019
Sundry Debtors (2016/17)	Management will look to review and renegotiate the Service Level Agreement between Richmondshire District Council and Selby District Council, taking into account the matters raised in the audit including logging and resolving issues between the two parties.	2	Chief Finance Officer	30 Sep 2017	RDC have responded to the draft SLA and agreement has been reached on the £5m insurance liability and termination clause (now 12 months). Sign-off expected imminently.
Council House Repairs (2016/17)	Procurement of the new housing management system is in progress. Once implemented, automated processes will replace the manual workaround (due to the housing management system not being linked to the finance system) and will enable all materials and jobs to be checked.	2	Head of Operational Services	30 Nov 2018	This action will be followed up as part of the 2018-19 audit.
Council House Repairs (2016/17)	A new housing management system will be procured which includes the capacity to cost jobs and will be linked to the finance system.	2	Head of Operational Services	30 Nov 2018	This action will be followed up as part of the 2018-19 audit.
Council House Repairs (2016/17)	Included in the specification for the new housing management system is the requirement for there to be job scheduling functionality. This functionality will be made available when the system is implemented.	2	Head of Operational Services	30 Nov 2018	The new housing system 'contractor module' is being developed by Civica and will not be available to go live until August 2019.

					Revised date of 31 Aug 19.
Development Management (2016/17)	The specific officer delegations for non executive (council) functions with respect to planning and development management will be amended. They will require that applications submitted by or on behalf of the authority for its own developments or on its owned land are also presented to Planning Committee unless they are 'minor' and no objections have been received.	2	Solicitor to the Council	30 Apr 2018	This has been scheduled for inclusion as part of the annual update to be presented to Executive in January 2019 and to Council in March 2019. Revised date of 31 Mar 19.
Development Management (2016/17)	Development management will introduce a process to ensure that all documents which the ICO recommends are 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 actions including accepting the risk will be considered. This action will be followed up as part of the 2018-19 Planning audit.
Debtors (2017/18)	Data & Systems will investigate the cause of the problem [whereby the COA system does not assign invoice numbers sequentially] with the software supplier and take further action to prevent its	2	Data & Systems Team Leader	30 Jun 2018	Data & Systems has confirmed that the COA system does assign invoice numbers sequentially

	reoccurrence as necessary.				<p>– there is no technical issue. The explanation for 'missing' invoice numbers is operational (i.e. the 'missing' invoices are those raised incorrectly and subsequently deleted).</p> <p>We are currently following this up to ensure that these controls are robust.</p>
Information Security Checks (2017/18)	The importance of physical information security will be reiterated to all staff and partners at the point at which the police co-location is complete.	2	Solicitor to the Council	31 Oct 18	<p>Completion has been delayed due to changes to Police Co-location Project and slippage. Police now expected to occupy the Civic Centre by late March 2019.</p> <p>Revised date of 31 Mar 19.</p>
PCI DSS (2017/18)	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	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

	<p>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 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>commit to supporting the software. As a result, the Council is required to procure new software. A bid for funding procurement of Civica Pay (or similar) is included in the draft budget for 2019/20.</p> <p>Implementation of new software will resolve PCI DSS issues.</p> <p>Revised date of 30 Sep 19.</p>
Payroll (2017/18)	<p>The payroll procedure manual will be reviewed and updated. It will be tested by a member of staff unfamiliar with the system to ensure it is adequate and comprehensive.</p> <p>It will then be signed off by an appropriate officer.</p>	2	Head of Business Development & Improvement	31 Aug 18	<p>Completed.</p> <p>The procedure manual has been updated for the processes as they are currently. It will require further update once MyView is rolled out.</p>
Payroll (2017/18)	<p>Training on payroll procedures will be provided to at least one other member of staff and access to ResourceLink and</p>	2	Head of Business Development & Improvement	31 Aug 18	<p>The Senior HR Officer will process the February payroll using</p>

	Bond HR will be arranged for them.				the updated procedure manual and under the supervision of HR Officer. Revised date of 10 Feb 19.
Payroll (2017/18)	The errors and discrepancies in the costing file will be investigated and resolved by 31 August 2018.	2	Head of Finance	31 Aug 18	Completed. The historical issues around pension and NI and Tax are now resolved. Finance is reconciling the payroll control accounts and issues are being picked up, investigated and resolved as they arise. These issues are ad-hoc and not the recurring issues that had been encountered in the past.
Payroll (2017/18)	Officers will review the SLA to ensure it meets SDC's needs and ensure it is agreed and signed by 31/8/2018.	2	Head of Business Development & Improvement	31 Aug 18	The SLA is still under review. NYCC have revised the offer for the Council to access MyView with costs now to be incorporated into the Payroll SLA. This has

					required a further review and negotiation. Revised date of 31 Mar 19.
Contract Management and Procurement (2017/18)	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.	2	Head of Commissioning, Contracts & Procurement	31 Mar 19	Due 31 March 2019.



Selby District Council

Counter Fraud Progress Report 2018/19



Counter Fraud Manager: Jonathan Dodsworth
Deputy Head of Internal Audit: Richard Smith
Head of Internal Audit: Max Thomas
Date: 30th January 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 2018/19

- 4 Up to 31 December, the fraud team detected £33.6k of loss to the council and achieved £9.5k in savings for the council as a result of investigative work. There are currently 11 ongoing investigations. A summary of counter fraud activity is included in the tables below.

COUNTER FRAUD ACTIVITY 2018/19

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

	2018/19 (As at 31/12/18)	2018/19 (Target: Full Year)	2017/18 (Full Year)
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked).	33%	30%	44%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£9,481	£14,000	£22,195

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Caseload figures for the period are:

	2018/19 (As at 31/12/18)	2017/18 (Full Year)
Referrals received	69	81
Referrals rejected	39	43
Number of cases under investigation	11	15 ¹
Number of investigations completed	15	41

¹ As at 31/3/18

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>The 2018/19 National Fraud Initiative is underway. A range of council data was gathered and securely sent to the Cabinet Office for data matching in October. Resulting data matches are expected in February.</p> <p>The council participated in an NFI Business Rates pilot alongside regional partners in 2018. Over 4000 matches were returned in October. The matches were sampled and reviewed by the fraud team. Two investigations have been set up and two properties have been referred to the Valuation Office Agency (VOA) for assessment. The exercise has already identified savings of £5,700 for the council to date² with the potential for further savings based on new NNDR liabilities raised following VOA assessment.</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 42 referrals for possible CTS fraud. Fraud and error of over £10k has been detected during the current financial year. One person has been issued a warning relating to an offence in this area. There are currently 5 cases under investigation. • Council Tax/Non Domestic Rates fraud – 22 referrals for council tax fraud have been received in 2018/19. Over £6k of fraud has been detected in this area. One person has been issued a warning this year. There are currently 2 cases under investigation.

² As of 16/1/19 – approximately £3.3k of these savings are reflected in the table on page 3 of this report. The remainder and any additional savings from this project will be recorded in future progress reports.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Housing fraud – The team has received 3 referrals for investigation in the year. There are currently 3 ongoing investigations in this area. One property has been recovered in the period following an investigation where a tenant was found to be illegally subletting a property. • Internal fraud – There have been no reports of internal fraud. • External fraud – The council fell victim to a “mandate fraud” in September and October 2018. A fraudster convinced a council officer to change the bank details of a supplier to their own and two payments were made to the fraudster before the fraud was detected. An investigation into this matter is ongoing. • Parking Fraud – One person has been issued a warning relating to parking fraud after an investigation found a blue badge being misused by a third party.
Fraud liaison	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 118 requests on behalf of the council in 2018/19.
Fraud Management	<p>In 2018/19 a range of activity has been undertaken to support the Council’s counter fraud framework.</p> <ul style="list-style-type: none"> • In May, the council’s counter fraud transparency data was updated to include data on counter fraud performance in 2017/18 meeting the council’s obligation under the Local Government Transparency Code 2015.

Activity	Work completed or in progress
	<ul style="list-style-type: none"><li data-bbox="465 300 2002 464">• The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in June 2018. The information provided has contributed to a recently released report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it.<li data-bbox="465 517 2002 639">• During this year's National Fraud Initiative data gathering exercise, the counter fraud team has confirmed that, as part of the council's legal obligation, privacy notices are in place to facilitate data processing.<li data-bbox="465 692 2002 767">• As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week.<li data-bbox="465 820 2002 895">• 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.

FINAL REPORT



SELF-ASSESSMENT WITH EXTERNAL INDEPENDENT VALIDATION

VERITAU GROUP

NOVEMBER 2018

COMPLETED BY:
SWAP INTERNAL AUDIT SERVICES



INTRODUCTION

In accordance with the International Standards for the Professional Practice of Internal Auditing “The chief audit executive must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity” (*Performance Standard 1300*). In order to achieve this, the Head of Internal Audit Partnership commissioned a Quality Review of Veritau.

There are two suggested approaches to conducting the review:

- ① External Quality Assessment
- ② Self-Assessment with Independent Validation

Due to the prohibitive costs of an External Quality Assessment, recognised as achieving the highest level of quality assurance, Veritau opted for the second option, with independent validation being carried out through peer review. For the process to pass the ‘independence’ test the Manual recommends that “at least three organisations come together to form a pool of professionals, all of whom are qualified to conduct external assessments”.

In order to achieve this Veritau worked together with the South West Audit Partnership (SWAP), the Devon Audit Partnership (DAP) and Hertfordshire’s Shared Internal Audit Service (SIAS), whereby each Audit Team would carry out a self-assessment and then SWAP would act as Validators for Veritau, Veritau for SIAS, SIAS for DAP and DAP for SWAP.

SCOPE AND METHODOLOGY

As part of the preparation for the Quality Assurance Review (QAR), Veritau prepared a self-assessment document (utilising the Checklist for Assessing Conformance with the Public Sector Internal Auditing Standards (PSIAS) and the Local Government Application Note (LGAN)), providing links to necessary evidence to support their findings. The self-assessment team conducted a QAR of the internal audit (IA) activity undertaken by Veritau across its client organisations in preparation for validation by an independent assessor. The team also reviewed the IA activity’s risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes as well as the service Procedure Manuals for the delivery of Internal Audit reviews.

The principal objective of the QAR was to assess the IA activity’s conformance to the International Standards for the Professional Practice of Internal Auditing (Standards), incorporating the PSIAS and LGAN.

The QAR Team from SWAP was made up of their Company Chief Executive – Gerry Cox who is a Chartered Auditor and Certified Auditor with c.30 years management experience in Internal Auditing. The second member of the team was SWAP’s Director of Quality - Ian Baker, a Chartered Auditor and Fellow Member of the Institute of Management Services with over 15 years management experience in Internal Auditing.

In addition to reviewing the evidence supplied by the Self-Assessment Team the Review Team were on site for three days meeting with Veritau staff, client officers and Committee Members. In addition to interviewing the Head of Internal Audit and his Deputy a further twenty-two interviews were held, with eighteen of these representing client organisations and the other five being staff members.

OPINION AS TO CONFORMITY TO THE *STANDARDS*

It is our overall opinion that the Veritau IA activity ‘Generally Conforms’ to the *Standards* and Code of Ethics.

For a detailed list of conformances to individual standards, please see Attachment A. The Self-Assessment and QAR team identified opportunities for further improvement, details of which are provided in this report.

The IIA’s *Quality Assessment Manual for the Internal Audit Activity* suggests a scale of three rankings when opining on the internal audit activity:

- ① “Generally Conforms,” “Partially Conforms,” and “Does Not Conform.” The ranking of “Generally Conforms” means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards* and the Code of Ethics.
- ② “Partially Conforms” means that deficiencies in practice are noted that are judged to deviate from the *Standards* and the Code of Ethics; however, these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner.
- ③ “Does Not Conform” means that deficiencies in practice are judged to deviate from the *Standards* and the Code of Ethics, and are significant enough to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

A detailed description of conformance criteria can be found at the end of Appendix B.

SUMMARY OF POSITIVE OBSERVATIONS

It is our view that the IA activity environment provided by Veritau is well-structured and continues in its progression. The Standards are clearly understood, and management is taking a number of initiatives to ensure the service continues to provide added value to its clients. The vast majority of those interviewed spoke about the significant improvements they have seen in the service provided over recent years; providing evidence that the service is staying ‘relevant’ in ever changing times. A key contributor to this is that the Head of Internal Audit continues to be highly valued and respected by both client officers and staff; the Audit Managers and staff are also clearly valued with clients mentioning how quickly junior members of the IA team are brought up to speed.

External Validation

To demonstrate how the service is viewed we have captured a flavour of some of the comments made to us:

- ④ *Very professional..... the Head of IA is exceptional” - s.151 Officer*
- ④ *“I have a good relationship with the Audit Manager, interaction is good, and we have an open door” – Audit Committee Chair*
- ④ *“They tell me what I need to hear, not what I want to hear” – s.151 Officer*
- ④ *“The Head of IA is the personification of professionalism” – s.151 Officer*
- ④ *“Their reports are valuable, never trivia and never lacking in substance” – Audit Committee Chair*

Other positive observations include:

- ④ The Head of Internal Audit is highly respected by both staff and client representatives.
- ④ We received exceptionally positive feedback about Audit Managers and staff working on audits.
- ④ Feedback indicates that the service is trusted and maintains a good organisational profile.
- ④ We asked each of the eighteen client representatives to rate the internal audit service provided by Veritau, out of 10. The service received an average score of 8.2 which indicates it is highly valued by its clients.
- ④ Veritau offer good internal training and development for new auditors.
- ④ We identified in the last QAR that IT audit in Annual Plans was low. This has been addressed and Veritau have a pragmatic approach for developing and maintaining skills in this area of expertise.
- ④ Other issues raised in the last QAR have been addressed.

Consequently, the observations and recommendations by the QAR Team captured below are intended to build on the foundations already in place in the IA activity.

OBSERVATIONS AND RECOMMENDATIONS

PART I – MATTERS FOR CONSIDERATION OF VERITAU MANAGEMENT

1. The IA Charter states that “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 HoIA.”

Guidance from the IIA recommends that the Audit Committee (Board) “Meets with the Head of Internal Audit at least once a year without the presence of management.” This does not happen as a matter of course with all clients of Veritau, however, the Charter allows this to happen and all Chairs of Audit Committees feel that if they wanted such a meeting, it would happen. Some teams have taken a ‘purest’ approach and hold at least one meeting a year with the Audit Committee or Chair without management being present. The HoIA audit should consider if Veritau should adopt a similar approach or be satisfied that such meeting will take place should it become necessary to do so. (*Attribute Standard 1111*).

External Validation

2. The self-assessment identified that Council CEO's or Audit Committee Chairmen do not contribute to the performance appraisal of the HoIA. The responsibility for this rests with the Board of Directors, many of whom are Section 151 Officers for the representative Councils. In addition, reliance is placed on Customer Satisfaction results. To ensure that this is reflective of the key clients, the Chairman of the Board may want to consider the introduction of a 360-degree feedback process when assessing the HoIA's performance. (*Attribute Standard 1100*).
3. While the annual planning process is well documented, the self-assessment acknowledged that each piece of audit work is not prioritised. Doing so assists when decisions need to be taken on bringing in new pieces of work due to new and emerging risks. Consideration should be given to priority ranking audit work. (*LGAN requirement*).
4. Whilst reliance may be placed on other sources of assurance, the self-assessment brought attention to the fact that there has not been an assurance mapping exercise to determine the approach to using other sources of assurance. Completion of such an exercise would ensure that work is coordinated with other assurance bodies and limited resources are not duplicating effort. (*Attribute Standard 2050*).
5. It is clear that the actions from the last review have been completed, however, the resulting Quality Assessment Improvement Programme (QAIP) should remain a live document to demonstrate continuous improvement. While the process of the QAIP is reported to the Audit Committee annually, the report does not outline the detailed actions with SMART targets for completion. (*Attribute Standard 1320*).

The following two matters are not related necessarily to Conformance with the Standards but are matters we picked up during our three-day visit that should be on the radar of the Veritau Board and be highlighted as part of the Company's risk exposure:

- ④ **SUCCESSION PLANNING** – there is no doubt that the HoIA is highly respected and valued by clients. Whilst other audit managers are respected as well, it became clear to us that a lot of emphasis was placed on the existing HoIA, with one client asking, “*what will happen post Max*”. Clearly this could be a matter for serious concern, having all eggs in one basket, so to speak. The Veritau Board should satisfy themselves that there is a clear succession plan in place in the event of the current HoIA not being available to the Company for any reason.
- ④ **STAFF RETENTION** – a number of clients raised concerns around the retention of staff. They were, as reflected in our discussions, very complimentary about the quality of the more junior staff being introduced to the Company, which is a credit to IA Managers and their induction of these individuals. However, it should be recognised that whilst some good initiatives have been taken in the recruitment and development of these staff, for example in the area of IT Audit, in a highly competitive market for Internal Auditors, and in particular those with specialist skills, the Company may become a ‘nursery’ for other providers paying higher salaries for experienced audit staff. The Veritau Board should consider whether their retention policies are robust and that the organisation structure allows sufficient progression to occur in order to retain staff as their experience and knowledge grows.

PART II – ISSUES SPECIFIC TO THE INTERNAL AUDIT ACTIVITY OF VERITAU

1. As identified earlier, the service provided by Veritau is highly rated (8.2 out of 10). Of course, we know with any service there will be results above or below this perception and it is the same for some audit reviews. For those who said why such reviews would be considered for a lower score, feedback generally related to reporting, as follows:
 - ④ Audit assessments could be more robust or more forceful. This came from a number of individuals who felt that sometimes the reporting may ‘placate’ the service too much. There is a difficult balance to find between not alienating people from the audit process, but robustly ‘telling it as it is’.
 - ④ Closely aligned to this was the some felt reports could do with more ‘context’ rather than just straight in to the findings.
 - ④ Finally, one minor ‘irritation’ was when auditors report “we have found”, when often it is the service that brought this to their attention.
2. All the staff interviewed were very happy with their role within the Company. We did, however, agree to feedback any points raised during these interviews for suggested improvement; some of which may already be on management’s radar and recognising that in each suggestion there is a balance to be reached:
 - ④ Ensure the Auditor who completed the review completes the follow up. The individual who raised this was doing so from an efficiency point of view.
 - ④ Allow more time to learn about the clients and become more organisationally aware.
 - ④ Better sharing of findings and information across clients.

RECOMMENDATIONS

We recommend that:

- ④ the Head of Internal Audit presents this report to the Veritau Board and each of its client organisations Audit Committees;
- ④ the Head of Internal Audit incorporates the Observations and Recommendations from this report into the Quality Assessment Improvement Programme (QAIP) and that the QAIP is maintained as a live document;
- ④ the Head of Internal Audit presents the QAIP to the Veritau Board and each of its client organisations Audit Committees and thereafter reported periodically to monitor progress and to demonstrate the continuous improvement of the service.

**ATTACHMENT A
STANDARDS CONFORMANCE
EVALUATION SUMMARY**

SWAP INTERNAL AUDIT SERVICES

Standards Conformance Evaluation Summary		("X" Evaluator's Decision)		
		GC	PC	DNC
OVERALL EVALUATION				
ATTRIBUTE STANDARDS				
Definition of Internal Auditing		X		
IIA Code of Ethics		X		
1000	Purpose, Authority, and Responsibility	X		
1100	Independence and Objectivity	X		
1110	Organisational Independence	X		
1111	Direct Interaction with the Board	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care			
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program			
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Non-conformance	X		
PERFORMANCE STANDARDS				
2000	Managing the Internal Audit Activity			
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		

Standards Conformance Evaluation Summary

		("X" Evaluator's Decision)		
		GC	PC	DNC
2050	Coordination		X	
2060	Reporting to Senior Management and the Board	X		
2100	Nature of Work			
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning			
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement			
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results			
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Non-conformance	X		
2440	Disseminating Results	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		

Definitions

GC – “Generally Conforms” means that the assessor or the assessment team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, comply with the requirements of the individual standard or elements of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standard or element of the Code of Ethics and at least partial conformity to the others within the section/category. There may be significant opportunities for improvement, but these should not represent situations where the activity has not implemented the *Standards* or the Code of Ethics and has not applied them effectively or has not achieved their stated objectives. As indicated above, general conformance does not require complete or perfect conformance, the ideal situation, or successful practice, etc.

PC – “Partially Conforms” means that the assessor or assessment team has concluded that the activity is making good-faith efforts to comply with the requirements of the individual standard or elements of the Code of Ethics, or a section or major category, but falls short of achieving some major objectives. These will usually represent significant opportunities for improvement in effectively applying the *Standards* or the Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organisation.

DNC – “Does Not Conform” means that the assessor or assessment team has concluded that the internal audit activity is not aware of, is not making good-faith efforts to comply with, or is failing to achieve many or all of the objectives of the individual standard or element of the Code of Ethics, or a section or major category. These deficiencies will usually have a significantly negative impact on the internal audit activity’s effectiveness and its potential to add value to the organisation. These may also represent significant opportunities for improvement, including actions by senior management or the board.

ATTACHMENT B INDEPENDENT VALIDATOR STATEMENT

The validator was engaged to conduct an independent validation of the Veritau self-assessment. The primary objective of the validation was to verify the assertions made by the self-assessment team concerning adequate fulfilment of the organisation's basic expectations of the IA activity and its conformity to the International Standards for the Professional Practice of Internal Auditing (Standards) with reference to the Public Sector Internal Auditing Standards (PSIAS) and incorporating the Local Government Application Notes (LGAN).

In acting as validator, I am fully independent of the organisation and have the necessary knowledge and skills to undertake this engagement. The validation started on 12th October 2018 and culminated with a three-day site visit between the 5th and 7th November 2018. The validation consisted primarily of a review and testing of the procedures and results of the self-assessment. In addition, interviews were conducted with twenty-four individuals, including the Head of Internal Audit and his Deputy. These individuals are considered key stakeholders and included Audit Committee Chairs, Chief Executives, Section 151 Officers, Senior Service Managers and Veritau staff at various levels in the Company.

I concur fully with the IA activity's conclusions in the self-assessment from where some of the observations were identified.

Consideration of the matters raised, and implementation of the recommendations contained in this report will serve only to improve the effectiveness and enhance the value of the IA activity, which is already highly regarded, and ensure its full conformity to the *Standards*.

Gerry Cox CMIIA

Chief Executive – SWAP Internal Audit Services

Date 26th November 2018

Agenda Item 12



Report Reference Number: A/18/18

To: Audit and Governance Committee
Date: 30 January 2019
Author: Karen Iveson; Chief Finance Officer (s151)
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Annual Governance Statement 2017/18 – Action Plan Review

Summary: To review progress on the Annual Governance Statement (AGS) 2017/18 Action Plan approved in July 2018.

Recommendation:

It is recommended that progress against the Action Plan for the Annual Governance Statement for 2017/18 be noted.

Reasons for recommendation:

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

1. Introduction and background

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

- 1.3 To meet the requirement to review the AGS an Action Plan has been agreed and is subject to half yearly review by the Audit and Governance Committee.

2. The Report

- 2.1 The present Action Plan for review is attached as Appendix A. Progress against the approved action plan has been made although there are some actions on-going which will be monitored by Leadership Team over the remaining months of the year in order to ensure actions are delivered to the agreed revised deadlines.

3. Legal/Financial Controls and other Policy matters

3.1. Legal Issues

- (a.) None.

3.2. Financial Issues

- (a.) None.

4. Conclusion

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

5. Background Documents

Contact Officer: *Karen Iveson, Chief Finance Officer (and s151);*
kiveson@selby.gov.uk
01757/292056

Appendices: **Appendix A – AGS 2017/18 Action Plan**

Issue Identified	Source of Evidence	Previous Summary of Action Taken & Proposed	By whom & By when	Current Position
Review of Overview and Scrutiny arrangements	Corporate Peer Challenge Nov 2017	Training has been delivered to members of the Executive and Scrutiny Committees. This included a workshop style session with officers and members to identify areas for improvement and development.	Solicitor to the Council 31 March 2019	Update since the last report: <ul style="list-style-type: none"> • Established a Quarterly Work Programme Liaison Group between the Executive and the Chairs of Audit and Governance, Scrutiny and Policy Review Committees. It has met on 2 occasions so far (July 2018 and November, next meeting scheduled for 21 February) • Scrutiny Training for Members arranged and delivered in October 2018 - very well received by attendees as it was focused on SDC arrangements. • Role profiles for the Chairs of Scrutiny, Policy Review and Audit and Governance Committees

Issue Identified	Source of Evidence	Previous Summary of Action Taken & Proposed	By whom & By when	Current Position
				<p>developed, agreed and adopted into the Constitution at July Council.</p> <ul style="list-style-type: none"> • Executive Meeting dates circulated at Scrutiny Committee in order to encourage attendance by a member of the Committee at Executive meetings. • Scrutiny has identified a 'deep dive' issue it may wish to look at in 2019/20 - ToR still to be developed.

Issue Identified	Source of Evidence	Previous Summary of Action Taken & Proposed	By whom & By when	Current Position
Information Governance and breaches in Data Protection are not adequately managed.	Internal Audit Report	<p>Plans are now in place to:</p> <ul style="list-style-type: none"> • Assign clear roles and responsibilities; • Approve and implement the necessary policies and procedures; • Deliver a targeted training programme; • Ensure adequate reporting arrangements; and • Consider appropriate disciplinary procedures for data breaches. 	<p>Solicitor to the Council</p> <p>8 June 2018 Amended deadline - achieved</p> <p>Deadline for new actions 31 March 2019</p>	<p>An action plan is now in place to address the implications of the General Data Protection Regulation (GDPR) and the remaining actions resulting from previous Internal Audit reports. The GDPR action plan is now substantially complete. Veritau now act as DPO for SDC and in this capacity, a new Information Governance Action Report has been developed by Veritau for Q4 2018/19 which will address these outstanding actions. Veritau are scheduled to report progress on this action plan to the SIRO and CIGG by 29 March 2019.</p> <p>It is proposed to share this report with Audit & Governance Committee on 10 April 2019.</p>

Issue Identified	Source of Evidence	Previous Summary of Action Taken & Proposed	By whom & By when	Current Position
Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	<p>Agreed actions:</p> <ul style="list-style-type: none"> • Management responsibility has been defined • The cardholder data environment will be mapped and documented • Policies and procedures will be developed in relation to PCI DSS • Dependencies on third parties will be explored and assessed • Responsibility for completing annual self-assessment questionnaires will be assigned 	<p>Head of Business Development and Improvement</p> <p>30 September 2019</p>	<p>Civica have bought Northgate PARIS – our current payments and income management system – and will no longer commit to supporting the software. As a result we are required to procure new software. A bid for funding procurement of Civica Pay (or similar) is included in the draft budget for 2019/20. Implementation of new software will resolve PCI DSS issues. Revised date of 30 Sept 2019.</p>
Creditors	Internal Audit report	<p>A number of duplicate invoices and payments were identified during the previous audit. In addition, a high number of orders were found to be raised outside of the e-procurement system.</p> <p>An action plan was agreed and good progress has been made towards this with an update provided to the Audit and</p>	<p>Head of Operational Services</p> <p>31 December 2018</p>	<p>A further audit of Creditors was completed in 2017/18 and found reasonable progress had been made. No further duplicate payments were identified, however a high number of orders are still being raised outside of e-procurement. The current exemptions list will be reviewed to ensure all</p>

Issue Identified	Source of Evidence	Previous Summary of Action Taken & Proposed	By whom & By when	Current Position
		Governance Committee in April 2017.		<p>exemptions are necessary. Thereafter, the list will be reviewed annually by Finance in conjunction with Business Support to minimise and clarify the reasons for a non-POP invoice.</p> <p>Business support have a clear process in place should an invoice be received without a PO that isn't included on the exclusions list. This will be followed up as part of the 2018-19 audit.</p>
Payroll reconciliation	Internal and External Audit reports	Delays to and errors within the payroll costing file	Head of Finance 31 July 2018	Completed - Historical issues have now been resolved. There are ad-hoc differences but these are being addressed as they occur as part of the reconciliation process. The reports are now being received on time.

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Agenda Item 13



Report Reference Number: A/18/19

To: Audit & Governance Committee
Date: 30 January 2019
Author: Jonathan Dodsworth, Counter Fraud Manager, Veritau Ltd
Lead Officer: Karen Iveson; Executive Director (s151 Officer)

APPENDIX C IS NOT FOR PUBLICATION. This Report contains exempt information under paragraph 3 of schedule 12A to the Local Government Act 1972 as amended.

Title: Counter Fraud Framework Update

Summary:

The council approved a new counter fraud and corruption strategy and associated action plan in 2017. This report updates the committee on progress against the actions set out in the strategy. In addition the council's counter fraud risk assessment has been updated to reflect fraud risks currently facing the council.

Recommendation:

It is recommended that the committee approve the updated counter fraud and corruption strategy action plan. In addition the committee is asked to comment on and note the updated counter fraud risk assessment.

Reasons for recommendation

To help ensure the council maintains robust counter fraud arrangements.

1 Introduction

1.1 Fraud is a serious risk to the public sector in the UK. When fraud is committed against the public sector, money is diverted from the services our communities depend on into the hands of criminals. Fraudsters are constantly refining their tactics and techniques in order to circumvent the checks and controls put in place to prevent fraud

from occurring. In order to protect income and assets public sector bodies must regularly develop their counter fraud activity as well as provide a strong deterrent when fraud is detected.

- 1.2 This report documents the annual review of the council's counter fraud framework which includes a counter fraud strategy and action plan, counter fraud policy and fraud risk assessment. In addition it informs the committee of national and local counter developments.

2 National Picture

- 2.1 CIPFA recently issued its annual Fraud and Corruption Tracker report, Appendix A, which details levels of fraud detected by local authorities across the UK in 2017/18. CIPFA reports that procurement fraud remains the highest perceived area of threat to local authorities. While only 142 cases were reported nationally the average loss per case exceeded £36k; 25% of cases related to insider fraud and a further 20% to serious and organised crime. The largest area of growth in terms of fraud detected was in business rates with a 141% increase in loss found in 2017/18 compared to the previous year. Increased attention to this area by local authorities is likely due to proposed changes to council funding. Housing fraud is still seen as a significant area of potential loss for local authorities due to the value of housing stock held. The number of illegally sublet properties detected fell but the number of fraudulent right to buy (RTB) applications found increased by 18%. CIPFA found the average discount in a fraudulent RTB application to be in excess of £60k. Procurement fraud, business rates fraud, and right to buy applications are all areas of focus for the counter fraud team in 2019/20 and specific actions are contained within the counter fraud strategy action plan, Appendix B.
- 2.2 Central government is increasingly concerned about levels of fraud within the public sector. In October 2018 they launched the Government Counter Fraud Profession (GCFP) which is a framework for counter fraud activity across government departments and related organisations. The government is investing in over 10,000 counter fraud specialists to tackle fraud within central government. The GCFP does not currently involve local authorities, but it may be expanded in the future.
- 2.3 The Department of Work and Pensions (DWP) wrote to local authorities in October 2017 to propose joint working between local authority fraud officers investigating council tax support (CTS) fraud and DWP officers investigating housing benefit (HB) fraud and other national benefits. Joint working in certain situations may be beneficial to local authorities, e.g. economies of scale and the Crown Prosecution Service can undertake prosecution work, however it is unknown how this will work in practice. Selby District Council expressed their interest in exploring joint working following the request from the DWP in 2017. A national rollout began in September 2018 and is due to begin in the Yorkshire and Humber region in May 2019.

3 Local Trends

- 3.1 The counter fraud team continues to receive substantial numbers of reports of possible fraud from council staff, the public, and government agencies. There has been a 20% increase in the number of reports received in 2018/19 than at the same time in the previous year. The increased number of fraud reports is due to greater engagement by members of staff and the public.
- 3.2 The counter fraud team has detected £33.6k of loss due to fraud and error at the Council in 2018/19 to date which is a substantial increase on the £17.5k detected at the council in the whole of 2017/18. This increase is largely due to a single high value fraud against the authority (see latest progress report and fraud risk assessment) but is also a reflection on increases in the average value of CTS fraud cases and increased detection of business rates fraud.
- 3.3 There has been a 42% increase in statutory requests from the DWP to support their investigation of housing benefit investigations – 81 at Q3 in 2017/18 to 118 at Q3 this year. The number of requests received by local authorities was expected to reduce over the next two years as HB recipients transferred to UC. However, in October the government announced that the transfer of claimants to UC would be significantly scaled back in the short term. This is expected to result in the continuation of sizeable numbers of requests from the DWP to the Council for the foreseeable future.
- 3.4 Over the last year the counter fraud team has continued to develop pro-active work to identify fraud affecting the council. The council collaborated with a substantial number of neighbouring authorities across Yorkshire to take part in the Cabinet Office's pilot data matching exercise to identify potential Business Rates fraud. The exercise highlighted a number of businesses that were fraudulently or erroneously claiming small business rate relief. In addition the exercise identified businesses that may not be paying the correct level of business rates. These businesses have been referred to the Valuation Office Agency for reassessment. Evaluation of these matches continues but the project has already produced £5.7k of savings with more expected in Q4. Given the success of the pilot, it is hoped that it will be rolled out nationally in the next National Fraud Initiative exercise in 2020/21.

4 Review of Counter Fraud Strategy and Risk Assessment

- 4.1 The council's Counter Fraud and Corruption Strategy 2017-19 was approved by the committee in January 2017. The strategy takes into account the national collaborative counter fraud strategy for local government in the UK (Fighting Fraud & Corruption Locally). No changes are required to the main body of the strategy, however the associated action plan, in Appendix B, has been updated to indicate progress on tasks as well as new objectives for 2019/20. A new national counter fraud strategy for local government is expected to be released in 2020 which will lead to a refresh of the Council's strategy.

- 4.2 It is recognised good practice for council's to assess their risk of fraud on a regular basis. A counter fraud risk assessment was first produced for the council in September 2016 and has been updated annually since then. The risk assessment included in restricted Appendix C is the latest update of that document. A number of specific actions are included in the risk assessment. These include work to be undertaken by both the internal audit and the counter fraud teams as part of their 2018/19 and 2019/20 plan of work for the council.
- 4.3 As part of this review the council's Counter Fraud Policy has also been reviewed but no changes are required. However, new legislation (Investigatory Powers Act 2018) and joint working with the DWP may necessitate an update to the policy in 2019/20.

5 Legal/Financial Controls and other Policy matters

5.1 Legal issues

- 5.1.1 Appendix C to the report is exempt from disclosure under the provisions of paragraph 3 of Schedule 12A to the Local Government Act 1972 as it contains information relating to the financial or business affairs of any person including the authority itself. The appendix contains detailed information relating to the systems and processes that the Council has in place to manage fraud risk. The information, if published, could put the Council at increased risk of fraud. Councillors will need to resolve to meet in private session if they wish to discuss any issues arising from Appendix C.

5.2 Financial Issues

- 5.2.1 There are no financial implications as a result of this report.

6 Conclusion

- 6.1 This report updates the committee on national and local developments within counter fraud environment. It also presents the outcomes of the annual review of counter fraud arrangements which helps to ensure that the Council maintains a robust counter fraud policy framework and has an up to date fraud risk assessment in place.

7 Background Documents/Contacts

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

*Richard Smith; Deputy Head of Internal Audit;
Veritau*

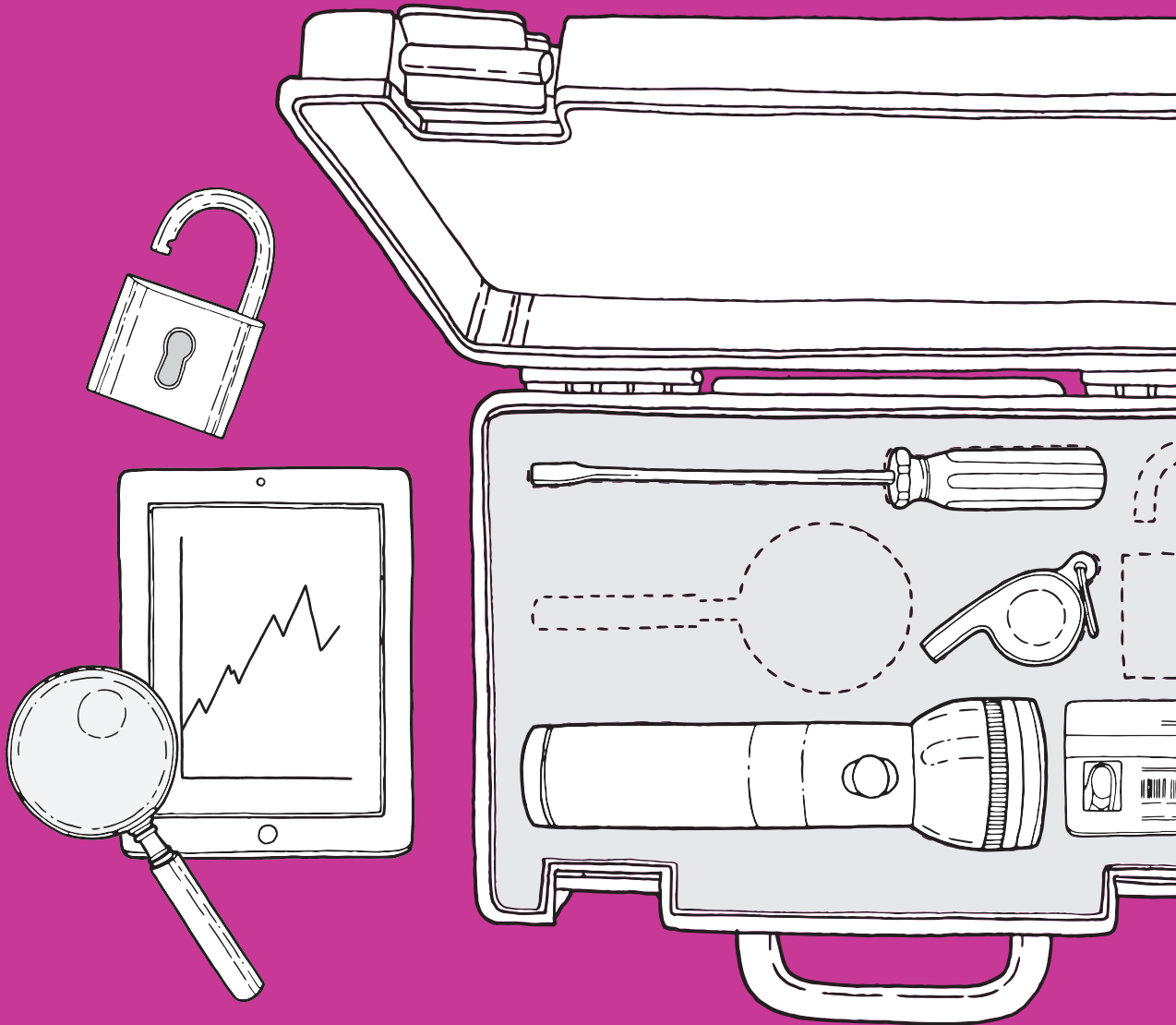
Appendices:

- Appendix A: CIPFA Fraud and Corruption Tracker 2018
- Appendix B: Counter Fraud and Corruption Strategy Action Plan
- Appendix C: Fraud Risk Assessment (NOT FOR PUBLICATION. This Appendix contains exempt information under paragraph 3 of schedule 12A to the Local Government Act 1972 as amended)

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fraud and corruption tracker

Summary Report 2018



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5	Introduction
6	Executive summary
8	Main types of fraud <ul style="list-style-type: none">– Council tax– Housing and tenancy– Disabled parking (Blue Badge)– Business rates
11	Other types of fraud <ul style="list-style-type: none">– Adult social care– Insurance– Procurement– Welfare assistance and no recourse to public funds– Economic and voluntary sector support (grant fraud) and debt– Payroll, expenses, recruitment and pension– Manipulation of data (financial or non-financial) and mandate fraud
14	Serious and organised crime
14	Whistleblowing
15	Resources and structure
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18	Appendix 1: Fraud types and estimated value/volume
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Foreword

As guardians of public resources, it is the obligation of every public sector organisation in the UK to fight fraud and corruption. Taking effective measures in counter fraud amounts to much more than simply saving money, as illegitimate activities can undermine the public trust, the very social licence, which is essential to the ability of organisations to operate effectively.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey aims to help organisations, and the public at large, better understand the volume and type of fraudulent activity in the UK and the actions which are being taken to combat it.

With support from the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), these insights reflect the current concerns of fraud practitioners from local authorities in a bid to create a focus on trends and emerging risks.

Key findings this year, such as the continued perception of procurement as the area at most susceptible to fraud, and the growing cost of business rates fraud, should help councils allocate resources appropriately to counter such activity.

For this reason, the 2018 CFaCT survey should be essential reading for all local authorities as part of their ongoing risk management activity. It provides a clear picture of the fraud landscape today for elected members, the executive and the professionals responsible for countering fraud, helping their organisations benchmark their activities against counterparts in the wider public sector.

When councils take effective counter fraud measures they are rebuilding public trust, and ensuring our increasingly scarce funds are being used effectively to deliver services.

Rob Whiteman

Chief Executive, CIPFA

The survey was supported by:



The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission. Building on CIPFA's 130-year history of championing excellence in public finance management, we offer training and a range of products and services to help organisations detect, prevent and recover fraud losses.

We lead on the national counter fraud and anti-corruption strategy for local government, Fighting Fraud and Corruption Locally, and were named in the government's Anti-Corruption Plan (2014) as having a key role to play in combatting corruption, both within the UK and abroad.



Acknowledgements

CIPFA would like to thank all the organisations that completed the survey along with those that helped by distributing the survey or contributing case studies/best practices, including:

- Local Government Association
- Solace
- Home Office
- The Fighting Fraud and Corruption Locally board
- Salford City Council
- Sandwell Council

Introduction

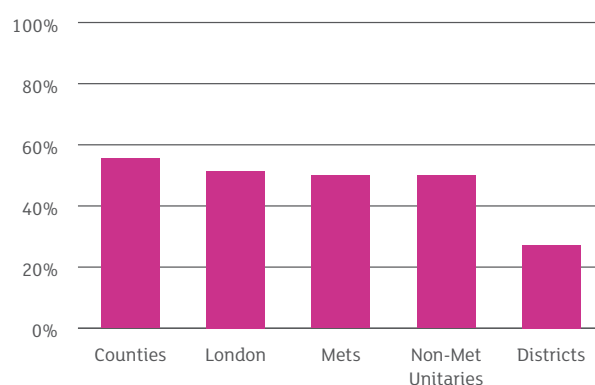
CIPFA recognises that each pound lost to fraud represents a loss to the public purse and reduces the ability of the public sector to provide services to people who need them. According to the Annual Fraud Indicator 2013, which provides the last set of government sanctioned estimates, fraud costs the public sector at least £20.6bn annually and of this total, £2.1bn is specifically in local government.

Fraud continues to pose a major financial threat to local authorities and working with partners such as the LGA and Home Office, we are seeing an emerging picture of resilience and innovation within a sector that is aware of the difficulties it faces and is finding solutions to the challenges.

In May 2018, CIPFA conducted its fourth annual CFaCT survey, drawing on the experiences of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. This survey aims to create a national picture of the amount, and types of fraud carried out against local authorities.

The results were received from local authorities in all regions in the UK, allowing CIPFA to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

Response rate



This report highlights the following:

- the types of fraud identified in the 2017/18 CFaCT survey
- the value of fraud prevented and detected in 2017/18
- how to improve the public sector budget through counter fraud and prevention activities
- how the fraud and corruption landscape is changing including emerging risks and threats.

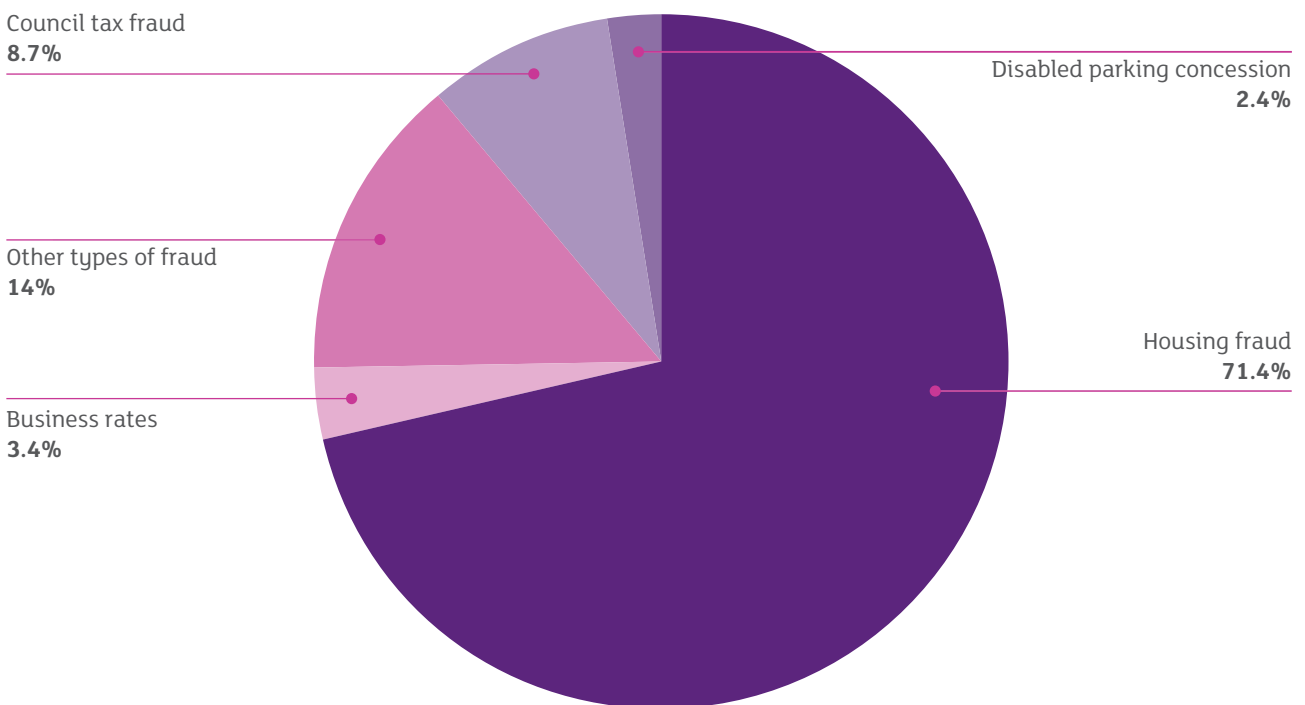
Executive summary

CIPFA has estimated that for local authorities in the UK, the total value of fraud detected or prevented in 2017/18 is £302m, which is less than the £336m estimated in 2016/17. The average value per fraud has also reduced from £4,500 in 2016/17 to £3,600 in 2017/18.

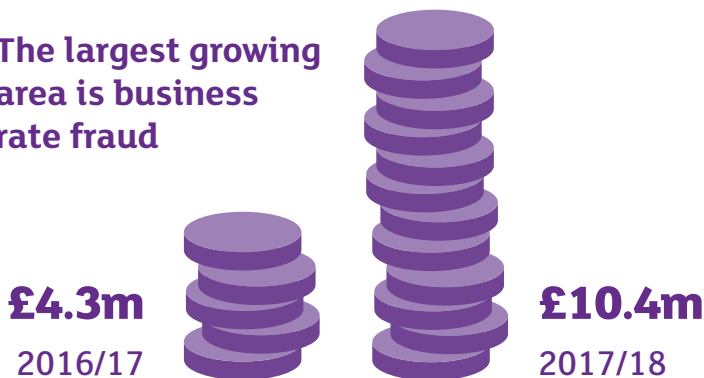
Respondents report that approximately 80,000 frauds had been detected or prevented in 2017/18, which is a slight increase from just over 75,000 frauds in 2016/17. The number of serious and organised crime cases, however, has doubled since 2016/17. This increase may

suggest that fraud attacks are becoming more complex and sophisticated due to fraud teams becoming more effective at prevention. Alternatively, fraud teams may have developed a more effective approach for detecting or preventing such frauds.

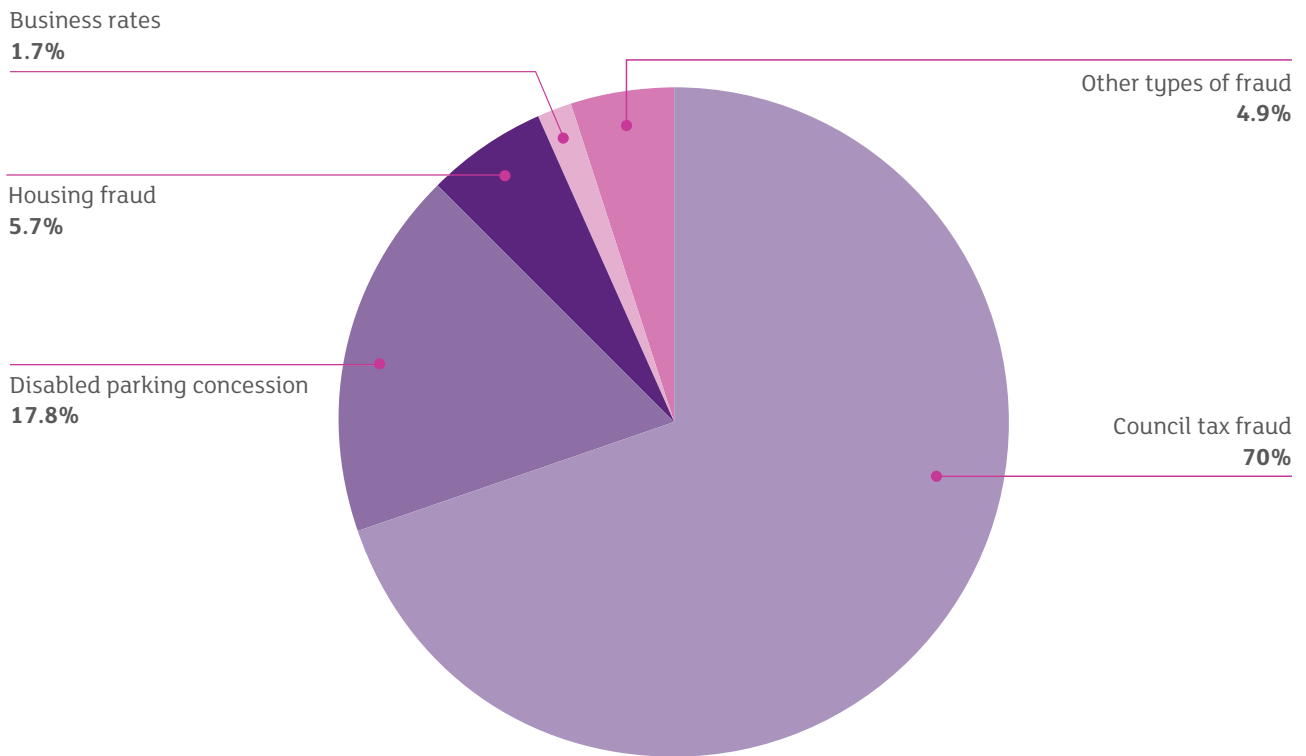
Estimated value of fraud detected/prevented



The largest growing area is business rate fraud



Detected fraud by estimated volume



For 2017/18, it has been highlighted that the three greatest areas of perceived fraud risk are procurement, council tax single person discount (SPD) and adult social care.

The largest growing area is business rates fraud, with an estimated £10.4m lost in 2017/18 compared to £4.3m in 2016/17. This is followed by disabled parking concession (Blue Badge) which has increased by £3m to an estimated value of £7.3m for cases prevented/detected in 2017/18.

Two thirds of identified frauds related to council tax fraud (66%), with a value of £9.8m, while the highest

value detected/prevented from investigations was housing fraud, totalling £97.4m.

None of the respondents reported any issues with needing greater public support for tackling fraud, but some agreed that there needs to be an increased priority given within councils to tackling fraud.

Historically, it is shown that the more effective and efficient authorities are at detecting and preventing fraud, the more they will discover. This means that even if the levels of detection and prevention have increased, this is more likely due to a greater emphasis towards battling fraud rather than weak controls.

Main types of fraud

The 2017/18 CFaCT survey indicates that there are four main types of fraud (by volume) that affect local authorities:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. business rates.

Council tax

Council tax fraud has consistently been the largest reported issue over the last four years. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

It has traditionally been an area of high volume/low unit value, and this year's results reflect that trend. Council tax fraud represents the highest number of fraud cases reported by local authorities (66%), however, the total value of the fraud, estimated at £26.3m in 2017/18, accounts for only 8.7% of the value of all detected fraud.

The number of detected/prevented cases in the area of council tax SPD has reduced from 2016/17 levels, but we see a rise in the number of incidents and value in council tax reduction (CTR) and other forms of council tax fraud.

Estimated council tax fraud

	2016/17		2017/18	
	Volume	Value	Volume	Value
SPD	50,136	£19.5m	46,278	£15.8m
CTR	6,326	£4.8m	8,759	£6.1m
Other	674	£1.1m	2,857	£4.5m
Total	57,136	£25.5m	57,894	£26.3m



Council tax fraud represents the highest number of fraud cases reported, but only 8.7% of the detected value.



Housing and tenancy fraud

Housing is expensive in many parts of the country, particularly in the South East of England, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud using different valuations, ranging from a notional cost of replacing a property set by the National Fraud Initiative (NFI) to the average cost for keeping a family in bed and breakfast accommodation for a year.

The difference in approach can lead to substantial differences. For example, two years ago, the NFI increased its standard notional figure to include other elements, and this increased the figure to £93,000, which is substantially larger than the previous figure of £18,000. This means that authorities may be using differing notional figures to calculate their average valuation of loss, which in turn leads to variations.

As housing has become increasingly expensive, the value of right to buy fraud is evidently higher than the other types of housing fraud. The value of this type of fraud is higher in London than in other parts of the country, with an estimated average of £72,000 per case compared to the rest of the UK combined, which has an estimated total of £50,000 per case.

However, the overall value and value of right to buy fraud has continued to decline – see table below.

Estimated housing fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Right to buy	1,284	£111.6m	1,518	£92.0m
Illegal sublet	1,829	£78.5m	1,051	£55.8m
Other*	2,825	£73.3m	2,164	£68.3m
Total	5,938	£263.4m	4,733	£216.1m

*Other includes tenancy fraud that are neither right to buy nor illegal sublet, and may include succession and false applications.

Disability Faculty Grant and housing fraud

Ms C used her disabled child as a means of requesting money from the local authority to fit a downstairs bathroom in their home. This request was rejected but Ms C appealed and the matter was taken to court where it was revealed that she owned multiple properties and was actually living in a different county, where she was also claiming disability benefits. The appeal was denied and Ms C was instructed to pay over £16,000 in court costs within half a year.

Since 2016/2017, right to buy value has decreased by

18%

£216m

the estimated total value loss from housing fraud investigated during 2017/18

Disabled parking (Blue Badge)

Fraud from the misuse of the Blue Badge scheme has increased for the first time since CIPFA began running the survey, with the number of cases rising by over 1,000 between 2016/17 and 2017/18. The survey also indicates that 49% of Blue Badge fraud cases in 2017/18 were reported by counties.

There is no standard way to calculate the value of this type of fraud and some authorities, for example in London, place a higher value on the loss than others and invest more in counter fraud resource.

The cost of parking in London results in a higher value to case ratio, which is shown in the average value per case reported – £2,150 in comparison to counties who had an average of £449 per case.

In the event that a Blue Badge misuse is identified, the offender is often prosecuted and fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution, resulting in a loss of funds. This potential loss could explain why authorities do not focus as much attention on this type of fraud.

Blue Badge fraud is often an indicator of other benefit-related frauds, such as concessionary travel or claims against deceased individuals by care homes for adult social care.

49%

of Blue Badge fraud cases in 2017/18 were reported by counties

The average value per case reported is:

£2,150

in London

£449

in counties

Business rates

Business rates are a key cost for those who have to pay the tax and is the largest growing risk area in 2017/18; district councils have identified this as their fourth biggest fraud risk area for 2017/18 after housing fraud, council tax and procurement.

Business rates fraud represented 0.9% of the total number of frauds reported in 2016/17, with an estimated

value of £7m. In 2017/18, this increased to 1.7%, with an estimated value of £10.4m.

The rise in the number and value of fraud detected/prevented since 2016/17 could be as a result of more authorities participating in business rates data matching activities, uncovering more cases of fraud that had previously gone unnoticed.

Data matching uncovers business rates fraud

The fraud team at Salford City Council undertook a business rates data matching exercise with GeoPlace. They used geographical mapping and other datasets to identify businesses that were not on the ratings list and were hard to find. The results identified seven potential business and the cases were sent to the Valuation Office Agency. Of the three returned to date, one attracted small business rate relief and rates on the other two were backdated to 2015, generating a bill of £90,000.

Other types of fraud

Fraud covers a substantial number of areas and within organisations these can vary in importance. This part of the report looks at specific areas of fraud that did not appear as major types of fraud within the national picture but are important to individual organisations. These include the following fraud types:

- adult social care
- insurance
- procurement
- no recourse to public funds/welfare assistance
- payroll, recruitment, expenses and pension
- economic and voluntary sector support and debt
- mandate fraud and manipulation of data.

Adult social care

The estimated value of adult social care fraud cases has increased by 21%, despite a fall in the average value per case – £9,000 in 2017/18 compared to £12,500 in 2016/17. This is a product of the significant rise in the number of frauds within adult social care which are not related to personal budgets. In recent years, many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets, which has resulted in a reduction of the estimated value per case to under £9,800 in 2017/18 compared to over £10,000 in 2016/17.

This year's survey also highlights a decline in the number of adult social care insider fraud cases, with 2% of cases involving an authority employee, compared to 5% last year.

Estimated adult social care fraud

Type of fraud	2016/17		2017/18	
	Volume	Value	Volume	Value
Personal budget	264	£2.7m	334	£3.2m
Other	182	£2.8m	403	£3.5m
Total	446	£5.5m	737	£6.7m
Average value per fraud		£12,462		£9,123

Insurance fraud

The number of insurance frauds investigated has decreased to 117 with an average value of over £12,000, which explains the significant decline also in the total value of fraud detected/prevented. The total estimated value of loss in 2017/18 is £3.5m compared to £5.1m in 2016/17.

Respondents who identified insurance fraud also reported two confirmed serious and organised crime cases and two insider fraud cases.

Considerable work has been done in the area of insurance fraud, and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system, which seems to be effective given the steady decline in volume and value of cases reported.

The Insurance Fraud Bureau was one of the first to use a data analytical tool to identify fraud loss through multiple data sources in the insurance sector. This best practice is now being applied to local government, for example by the London Counter Fraud Hub, which is being delivered by CIPFA.

Procurement fraud

In last year's survey procurement was seen as one of the greatest areas of fraud risk and this remains the same for 2017/18.

Procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be significant difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

In 2016/17, there was an estimated 197 prevented or detected procurement frauds with an estimated value of £6.2m, which has now decreased to 142 estimated fraudulent cases with an estimated value of £5.2m. Twenty-five percent of reported cases were insider fraud and a further 20% were serious and organised crime.

Estimated procurement fraud

2016/17		2017/18	
Volume	Value	Volume	Value
197	£6.2m	142	£5.2m

CIPFA is working with the Ministry of Housing, Communities and Local Government (MHCLG) in an effort to understand more about procurement fraud and how we can develop more solutions in this area.

The [Fighting Fraud and Corruption Locally Strategy 2016 to 2019 \(FFCL\)](#) recommends that local authorities have a procurement fraud map and use it to define the stages at which procurement fraud can happen. This enables authorities to highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority has produced a [free online tool](#) that studies the data fed in against bidder behaviour and price patterns, allowing the public sector to identify areas of higher risk within procurement. It then flags areas where there could be potential fraud and which should be investigated.

Welfare assistance and no recourse to public funds

In 2016/17 the estimated number of fraud cases related to welfare assistance was 74, increasing to an estimated 109 in 2017/18.

The number of cases in no recourse to public funding cases has reduced to an estimated 334 in 2017/18. The value of the average fraud has more than halved, falling to an estimated £11,500 in 2017/18 from £28,100 in 2016/17. This is reflected by the overall decrease in total value of the fraud to an estimated £4.3m.

Economic and voluntary sector (grant fraud) and debt

As funds become more limited for this type of support, it is even more important for fraud teams to be aware of the risks within this area.

In the 2016/17 survey, there were 17 actual cases of grant fraud reported, which increased to 24 cases with an average estimated loss of £14,000 per case for 2017/18.

Debt had 38 reported cases in 2017/18 valued at over £150,000, with one case of insider fraud.

Payroll, expenses, recruitment and pension

If we combine all the estimated results for these four areas, the total value of the fraud loss is an estimated £2.1m.

Measuring the cost of these frauds can be quite difficult as they carry implications that include reputational damage, the costs of further recruitment and investigations into the motives behind the fraud. As a result, some organisations could be less likely to investigate or report investigations in these areas.

Payroll has the highest volume and value of fraud out of these four areas for 2017/18, and 51% of the cases investigated or prevented were reported as insider fraud.

Recruitment fraud has the second highest estimated average per case of £9,400. This is quite an interesting area for fraud practitioners given their work is often not recorded as a monetary value as the application is refused or withdrawn. So, it is more likely the figure represents the estimated cases of fraud that were prevented in 2017/18.

Estimated fraud

Type	2016/17		2017/18	
	Volume	Value	Volume	Value
Payroll	248	£1.0m	167	£1.01m
Expenses	75	£0.1m	34	£0.03m
Recruitment	46	£0.2m	52	£0.49m
Pension	228	£0.8m	164	£0.57m
Total	597	£2.1m	417	£2.10m

Manipulation of data (financial or non-financial) and mandate fraud

CIPFA estimates that across the UK there have been 23 cases of manipulation of data fraud, which is less than half of the estimated cases in 2016/17.

There were 257 estimated cases of mandate fraud in 2017/18 compared to 325 estimated cases detected or prevented in 2016/17.

These areas of fraudulent activity are on the decline and advice from organisations such as Action Fraud is useful.



Serious and organised crime

The survey question on serious and organised crime was requested by the Home Office and was included in the 2017/18 survey in order to help establish how it is being tackled by local authorities.

Organised crime often involves complicated and large-scale fraudulent activities which cross more than one boundary, such as payroll, mandate fraud, insurance claims, business rates and procurement. These activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The 2017/18 survey identified 56 cases of serious and organised crime which was over double the figures reported in 2016/17 – 93% of these cases were reported by respondents from metropolitan unitaries. This shows that in the bigger conurbations, there is higher serious and organised crime activity (as one would expect) which is why some of the emerging counter fraud hubs are using predictive analytics to detect organised crime.

The responses indicate that organisations share a great deal of data both internally and externally – 34% share with the police and 16% share with similar organisations (peers). In addition, of the organisations that responded, 47% identified serious and organised crime risks within their organisation's risk register.

93%

the percentage of respondents who share data externally



Key data sharing partners are the police and other similar organisations.



Whistleblowing

This year, 74% of respondents said that they annually reviewed their whistleblowing arrangements in line with PAS 1998:2008 Whistleblowing Arrangements Code of Practice.

Of those questioned, 87% confirmed that staff and the public had access to a helpdesk and 71% said that the helpline conformed to the BS PAS 1998:2008. Respondents reported a total of 560 whistleblowing

cases, made in line with BS PAS 1998:2008; representing disclosures in all areas, not just with regard to suspected fraudulent behaviour.

Resources and structure

Fraud teams are detecting and preventing more frauds despite reductions in their resources. It is therefore unsurprising to see 14% of respondents have a shared services structure; this approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

We have also seen a rise in authorities who have a dedicated counter fraud team – from 35% in 2016/17 to 51% in 2017/18. It is worth noting that there may be a potential bias in this figure as those who have a dedicated counter fraud team are more likely and able to return data for the CFaCT survey.

For organisations that do not go down the shared service route, the 2017/18 survey showed no growth in staff resources until 2020. This position would appear to be a

change from 2016 when some respondents had hoped to increase their staff numbers.

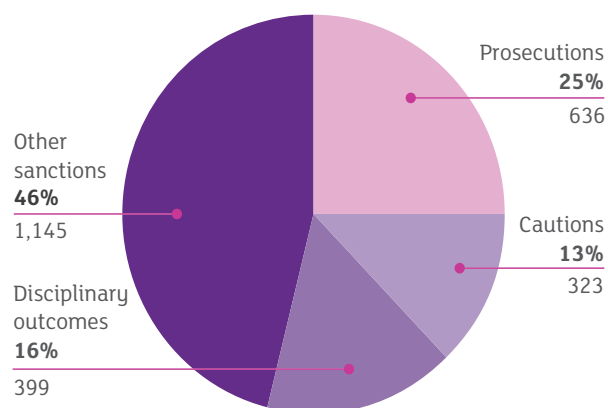
The number of available in-house qualified financial investigators has dipped slightly from 34% in 2016/17 to 31% in 2017/18. In addition, the percentage of authorities that do not have a qualified financial investigator increased from 35% in 2016/17 to 41% in 2017/18, which continues to show that resources for fraud are stretched.

Sanctions

Below are some of the key findings regarding sanctions:

- 636 prosecutions were completed in 2017/18 and of these, 15 were involved in insider fraud and 14 of those were found guilty
- the number of cautions increased from 9% in 2016/17 to 13% in 2017/18
- the percentage of other sanctions dropped from 53% in 2016/17 to 46% in 2017/18.

Outcome of sanctions



Fighting Fraud and Corruption Locally

The Fighting Fraud and Corruption Locally Strategy 2016–2019 (FFCL Strategy) was developed by local authorities and counter fraud experts and is the definitive guide for local authority leaders, chief executives, finance directors and all those with governance responsibilities.

The FFCL Strategy is available for councils to use freely so that everyone can benefit from shared good practice and is aimed at local authority leaders. It provides advice on how to lead and communicate counter fraud and corruption activity for the greatest impact, as well as covering resource management and investment in counter fraud operations.

The FFCL Board put forward specific questions to be included in the CFaCT survey to help measure the effectiveness of the initiatives in the FFCL Strategy and the responses are reflected in the diagrams below. The more confident respondents are about how fraud is dealt with in their organisation, the higher they marked the statement; the lower scores are towards the centre of the diagram.

Counter fraud controls by country



Over the past four years the same three issues have arisen when we have asked the question: *what are the three most significant issues that need to be addressed to effectively tackle the risk of fraud and corruption at your organisation?* These are:

- capacity
- effective fraud risk management
- better data sharing.

The FFCL’s 34 point checklist covers each one of these areas and provides a comprehensive framework that can be used to address them. It can be downloaded from the CIPFA [website](#).

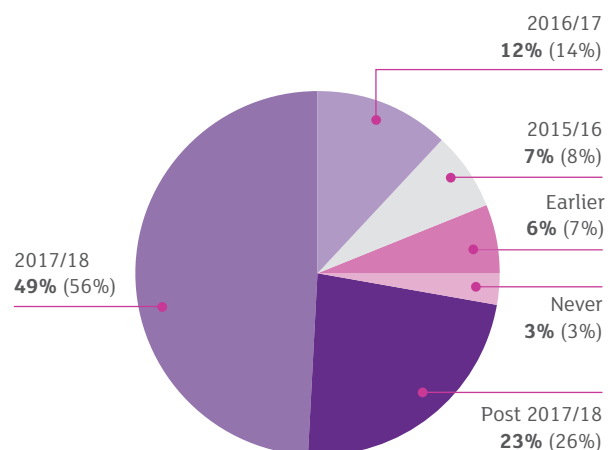
The FFCL Strategy recommends that:

There is an annual fraud plan which is agreed by committee and reflects resources mapped to risks and arrangements for reporting outcomes. This plan covers all areas of the local authority’s business and includes activities undertaken by contractors and third parties or voluntary sector activities.

By producing a plan and resources that is agreed by the leadership team, management are able to see gaps in capacity and identify areas of risk which enables them to make effective strategic decisions.

Last year, 10% of respondents did not know when their counter fraud and corruption plan was last approved, and this year this has dropped slightly to 9%. Of those who responded to the survey, 56% agreed their counter fraud and corruption plan was approved within the last 12 months, and 21% stated that their plan would be approved post 2017/18.

When did you last have your counter fraud and corruption plan approved?



CIPFA Recommends

- Public sector organisations need to remain vigilant and determined in identifying and preventing fraud in their procurement processes. Our survey showed this to be one of the prime risk areas and practitioners believe this fraud to be widely underreported.
- Effective practices on detecting and preventing adult social care fraud should be shared and adopted across the sector. Data matching is being used by some authorities with positive results.
- All organisations should ensure that they have a strong counter-fraud leadership at the heart of the senior decision-making teams. Fraud teams and practitioners should be supported in presenting business cases to resource their work effectively.
- Public sector organisations should continue to maximise opportunities to share data and to explore innovative use of data, including sharing with law enforcement.
- The importance of the work of the fraud team should be built into both internal and external communication plans. Councils can improve their budget position and reputations by having a zero-tolerance approach.



Appendix 1: Fraud types and estimated value/volume

The table below shows the types of frauds reported in the survey and the estimated volume and value during 2017/18.

Types of fraud	Fraud cases	% of the total	Value	% of the total value	Average
Council tax	57,894	70.0%	£26.3m	8.72%	£455
Disabled parking concession	14,714	17.8%	£7.3m	2.43%	£499
Housing	4,722	5.7%	£215.7m	71.43%	£45,677
Business rates	1,373	1.7%	£10.4m	3.45%	£7,580
Other fraud	1,165	1.4%	£10.9m	3.61%	£9,355
Adult social care	737	0.9%	£6.7m	2.23%	£9,124
No recourse to public funds	378	0.5%	£4.3m	1.43%	£11,445
Schools frauds (excl. transport)	285	0.3%	£0.7m	0.24%	£2,537
Insurance claims	281	0.3%	£3.5m	1.15%	£12,317
Mandate fraud	257	0.3%	£6.6m	2.18%	£25,618
Payroll	167	0.2%	£1.0m	0.33%	£6,030
Pensions	164	0.2%	£0.6m	0.19%	£3,492
Procurement	142	0.2%	£5.2m	1.71%	£36,422
Welfare assistance	109	0.1%	£0.0m	0.01%	£337
Debt	91	0.1%	£0.4m	0.12%	£3,948
Children social care	59	0.1%	£0.9m	0.31%	£15,800
Economic and voluntary sector support	57	0.1%	£0.8m	0.26%	£13,467
Recruitment	52	0.1%	£0.5m	0.16%	£9,510
Expenses	34	0.0%	£0.2m	0.01%	£867
School transport	30	0.0%	£0.1m	0.04%	£3,857
Manipulation of data	23	0.0%	N/A	N/A	N/A
Investments	2	0.0%	£0.0m	–	–

Appendix 2: Methodology

This year's results are based on responses from 144 local authorities. An estimated total volume and value of fraud has been calculated for all local authorities in England, Wales, Scotland and Northern Ireland. Missing values are calculated according to the size of the authority. For each type of fraud, an appropriate universal measure of size has been selected such as local authority housing stock for housing frauds.

From the responses, the number of cases per each unit of the measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value. As an illustration, if the number of

housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000 then the total estimated value of fraud for that authority is £1m.

Appendix 3: Glossary

Adult social care fraud

Adult social care fraud can happen in a number of ways but the increase in personal budgets gives a greater opportunity for misuse.

Investigations cover cases where:

- direct payments were not being used to pay for the care of the vulnerable adult
- care workers were claiming money for time they had not worked or were spending the allocated budget inappropriately.

Blue Badge fraud

The Blue Badge is a Europe-wide scheme allowing holders of the permit to parking concessions which are locally administered and are issued to those with disabilities in order that they can park nearer to their destination.

Blue Badge fraud covers abuse of the scheme, including the use of someone else's Blue Badge, or continuing to use or apply for a Blue Badge after a person's death.

Business rates fraud

Business rates fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to separate between evasion and avoidance. Business rates fraud covers any fraud associated with the evasion of paying business rates including, but not limited to, falsely claiming relief and exemptions where not entitled.

Cautions

Cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance.

Council tax fraud

Council tax is the tax levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland.

Council tax fraud is split into three sections.

- **council tax single person discount (SPD)** – where a person claims to live in a single-person household when more than one person lives there
- **council tax reduction (CTR) support** – where the council tax payer claims incorrectly against household income
- **other types of council tax fraud** – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

Debt fraud

Debt fraud includes fraudulently avoiding a payment of debt to an organisation, excluding council tax discount.

Disciplinary outcomes

Disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team, disciplinary action is undertaken, or where a subject resigns during the disciplinary process.

Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation.

Housing fraud

Fraud within housing takes a number of forms, including sub-letting for profit, providing false information to gain a tenancy, wrongful tenancy assignment and succession, failing to use the property as the principle home, abandonment, or right to buy.

Insurance fraud

This fraud includes any insurance claim that is proved to be false, made against the organisation or the organisation's insurers.

Mandate fraud

Action Fraud states that: "mandate fraud is when someone gets you to change a direct debit, standing order or bank transfer mandate, by purporting to be an organisation you make regular payments to, for example a subscription or membership organisation or your business supplier".

Manipulation of data fraud

The most common frauds within the manipulation of data relate to employees changing data in order to indicate better performance than actually occurred and staff removing data from the organisation. It also includes individuals using their position to change and manipulate data fraudulently or in assisting or providing access to a family member or friend.

No recourse to public funds fraud

No recourse to public funds prevents any person with that restriction from accessing certain public funds. A person who claims public funds despite such a condition is committing a criminal offence.

Organised crime

The Home Office defines organised crime as "including drug trafficking, human trafficking and organised illegal immigration, high value fraud and other financial crimes, counterfeiting, organised acquisitive crime and cyber crime".

Procurement fraud

This includes any fraud associated with the false procurement of goods and services for an organisation by an internal or external person(s) or organisations in the 'purchase to pay' or post contract procedure, including contract monitoring.

Right to buy

Right to buy is the scheme that allows tenants that have lived in their properties for a qualifying period the right to purchase the property at a discount.

Welfare assistance

Organisations have a limited amount of money available for welfare assistance claims so the criteria for applications are becoming increasingly stringent. Awards are discretionary and may come as either a crisis payment or some form of support payment.

Whistleblowing

Effective whistleblowing allows staff or the public to raise concerns about a crime, criminal offence, miscarriage of justice or dangers to health and safety in a structured and defined way. It can enable teams to uncover significant frauds that may otherwise have gone undiscovered. Organisations should therefore ensure that whistleblowing processes are reviewed regularly.



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Appendix B: Counter Fraud and Corruption Strategy Action Plan

Ongoing Activity:

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Ref	Action Required	Responsibility	Update	Status
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should link together existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	Chief Finance Officer / Veritau	The strategy, which was first introduced in 2017, is expected to be updated in 2020 when the Fighting Fraud Locally board issues a revised counter fraud strategy for local government.	Annual Review
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements.	Chief Finance Officer / Veritau	<p>An updated policy was presented to the Audit Committee in January 2017 for comment. The policy was subsequently approved by the Executive in April 2017.</p> <p>The policy has been reviewed as part of this report - no updates are required at this time.</p> <p>The Investigatory Powers Act 2018 is expected to grant local authorities additional powers to gather telecommunications data. Also expected in the current financial year</p>	Annual Review

Ref	Action Required	Responsibility	Update	Status
			<p>are joint working proposals from the DWP.</p> <p>Both these factors may require an update to the Counter Fraud policy in the next year.</p>	
3	Undertake a counter fraud risk assessment.	Chief Finance Officer / Veritau	<p>A risk assessment was first undertaken in September 2016 and was updated in January 2018.</p> <p>The risk assessment will be updated on an annual basis, see appendix C for 2019 update.</p>	Annual Review
4	Participate in regional & local data matching and counter fraud exercises.	Veritau	<p>Data matching exercises are undertaken on a rolling basis. Recent focus has been on Council Tax related fraud. This is an ongoing project - periodic matching exercises will be undertaken on a rolling basis.</p> <p>The council has participated in a pilot business rates data matching exercise with the National Fraud Initiative (NFI) alongside regional partners.</p> <p>The 2018/19 National Fraud Initiative exercise is underway. Resulting data matches are expected in February 2019.</p>	Ongoing

Ref	Action Required	Responsibility	Update	Status
5	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	Veritau	Training is delivered on a rolling basis depending on priorities and emerging fraud risk. Area specific training has been delivered to the Benefits, Council Tax/NNDR and HR teams in 2018/19. A short update was also given at an all staff briefing session.	Ongoing
6	Review privacy notices to ensure they make clear that data will be shared for the purpose of preventing and detecting fraud.	Veritau / Service departments	<p>Privacy notices are reviewed ahead of providing data to the Cabinet Office as part of the National Fraud Initiative (NFI) which occurs every two years.</p> <p>Privacy notices were reviewed as part of the 2018/19 NFI exercise and were updated to reflect requirements under GDPR.</p>	Ongoing
7	Raise awareness of cyber security issues and promote good practice.	Veritau	<p>Veritau will monitor guidance from the National Cyber Security Centre and share with members of staff where appropriate.</p> <p>A campaign to raise awareness of the signs and risks of cybercrime will be delivered to staff in 2019/20.</p>	Ongoing

One Off and Developmental Activity:

Ref	Action Required	Target Date	Responsibility	Notes
1	Incorporate general counter fraud awareness training into induction training for all new employees.	March 2019	Veritau	<p>Veritau is in the process of rolling out a third party online counter fraud training package at a number of clients.</p> <p>Opportunity for this or alternative options will be considered in consultation with management and implemented within available resources.</p>
2	Increase ability to detect procurement fraud.	NA	Corporate Director & s151 Officer / Veritau	<p>The counter fraud team is exploring the use of the Competition and Markets Authority's cartel screening tool to detect fraud within council procurement exercises.</p> <p>There are some technical issues to overcome to load the software onto council systems. These issues have affected organisations nationally and the CMA is reviewing the product in 2019.¹</p> <p>Once resolved, Veritau will liaise with the relevant departments to develop use of the tool.</p>
3	Improve prevention and detection strategies for Right to Buy Fraud	March 2020	Veritau / Service departments	<p>National reports of detected RTB fraud continued to increase between 2016/17 and 2017/18. False applications to the Right to Buy scheme remain a significant source of potential financial loss to local authorities. Building on successful strategies employed with other</p>

¹ United Kingdom Anti-Corruption Strategy 2017-22 – Year One Update

Ref	Action Required	Target Date	Responsibility	Notes
				Veritau clients, the counter fraud team will deliver training and utilise data matching to increase the likelihood that fraud in this area is detected.
4	Ensure that up to date policies are in place to enable the council to undertake covert surveillance under the Regulation of Investigatory Powers Act (RIPA) and employee monitoring outside of RIPA.	August 2019	Veritau / Legal Department	Covert surveillance and employee monitoring are powerful tools that assist in the investigation of fraud and criminality against and within the council. Up to date policies are necessary for the council to be able to undertake these actions. The counter fraud team will review council policy and recommend changes to ensure that action can be taken if the need ever arises.

Completed Activities:

Ref	Action Required	Target Date	Responsibility	Update
1	Regularly report to the Audit and Governance Committee on counter fraud activity.	January 2017	Veritau	Regular reporting to the committee on fraud activity was introduced in 2017. Four progress reports and one annual policy review are produced for the committee annually.
2	Review wider governance and other policies (eg employee related policies, gifts, interests, financial regulations) to ensure they: <ul style="list-style-type: none"> cover all required areas (eg anti-bribery) are consistent with the counter fraud strategy and policy. 	March 2017	Veritau	Council policies are regularly reviewed in the course of Internal Audit work. Reviews to date have not highlighted any potential weaknesses.
3	Launch and promote regional fraud hotline.	September 2017	Veritau	A new 0800 regional fraud hotline number was introduced in 2017.
4	Review council recruitment processes.	September 2018	Veritau	A review of recruitment processes was completed in 2018/19 and found to be robust.

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

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Report Reference Number: A/18/20

To: Audit and Governance Committee
Date: 30 January 2019
Status: Non Key Decision
Author: Palbinder Mann, Democratic Services Manager / Deputy Monitoring Officer

Title: Annual Review of the Constitution

Summary:

As part of the preparations for Annual Council a review of the Constitution is undertaken to ensure it is up to date and fit for purpose.

This report highlights the proposed changes to the Constitution and asks the Audit and Governance Committee to consider them and provide any comments before they are presented to Council for approval.

Recommendations:

To consider the changes proposed and provide any comments before they are considered at Full Council.

Reasons for recommendation

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

1. Introduction and background

1.1 The constitution is a key document in the Corporate Governance Framework of the Council. The two overarching principles of good governance as set out in the Chartered Institute of Public Finance and Accountancy (CIPFA) code are:

- Behaving with integrity, demonstrating strong commitment to ethical values and respecting the rule of law
- Ensuring openness and comprehensive stakeholder engagement.

1.2 A review is undertaken of the Constitution on an annual basis to consider whether there are any changes required as a result of legislative change, any recommendations from internal or external auditors or in the light of experience and best practice.

- 1.3 Under Article 15 of the Constitution responsibility for the review lies with the Monitoring officer. Changes will only be approved by the Council after consideration of proposals by the Executive taking into account the advice of the Chief Executive or the Monitoring Officer. This report constitutes that advice.
- 1.4 It is also within the Terms of Reference of Audit and Governance Committee to monitor and report on the effectiveness of the Constitution.

2. The Proposals

- 2.1 The review has been undertaken by relevant officers across the Council and considered by the corporate leadership team. The review has considered any changes to legislation, recommendations of audit and best practice. Any changes proposed seek to strike a balance between ensuring that powers are available to use to deliver the Corporate Plan in a timely way whilst ensuring that decision making is open and transparent and subject to appropriate levels of oversight and scrutiny.
- 2.2 The table at Appendix A sets out the proposed changes in the different sections of the Constitution.
- 2.3 Following consideration by the Audit and Governance Committee, the report will be considered by Full Council on 26 March 2019.
- 2.4 Unless any other operative date is specified, any changes that are proposed are effective from the date of the next Council meeting following the date of the decision to effect the change.

3. Alternative Options Considered

Not to make any changes. However this would not ensure that the Constitution is fit for purpose.

4. Implications

4.1 Legal Implications

A local authority is under a duty to prepare and keep up to date its constitution under the Local Government Act 2000 as amended.

4.2 Financial Implications

None

4.3 Policy and Risk Implications

If the Constitution is not up to date there is a risk that decisions will not be made on a lawful basis.

4.4 Corporate Plan Implications

The proposed changes enable delivery of the Corporate Plan and other Council policies in a timely manner striking a suitable balance between delivery and transparency.

4.5 Resource Implications

None

4.6 Other Implications

None

4.7 Equalities Impact Assessment

None

5. Conclusion

The amendments proposed will ensure delivery of priorities in an open and transparent manner and will enable delivery of Corporate objectives.

6. Background Documents

None

7. Appendices

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Section	Changes Proposed
Part 1 - Summary and Explanation	<ul style="list-style-type: none"> • Minor changes to update wording and move wording under the correct section.
Part 2 - Articles	<ul style="list-style-type: none"> • Minor changes to update wording across all Articles. • Article 2 (Councillors) - Inclusion of wording to state that role descriptions have been developed for the following posts: <ul style="list-style-type: none"> ○ The Leader of the Council ○ Executive Member ○ Chair of the Overview and Scrutiny Committee ○ Chair of the Policy Review Committee ○ Chair of the Audit and Governance Committee. • Article 4 (The Council) - Remove Sustainable Community Strategy and Community Safety Partnership Plan from the Policy Framework List as these are the responsibility of North Yorkshire County Council. • Article 5 (Chairing the Council) - Move the wording for the Chairman's role under one section and add some wording about the Vice Chairman's role. • Article 7 (Executive) – Minor changes to wording of article for clarification. Confirmation that Executive members are appointed on an annual basis and that neither the Chairman nor Vice Chairman can be appointed to the Executive. • Article 10 – (Community Engagement Forums) – As per the change to Article 4 listed above, remove paragraph (g) under section 10.3 (Role and Function) which refers to the Sustainable Community Strategy and Community Safety Partnership Plan which are now the responsibility of North Yorkshire County Council.

	<ul style="list-style-type: none"> • Article 12 (Joint Arrangements) – Removal of the North Yorkshire District Council Joint Procurement Partnership as this is no longer operational. Rename the North Yorkshire Police and Crime Panel to the North Yorkshire Police, Fire and Crime Panel to include the responsibility of the fire service under the North Yorkshire Police, Fire and Crime Commissioner.
Part 3 - Responsibility for Functions	<ul style="list-style-type: none"> • (3.2) – Remove Sustainable Community Strategy and Community Safety Partnership / Crime and Disorder Reduction Strategy from the table of shared functions. • (3.3) – Ensure the Executive portfolios are up to date with leisure coming under the portfolio of the Leader of the Council. • (3.6) – Delete paragraph (g) as this is no longer relevant. • (3.5.1) - Amend the Terms of Reference for Policy Review Committee to clarify that they can consider proposed new Council policy documents as well as scrutinising existing policies. • (3.9.9) – Correct the Head of Service title under the Planning and Development Management delegation. • (3.9.9) - It is proposed that the Specific Officer Delegations for Non Executive (council) functions with respect to Planning and Development Management be amended to require that applications submitted for determination by or on behalf of the authority for its own developments or on its owned land are presented to Planning Committee unless they are 'minor applications' and no objections have been received • Clarify insurance arrangements as responsibility for different aspects sit between Directors, the Chief Finance Officer and the Solicitor. • (Leaders Annual Report) - Amend date for Individual Executive Councillor Decision making so that it reflects the current municipal year. • (3.7.3) – Amend the wording of the North Yorkshire Police and Crime Panel to include wording about responsibility for the fire service in the title and description.

<p>Part 4 – Rules of Procedure (4.1 - Council Procedure Rules)</p>	<ul style="list-style-type: none"> • (1.1) - To update the wording on the timing and business of Annual Council. • (1.2) - To update the wording to clarify how Councillors are appointed to Committees and Outside Bodies. • (2.1) - To confirm the regular business for ordinary meetings. • (3.2) - Clarification of wording for extraordinary meetings to confirm that Council can only consider the business outlined on the agenda for such meetings • (6) – Clarification that in the absence of the Chairman, the Vice Chairman can exercise any power or duty of the Chairman in relation to the conduct of the meeting. Similarly to anyone chairing the meeting in the absence of the Chairman and Vice Chairman. • (10.3) – To change the deadline for the receipt of questions by the public for Council meetings from 5 working days to 6 working days to allow them to be listed when the agenda is published. • (10.5) – Clarification of the details needed to be provided by the person asking a question at Council. Additionally clarification that questions can be asked on a similar subject as previously asked within the last 6 months if there has been a material change of circumstances. • Confirm that rules 15.1 and 15.6 (a) do not apply to the Planning Committee (these rules are currently suspended by the Committee at each meeting). • Add in reference to the Council procedure on Audio/Visual Recording and Photography at meetings.
<p>Part 4 – Rules of Procedure (4.2 - Access to Info Procedure Rules)</p>	<ul style="list-style-type: none"> • (1.1) – To insert that the access to information procedure rules apply to the decisions of individual members and officers. • (6) – Clarification of wording about public access to agenda and reports before the meeting. • (7) – Minor changes to wording about the supply of copies of agendas and reports.

	<ul style="list-style-type: none"> • (8) - Minor changes to wording about records of decisions taken at meetings. • (8.2) – Inclusion of section about keeping records of decisions taken by Individual Executive Members in line with legislation. • (8.3) - Inclusion of section about keeping records of decisions taken by officers in line with legislation. • (9) – Minor changes to wording concerning background papers. • (11) – Minor changes to wording concerning confidential information. • (15.1) – Minor changes to wording concerning rights of copies.
Part 4 – Rules of Procedure (4.3 -Budget and Policy Framework Rules)	<ul style="list-style-type: none"> • (3) – Minor change to include the Leader of the Council in paragraph (a) regarding decisions outside the budget and policy framework • (4) - Minor change to include the Leader of the Council in paragraph (a) regarding urgent decisions outside the budget and policy framework
Part 4 – Rules of Procedure (4.4 - Executive Procedure Rules)	<ul style="list-style-type: none"> • (1) Minor change to move information about decisions by the Executive to the beginning of these rules. • (5.2) Additional wording inserted into section about the Forward Plan so that it is consistent with legislation. • (6.4) Inclusion of apologies for absence on the list of items for an Executive agenda. • (7) – Inclusion of section concerning record of executive decisions taken at Executive meetings in line with legislation. • (8) – Inclusion of section concerning record of executive decisions taken by individual members in line with legislation.

	<ul style="list-style-type: none"> • (9) – Inclusion of section concerning record of executive decisions taken by officers in line with legislation. • (10.4) – Removal of wording regarding the call in process as already repeated in the Overview and Scrutiny Procedure Rules and instead a reference to this section.
Part 4 – Rules of Procedure (4.5 - Overview and Scrutiny Rules)	<ul style="list-style-type: none"> • (2) – Additional information includes regarding the composition and the terms of reference of the Overview and Scrutiny Committee. • (5) – Reference to the adopted role profiles for the Chairs of Overview and Scrutiny Committees. • (6) - Inclusion of wording relating to the quarterly meeting between the Chairs of Overview and Scrutiny Committees and the Executive. Additional minor wording changes to this section. • (7) - Minor wording changes to this section relating to Call-In. • (8) – Minor wording changes to the order of business for Overview and Scrutiny Committees.
Part 4 – Rules of Procedure (4.6 – CEF Procedure Rules)	<ul style="list-style-type: none"> • (1.1) – Minor amendments to the wording of the structures of Forums and Partnership Boards to reflect current working and practice. • (1.5) – Clarification regarding how the Vice Chair of a Partnership Board is appointed. • (1.6) – Minor amendment to the section regarding the attendance of non-members of CEFs.
Part 4 – Rules of Procedure (4.7 Petition Procedure Rules)	Proposal removal of these procedure rules and replace with a procedure which sits outside of the Constitution due to it being no longer being a statutory requirement to have a petitions scheme.
Part 4 – Rules of	Changes proposed in consultation with the Chief Finance Officer which include:

Procedure (4.8 Financial Procedure Rules)	<ul style="list-style-type: none"> • Minor changes and clarification to wording. • Changes to rules around the disposal of land and capital assets to remove acquisitions and clarify the financial value of a major disposal. • Clarification on the wording for grant applications and claims with delegations to Directors.
Part 4 – Rules of Procedure (4.9 Contract Procedure Rules)	Changes proposed in consultation with the Head of Commissioning, Contracts and Procurement to reflect clarity and updates to reflect current practice.
Part 4 – Rules of Procedure (4.10 Officer Employment Procedure Rules)	No changes proposed.
Part 5.1 - Councillor Code of Conduct	No changes proposed although there is a potential for changes to be required in future if national legislation changes.
Part 5.2 - Standards Arrangements	No changes proposed although there is a potential for changes to be required in future if national legislation changes.
Part 5.3 - Protocol on Councillor/Officer Relations	No changes proposed.
Part 5.4 - Councillor Consultative Charter	No changes proposed.
Part 5.5 - Officer Code of Conduct	Minor wording changes for clarity and updates to reflect current practice.

Part 5.6 - Planning Code of Conduct	Item 4 of the Planning Committee Agenda- Suspension of Council Procedure Rules be incorporated into the Code to save having to agree at each meeting to suspend Council Procedure Rules 15.1 and 15.6 (a) for the duration of the meeting. Minor wording changes for clarity and updates to reflect current practice.
Part 5.7 - Licensing Code of Conduct	No changes proposed.
Part 5.8 - Protocol on filming/recording meetings	No changes proposed.
Part 5.9 - CEF Code of Conduct	Minor wording changes for clarity and updates to reflect current practice.
Part 6 - Members Allowances Scheme	Updates to reflect any changes.
Part 7 - Management Structure	Updates to reflect any changes.