



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 10 APRIL 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**

There will be a briefing for Councillors at 4.30pm in the Committee Room.

Agenda

1. Apologies for Absence

2. Disclosures of Interest

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

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

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

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

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

3. Minutes (Pages 1 - 8)

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

- 4. Chair's Address to the Audit and Governance Committee**
- 5. Audit Action Log (Pages 9 - 10)**

To review the Audit Action Log.
- 6. Audit and Governance Work Programme 2018/19 (Pages 11 - 12)**

To note the current Work Programme.
- 7. External Audit Strategy Memorandum (A/18/21) (Pages 13 - 32)**

To consider and note the Audit Strategy Memorandum.
- 8. External Audit Progress Report (A/18/22) (Pages 33 - 46)**

To consider the External Audit Progress Report.
- 9. Internal Audit, Counter Fraud and Information Governance Progress Report 2018/19 (A/18/23) (Pages 47 - 78)**

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, counter fraud and information governance work for 2018/19.
- 10. Internal Audit, Counter Fraud and Information Governance Plans 2019/20 (A/18/24) (Pages 79 - 98)**

To receive the report from the Audit Manager (Veritau) and Counter Fraud Manager (Veritau), which asks the Committee to approve the Internal Audit Plan 2019/20; and note the Counter Fraud and Information Governance Plans 2019/20.
- 11. Annual Report 2018/19 (A/18/25) (Pages 99 - 110)**

To approve the Audit and Governance Committee Annual Report 2018/19; in addition the Committee are asked to delegate authority to the Democratic Services Officer in consultation with the Chair, to update the appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.

12. Work Programme 2019/20 (A/18/26) (Pages 111 - 114)

To agree items for inclusion on the Audit and Governance Committee's 2019-20 work programme.

13. Report of the Committee on Standards in Public Life and Update to Selby District Council's Code of Conduct (A/18/27) (Pages 115 - 124)

To note the report from the Interim Solicitor to the Council, on the report of the Committee on Standards in Public Life; and to approve the suggested amendments to the Council's Code of Conduct for Members, and the arrangements for dealing with standards allegations as set out in the second part of the table in Appendix 1 (Best Practice).

Janet Waggott

Janet Waggott, Chief Executive

<p>Dates of next meetings (5.00pm) Tuesday 30 July 2019</p>
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Enquiries relating to this agenda, please contact Dawn Drury on ddrury@selby.gov.uk 01757 292065.

Recording at Council Meetings

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

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Minutes

Audit & Governance Committee

Venue:	Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 30 January 2019
Time:	5.00 pm
Present:	Councillor K Arthur (Chair), Councillor I Reynolds (Vice-Chair), Councillor J Cattnach, Councillor J Chilvers and Councillor B Sage (from minute item 32)
Officers present:	Janet Waggott (Chief Executive), Peter Williams (Head of Finance), Stuart Robinson (Head of Business Development & Improvement, from minute item 31), Caroline Fleming (Senior Solicitor), Nicola Hallas (Manager, Mazars LLP), Mark Kirkham (Partner, Mazars LLP), Phil Jeffrey (Audit Manager, Veritau), Jonathan Dodsworth (Counter Fraud Manager, Veritau) Daniel Club (Senior Fraud Investigator, Veritau) Palbinder Mann (Democratic Services Manager / Deputy Monitoring Officer) and Dawn Drury (Democratic Services Manager)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources)
Public:	0
Press:	0

26 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillors McCartney and Marshall.

27 DISCLOSURES OF INTEREST

There were no disclosures of interest.

28 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 24 October 2018.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 24 October 2018.

29 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair stated that he did not have anything to report.

The Chief Executive reported that an announcement had been made by the Ministry of Housing, Communities & Local Government (MHCLG) on local government preparedness for Brexit and associated additional funding. A briefing note was circulated to the Committee and the Chief Executive stated that she would provide a full update at the end of the meeting.

30 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

The Democratic Services Officer confirmed that the remaining action had been completed, which was noted by the Committee.

RESOLVED:

To note the Audit Action Log.

31 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

RESOLVED:

To note the Work Programme.

32 INFORMATION GOVERNANCE ANNUAL REPORT 2018 (A/18/13)

The Senior Solicitor presented the report, which provided the annual update on information governance within the Council for 2018. The Committee was informed that the recommendation to provide an annual report on information governance came from the 2014 internal audit.

The Senior Solicitor highlighted the following information when presenting the report.

- With regard to the General Data Protection Regulations (GDPR) a new Information Governance Strategy and policies had been put

Audit & Governance Committee – Minutes

Wednesday, 20 January 2019

in place; with a Central Information Governance Group (CIGG) consisting of internal officers and Veritau to monitor compliance. It was confirmed that Veritau and the CIGG have identified priority areas going forward and in the preparation of an information governance strategy for 2019/20.

- All staff had received mandatory training on GDPR and, it was also part of the induction process for new staff.
- An information security check had been carried out in 2018 at the Civic Centre by Veritau, to check that information was stored appropriately, particularly when staff had left the office. The audit findings had outlined that some cupboards had been left unlocked; in order to mitigate this risk, key safes had been installed across the building. It was noted that a recent check had been carried out and the findings would be reported to the next meeting of the Committee.
- In relation to data protection breaches as set out in the report, one breach had been at a level which required reporting to the Information Commissioner's Office (ICO), who decided that the data protection breach did not meet their criteria for formal enforcement action.
- With regard to freedom of information requests the Council had a well defined system in place to administer and respond to such requests. The Council was currently responding to just over 90% of requests on time, above its target of 86%.
- In relation to freedom of information requests, the Committee praised the response rate of officers and queried what records were kept on the requests received. The Senior Solicitor confirmed that a log of all requests was kept along with the length of time spent on each request.

RESOLVED:

To note the report.

33 EXTERNAL AUDIT PROGRESS REPORT (A/18/14)

The Manager, Mazars LLP presented the report which highlighted that the planning work in relation to the 2018/19 external audit was underway, and the Audit Strategy Memorandum would be presented to the Audit and Governance Committee in April 2019.

The Committee was informed that the 2017/18 Housing Benefits Subsidy return required amendments, with detailed findings reported in a qualification letter to the Department of Work and Pensions dated 29 November 2018. The Manager, Mazars highlighted that following the prescribed testing, two reporting issues out of a sample of 60 had been

detected in rent rebates and rent allowances however the issues were minor when compared with the total claim.

The Committee was informed that the Internal Auditing Standards required auditors to enquire about the arrangements put in place at the Council to prevent and detect fraud, and comply with applicable law and regulations. They were further informed that the report contained a list of questions which the Chair would respond to on behalf of the Committee.

RESOLVED:

To note the report.

34 REVIEW OF RISK MANAGEMENT STRATEGY (A/18/15)

The Audit Manager, Veritau presented the report, which included the Council's reviewed Risk Management Strategy, amendments to which were highlighted in yellow and shown as track changes in Appendix 1. The Committee was informed that the strategy remained largely unchanged following the review however, minor amendments had been made in some sections to improve readability; and also to dates and references where appropriate.

RESOLVED:

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

35 CORPORATE RISK REGISTER 2018/19 (A/18/16)

The Committee received the report, presented by the Audit Manager, Veritau who explained that this report contained the twice yearly update on movements within the Corporate Risk Register, which was last reported to the Committee in July 2018.

The Committee was informed that there were a total of 11 risks on the Council's Corporate Risk Register for 2018/20; no new risks had been added to the register since it was previously reported to the Committee in July 2018. The Committee's attention was drawn to page 53 of the agenda which contained a summary of the current risks.

RESOLVED:

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

36 INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT (A/18/17)

The Audit Manager, Veritau presented the quarterly report to the Committee which depicted current progress in relation to the 2018/19 Internal Audit Plan for the Committee to note.

The Committee was updated that since the Internal Audit Progress report

had been written, the audit on Council Tax was now in progress and that the action on Sundry Debtors had been completed and signed off; with Richmondshire District Council and Selby District Council renegotiating and agreeing the reviewed Service Level Agreement.

In response to a query regarding Civica Cx, the new Housing Management System and, in particular the 'Contractor module' to support repairs and maintenance, the Chief Executive explained that the particular module was currently being developed by Civica and would not be available to go live until August 2019. This would not significantly impact on the implementation of the rest of the system and, the Chief Executive assured the Committee that the Council were receiving value for money.

The Audit Manager, Veritau highlighted that the external assessment of Veritau, required to comply with the Public Sector Internal Audit Standards (PSIAS) had been undertaken by the South West Audit Partnership (SWAP) in November 2018. It was confirmed that the assessment had concluded that Veritau's internal audit activity generally conformed to the PSIAS. It was further confirmed that the results of the assessment would be included in the annual report to be presented to the Committee in July 2019.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2018/19 which highlighted that savings of £9.5k had been achieved through fraud investigation.

In relation to data matching, the Committee received an update on the 2018/19 National Fraud Initiative (NFI) Business Rates pilot, the exercise had identified savings of £5.7k for the Council to date; with the potential for further savings.

The Committee was informed that in relation to fraud detection and investigation, £10k of fraud had been detected in Council Tax Support during the current financial year; and that officers had recovered one property which was being fraudulently sub-let. The Committee also heard that the Council had fallen victim to a "mandate fraud".

In relation to questions about Blue Badge Parking Fraud, the Counter Fraud Manager, Veritau stated that the Council outsourced all parking inspections to Harrogate Borough Council, if and when Parking Inspectors suspect fraud was being committed they reported it immediately to Veritau.

RESOLVED:

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

37 REVIEW OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2017/18 (A/18/18)

The Head of Finance presented the report, which updated the Committee on progress made against the Action Plan for the Annual Governance Statement for 2017/18; this was the half yearly review and the Action Plan was included at appendix A.

The Head of Finance explained that since the last update, a Quarterly Work Programme Liaison Group between the Executive and the Chairs of Audit and Governance, Scrutiny and Policy Review Committees had been established. It was further explained that training had been delivered to members of the Executive and Scrutiny Committees, with role profiles for the Chairs developed, agreed and adopted into the Constitution at the meeting of Council in July 2018.

In relation to non-compliance with the Payment Card Industry Data Security Standard (PCI DSS), the Committee were informed that Northgate PARIS, the Council's current payments and income management system, which had to date not fully supported PCI DSS compliance; had been bought out by Civica. Civica had informed the Council that they could not commit to supporting the software in the long term and we will need to procure a replacement system. Council will consider a bid for funds for replacement software as part of the draft budget for 2019/20 and it is hoped that replacement, PCI DSS compliant, software will be implemented in 2019/20.

The Head of Finance explained that a number of duplicate invoices and payments had been identified during a previous audit; although a further audit of Creditors completed in 2017/18 had found reasonable progress had been made, with a clear process in place should an invoice be received without a purchase order; due to the high risk this action had stayed on the Action Plan and would be followed up as part of the 2018/19 audit.

The Head of Finance confirmed that the action on Payroll Reconciliation had been completed with all issues being resolved.

The Committee was informed that positive progress had been made in relation to the Action Plan.

RESOLVED:

To note the report.

38 COUNTER FRAUD FRAMEWORK UPDATE (A/18/19)

The Chair informed the Committee that Appendix C, Fraud Risk Assessment, contained exempt information and therefore if the Committee wished to discuss this information, they would need to move into Private Session.

The Counter Fraud Manager, Veritau presented the report, which updated the Committee on the progress made against the actions set out in the Counter Fraud Policy and Corruption Strategy; in addition the Council's Counter Fraud Risk Assessment had been updated to reflect fraud risks currently facing the Council.

The Committee was informed that in May 2018 the Council participated in the CIPFA fourth annual Fraud and Corruption Tracker (CFaCT) survey, with results received from local authorities in all regions in the UK; to show the changing shape of the fraud landscape and to estimate the total figures for fraud across England, Scotland, Wales and Northern Ireland.

The Counter Fraud Manager, Veritau highlighted that Procurement Fraud remained the highest perceived area of threat nationally with an average loss per case of £36k. The Committee was informed that to mitigate the risk Veritau used data matching; along with raising awareness by working with officers to put stringent checks in place.

The Committee was informed that there had been a 20% increase in the number of fraud reports received in 2018/19, this was due to greater engagement by members of Council staff and the public.

The Counter Fraud Manager, Veritau confirmed that £33.6k of loss due to fraud and error at the Council in 2018/19 had been detected.

The Committee stated they wanted to discuss the information outlined in appendix C, therefore agreed to move into private session.

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.

It was proposed, and seconded, that the Committee moved into Private Session.

The Counter Fraud Manager, Veritau informed the Committee that the Fraud Risk Assessment was reviewed annually, with the highest area of risk identified as creditor payments.

The Counter Fraud Manager, Veritau provided the Committee with details of the fraud incidents that had affected the Council. The Committee asked a number of questions in relation to the incidents.

RESOLVED:

- i. To approve the updated Counter Fraud and Corruption Strategy Action Plan.**
- ii. To note the updated Counter Fraud Risk**

Assessment.

It was proposed, and seconded, that the Committee return to Public Session.

39 ANNUAL REVIEW OF THE CONSTITUTION (A/18/20)

The Committee received the report presented by the Democratic Services Manager / Deputy Monitoring Officer, who explained that the review of the Constitution had been undertaken to ensure that it was up to date and fit for purpose, prior to its consideration at Full Council in March 2019. It was further confirmed that the proposed amendments were highlighted in Appendix A, however that only minor changes had been made.

RESOLVED:

To note the report.

40 MINISTRY OF HOUSING, COMMUNITIES & LOCAL GOVERNMENT (MHCLG) ANNOUNCEMENT REGARDING BREXIT

As stated earlier in the meeting the Chief Executive conveyed the announcement, made the previous day from the Ministry of Housing, Communities & Local Government (MHCLG), regarding local government preparedness for Brexit and associated funding to the Council. The Committee was informed that the objective was to help local government ensure a successful transition phase with minimal impact on Council services and local people; to support this additional funding had been announced amounting to £35k over a two year period in 2018/19 and 2019/20.

The Chief Executive assured the Committee that the Council was playing an active part, with a special Extended Leadership Team (ELT) meeting to be arranged to consider planning for a no deal Brexit; and further explained the proposal to adopt a formal corporate risk around preparing for a no deal Brexit. The Committee was asked to note the information on the report.

RESOLVED:

To note the report.

The meeting closed at 5.55 pm.



Audit and Governance Committee: Action Log 2018-19

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
30 Jan 2019	32 - Information Governance Annual Report	To ask the Senior Solicitor to report the findings of the January 2019 information security check at the meeting of the Audit & Governance Committee in April 2019		CF	In progress

Officers:

KI - Karen Iveson, Chief Finance Officer

CF - Caroline Fleming, Senior Solicitor

DSO - Democratic Services Officer

Last updated: 21.02.19

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Audit and Governance Committee Work Programme 2018/19

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, Counter Fraud & Information Governance Progress Report 2018/19	To review progress against the Internal Audit and Counter Fraud Plan 2018/19
	Internal Audit, Counter Fraud & Information Governance Plans 2019/20	To approve the Internal Audit and Counter Fraud Plans 2019/20
	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
	Report of the Committee on Standards in Public Life & Update to Selby District Council's Code of Conduct	To note the content of the report from the Committee and to approve the suggested amendments to the Council's Code of Conduct for Members and the arrangements for dealing with standards allegations.

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Agenda Item 7



Report Reference Number: A/18/21

To: Audit and Governance Committee
Date: 10 April 2019
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit Strategy Memorandum

Summary:

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

Recommendations:

To consider the Audit Strategy Memorandum.

Reasons for recommendation

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

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and sets out the audit plan in respect of Selby District Council for the year ending 31 March 2019. The report forms the basis for discussion at the Audit and Governance Committee meeting.

2 The Report

2.1 The Audit Strategy Memorandum is attached at Appendix A and sets out the proposed audit approach in respect of the year ending 31 March 2019.

2.2 The audit will be delivered in four main phases, as detailed in the report and is expected to be completed by 31 July 2019, in accordance with the statutory deadlines.

- 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:

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

Appendices:

A – Audit Strategy Memorandum

Audit Strategy Memorandum

Selby District Council

Year ending 31 March 2019





CONTENTS

1. Engagement and responsibilities summary
2. Your audit engagement team
3. Audit scope, approach and timeline
4. Significant risks and key judgement areas
5. Value for money conclusion
6. Fees for audit and other services
7. Our commitment to independence
8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document is to be regarded as confidential to Selby District Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance. 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.

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

10 April 2019

Dear Committee Members

Audit Strategy Memorandum – Year ending 31 March 2019

We are pleased to present our Audit Strategy Memorandum for Selby District Council for the year ending 31 March 2019

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence as auditors.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing Selby District Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 394 5315.

Yours faithfully



Mark Kirkham
Mazars LLP

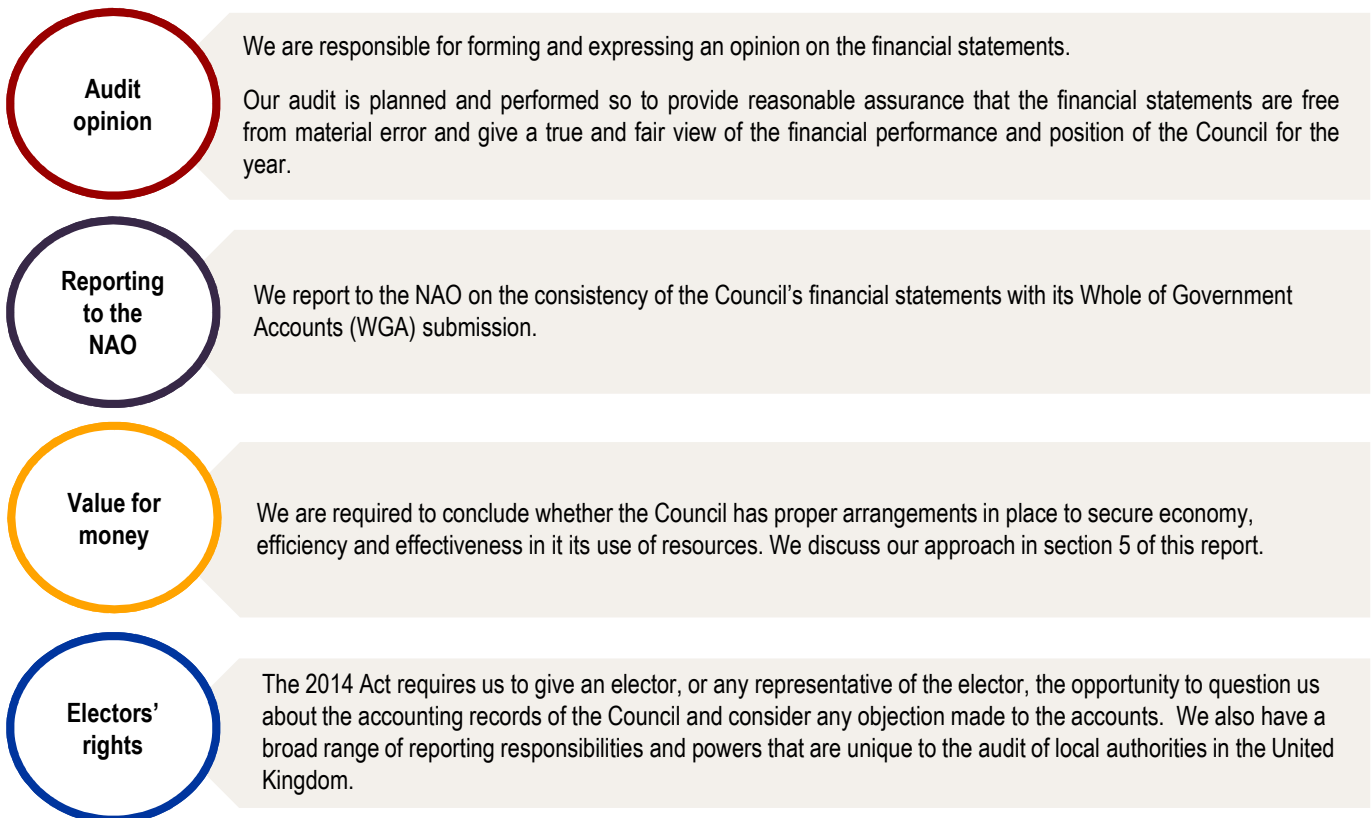
1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Selby District Council (the Council) for the year to 31 March 2019. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: <https://www.psa.co.uk/audit-quality/statement-of-responsibilities/>

Our responsibilities

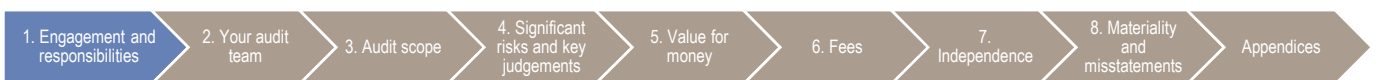
Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below:



Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. However our audit should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.



2. YOUR AUDIT ENGAGEMENT TEAM



- Mark Kirkham, Partner
- Mark.Kirkham@mazars.co.uk
- 0113 394 5315



- Nicola Hallas, Manager
- Nicola.Hallas@mazars.co.uk
- 07881 283 559



- Miles Jefford, Team Leader
- Miles.Jefford@mazars.co.uk
- 07881 283 737

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

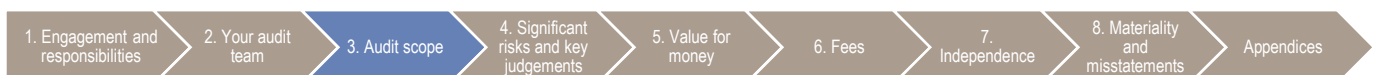
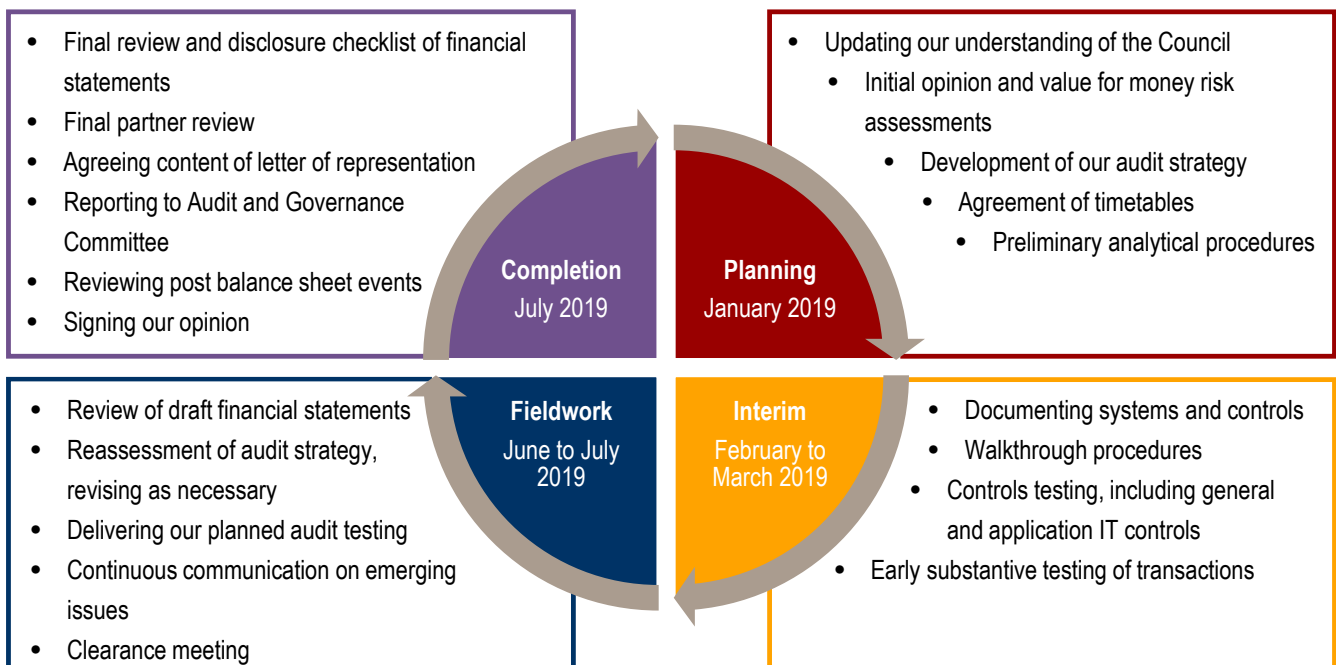
Audit approach

Our audit approach is risk-based and primarily driven by the issues that lead to a higher risk of material misstatement of the financial statements. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately-designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality and how we define a misstatement is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

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

Management's and our experts

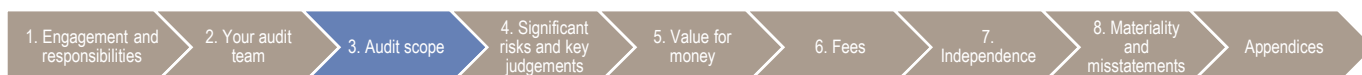
Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt)	NAO's consulting actuary (PwC)
Property, plant and equipment valuation	Kier – Council Dwellings Stephenson's – Operational Land and Buildings	We will take into account relevant information which is available from third parties.
Financial instrument disclosures	Link Asset Services	No expert considered necessary.

Service organisations

International Auditing Standards (UK) define service organisations as third party organisations that provide services to the Council that are part of its information systems relevant to financial reporting. We are required to obtain an understanding of the services provided by service organisations as well as evaluating the design and implementation of controls over those services. The table below summarises the service organisations used by the Council and our planned audit approach.

Items of account	Service organisation	Audit approach
Payroll	North Yorkshire County Council (NYCC)	Although some staff are employed by NYCC, and some systems are maintained by them, we have sufficient access to staff on site, along with all of the relevant financial information we need to conduct our audit of Selby District Council. We will perform substantive tests of detail on the information provided to and received from NYCC and also inspect payroll reconciliations.
IT	North Yorkshire County Council	Although Selby District Council maintains a small, internal IT team (who administer the applications used by the Council), services such as the hosting of servers, databases, back up and disaster recovery are outsourced to NYCC. We do not plan to rely on tests of control as part of our audit approach, however we will perform detailed IT audit work over the IT systems as a whole at Selby District Council.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

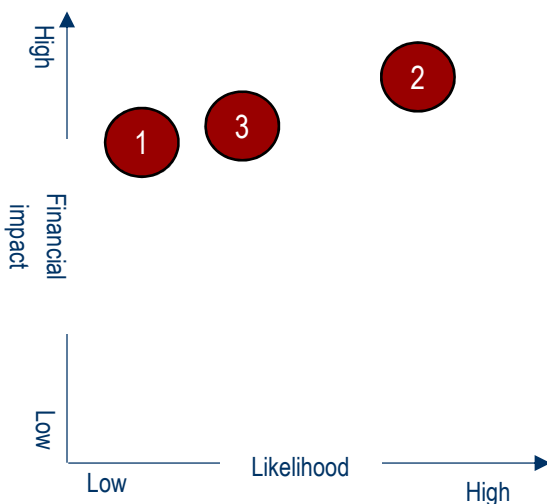
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.

Enhanced risk An enhanced risk is an area of higher assessed risk of material misstatement at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:

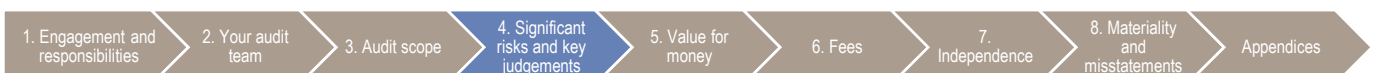
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
- other audit assertion risks arising from significant events or transactions that occurred during the period.

Standard risk This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement, there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the table below, highlights those risks which we deem to be significant. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Property, plant and equipment valuation
3	Defined benefit liability valuation

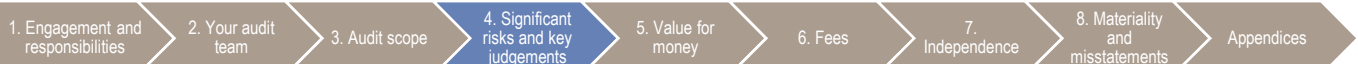


4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We provide more detail on the identified risks and our testing approach with respect to significant risks in the table below. An audit is a dynamic process, should we change our view of risk or approach to address the identified risks during the course of our audit, we will report this to the Audit and Governance Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Because of the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk by performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<p>Property, plant and equipment (PPE) valuation</p> <p>The CIPFA Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate fair value at that date. The Council has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>Although the Council employs external experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the valuation of PPE due to the significant judgements and number of variables involved in providing valuations.</p> <p>In addition, as a result of the rolling programme of revaluations, there is a risk that individual assets which have not been revalued for up to four years are not valued at their materially correct fair value.</p>	<p>We will consider the Council's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's external valuers. We will also assess the competence, skills and experience of the valuers.</p> <p>Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate.</p>



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

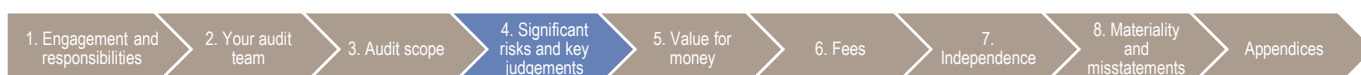
	Description of risk	Planned response
3	<p>Defined benefit liability valuation</p> <p>The net pension liability represents a material element of the Council's balance sheet. The Council is an admitted body of the North Yorkshire Pension Fund, which had its last triennial valuation completed as at 31 March 2016.</p> <p>The valuation of the Local Government Pension Scheme relies on a number of assumptions, most notably around the actuarial assumptions, and actuarial methodology which results in the Council's overall valuation.</p> <p>There are financial assumptions and demographic assumptions used in the calculation of the Council's valuation, such as the discount rate, inflation rates and mortality rates. The assumptions should also reflect the profile of the Council's employees, and should be based on appropriate data. The basis of the assumptions is derived on a consistent basis year to year, or updated to reflect any changes.</p> <p>There is a risk that the assumptions and methodology used in valuing the Council's pension obligation are not reasonable or appropriate to the Council's circumstances. This could have a material impact to the net pension liability in 2018/19.</p>	<p>As part of our work we will review the controls that the Council has in place over the information sent to the Scheme Actuary, including the Council's process and controls with respect to the assumptions used in the valuation. We will also evaluate the competency, objectivity and independence of the scheme Actuary, Aon Hewitt.</p> <p>We will review the appropriateness of the methodology applied, and the key assumptions included within the valuation, compare them to expected ranges, utilising the information provided by PwC, consulting actuary engaged by the National Audit Office. We will review the methodology applied in the valuation of the liability by Aon Hewitt.</p>

Revenue recognition

International Auditing Standard (ISA) 240 includes a rebuttable presumption that the fraud risk from revenue recognition is a significant audit risk.

We recognise that the nature of revenue in local government differs significantly to the sources of income in the private sector which have driven the requirement in the ISA. We also note that the incentives in local government include the requirement to meet regulatory and financial covenants rather than share based management concerns.

Based on our understanding of the Council's revenue streams we do not consider this to be a significant risk. We have therefore rebutted this risk and do not incorporate specific work into our audit approach in this area over and above our standard procedures.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	<p>Business Rates Appeals</p> <p>The Council is dependent on the Valuation Office Agency (VOA) for information regarding appeals against Business Rates bills. Management applies judgement in order to create a reasonable basis for the provision, given the level of appeals and other relevant information.</p>	We will review the basis for the judgements used in creating the provision and assess the reasonableness of any estimates.
2	<p>Useful asset lives and depreciation of Property, Plant and Equipment</p> <p>Property, Plant and Equipment is depreciated over its useful life in the financial statements.</p>	We will review useful asset lives and test the underlying calculation of depreciation to ensure it is reasonable.
3	<p>Accruals</p> <p>A key accounting concept determines that expenditure and income should be accounted for in the period to which they relate, therefore management needs to assess transactions and apply judgement to ensure that they are translated into the appropriate accounting period.</p>	We will review a sample of balance sheet entries relating to Income and Expenditure and also review the process used by management to create these entries.



5. VALUE FOR MONEY CONCLUSION

Our approach

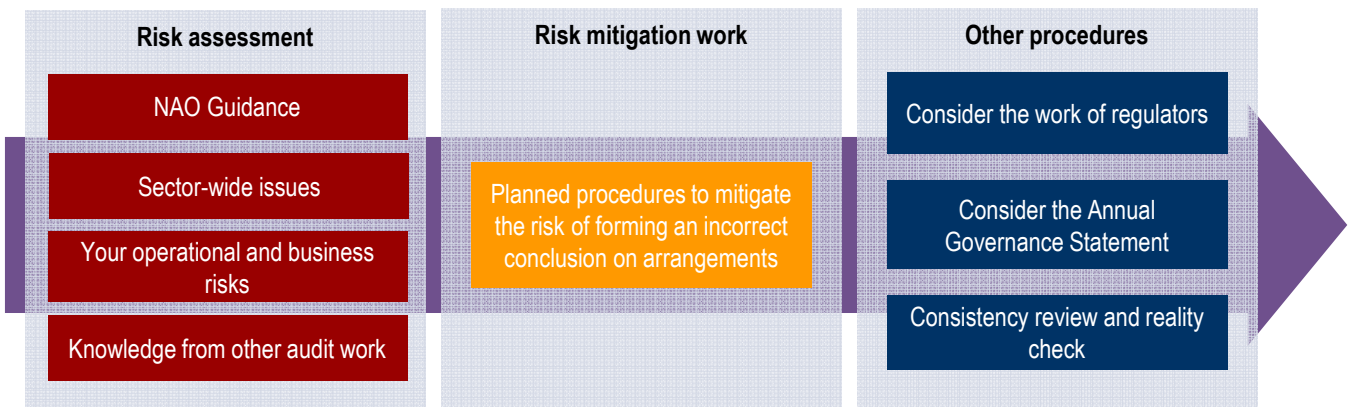
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the overall criterion and sub-criteria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

The overall criterion is that, 'in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.'

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are set out by the NAO:

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

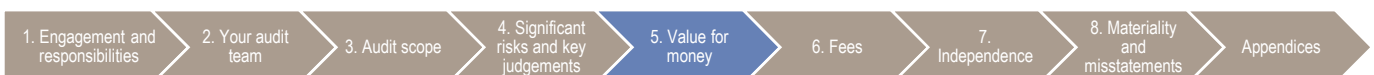
A summary of the work we undertake to reach our conclusion is provided below:



Significant audit risks

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

For the 2018/19 financial year, we have not identified any significant audit risks to our VFM conclusion work.



6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

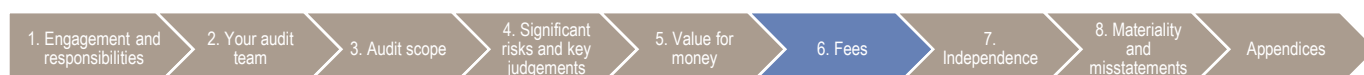
At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 27 March 2018.

Service	2017/18 fee	2018/19 fee
Code audit work	£44,708 + VAT	£34,425 + VAT

Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Service	2017/18 fee	2018/19 fee
Housing Benefit Subsidy Assurance	£13,450 + VAT	£12,450 + VAT



7. OUR COMMITMENT TO INDEPENDENCE

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

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

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

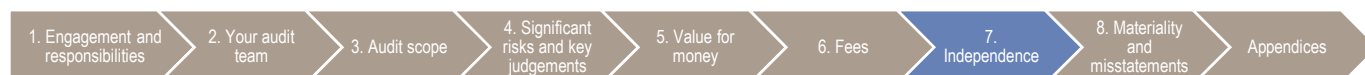
- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethics training;
- rotation policies covering audit engagement partners and other key members of the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

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

Principal threats to our independence and identified associated safeguards are set out below. Any emerging independence threats and associated identified safeguards will be communicated in our Audit Completion Report.

Issue	
Housing Benefit Subsidy Assurance	<p>We have considered threats and safeguards as follows:</p> <ul style="list-style-type: none"> • Self Review: The work does not involve the preparation of information that has a material impact upon the financial statements subject to audit by Mazars; • Self Interest: The total fee level is not deemed to be material to the Council or Mazars. The work undertaken is not paid on a contingency basis; • Management: The work does not involve Mazars making any decisions on behalf of management; • Advocacy: The work does not involve Mazars advocating the Council to third parties; • Familiarity: Work is not deemed to give rise to a familiarity threat given this piece of assurance work used to fall under the Audit Commission / PSAA certification regimes and was the responsibility of the Council's appointed auditor; and • Intimidation: The nature of the work does not give rise to any intimidation threat from management to Mazars.



8. MATERIALITY AND MISSTATEMENTS

Summary of initial materiality thresholds

Threshold	Initial threshold (£'000s)
Overall materiality	1,111
Trivial threshold for errors to be reported to the Audit and Governance Committee	33

For some sensitive items of account and related disclosures we will apply a specific lower materiality. This includes Senior Officer Remuneration (including Exit Packages), Members Allowances and Related Party Transactions.

Materiality

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

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

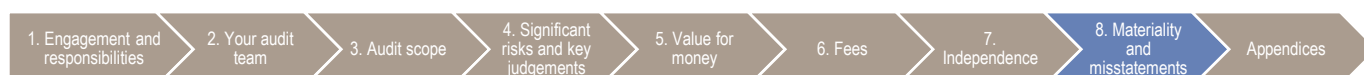
The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

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

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

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



8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

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

Our provisional materiality is set based on a benchmark of gross revenue expenditure on the surplus/deficit on the provision of services. We will identify a figure for materiality but identify separate levels for procedures designed to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.

We consider that gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold a 2% of gross revenue expenditure.

Based on last year's audited accounts we anticipate the overall materiality for the year ending 31 March 2019 to be in the region of £1,111k (£812k in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

Performance Materiality

Performance materiality is the amount or amounts set by the auditor at less than materiality for the financial statements as a whole to reduce, to an appropriately low level, the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £33k based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

Reporting to the Audit and Governance Committee

To comply with International Standards on Auditing (UK), the following three types of audit differences will be presented to the Audit and Governance Committee:

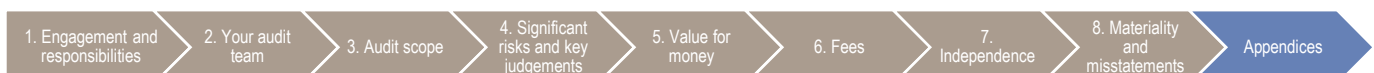
- summary of adjusted audit differences;
- summary of unadjusted audit differences; and
- summary of disclosure differences (adjusted and unadjusted).



APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 'Communication with Those Charged with Governance', ISA (UK) 265 'Communicating Deficiencies In Internal Control To Those Charged With Governance And Management' and other ISAs (UK) specifically require us to communicate the following:

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



APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2018/19

IFRS 9 Financial Instruments - the standard replaces IAS 39 and introduces significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.

Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised cost.

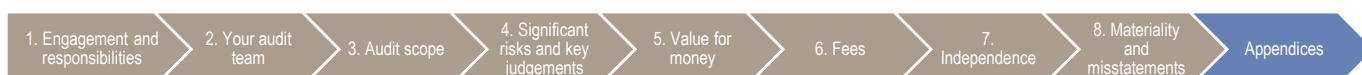
For Councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.

IFRS 15 Revenue from Contracts with Customers - the 2018/19 Code also applies the requirements of IFRS 15, but it is unlikely that this will have significant implications for most local authorities.

There are no other significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2018/19.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 16 – Leases	2019/20	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council are party to.</p>



Agenda Item 8



Report Reference Number: A/18/22

To: Audit and Governance Committee
Date: 10 April 2019
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer (s151)

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 complete.

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:

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

Appendices:

A – External Audit Progress Report

Audit progress report
Selby District Council
April 2019





CONTENTS

- 1. Audit progress**
- 2. National publications**

This document is to be regarded as confidential to Selby District Council. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

1. AUDIT PROGRESS

Purpose of this report

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

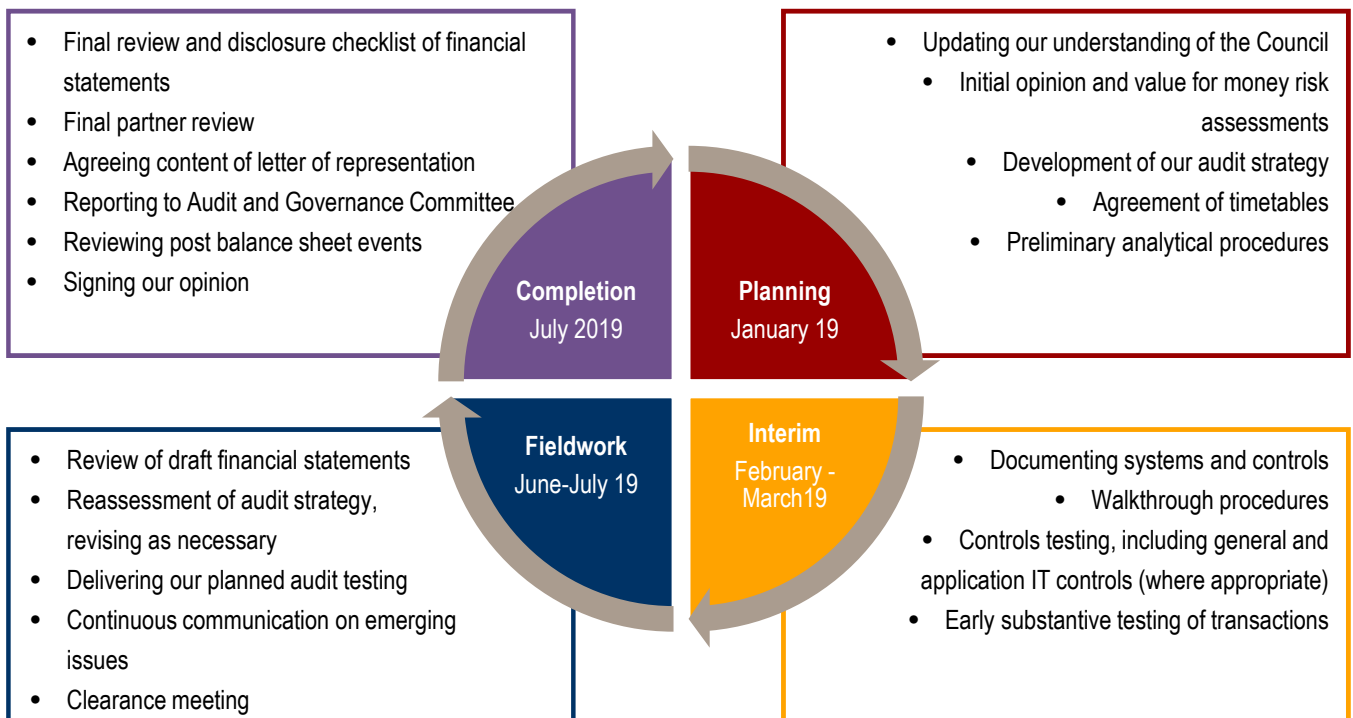
Audit progress

Our key audit stages are summarised in the diagram shown below and our Audit Strategy Memorandum is being presented to the Audit and Governance Committee for discussion at this meeting.

Audit work is on track for the year, with no significant issues arising.

Financial Reporting Workshops

In January we held our Local Government Financial Reporting workshops for officers involved in the production of the financial statements and officers from this Authority responsible for preparing the Authority's financial statements attended. These workshops provided an update on the latest developments as well as a forum for our clients to discuss emerging issues. It included a revisit of 2017-18 final accounts issues, early close implications, changes in the 2018-19 Code and a forward look to future regulatory and policy changes.



2. NATIONAL PUBLICATIONS

	Publication/update	Key points
National Audit Office (NAO)		
1.	Local auditor reporting in England 2018	Main findings reported by auditors in 2017-18.
2.	Local authorities - governance	Consideration of VfM and financial sustainability in local authorities.
3.	NHS financial sustainability	Current picture not sustainable and yet to be seen whether spending plans will deliver the change required.
4.	Planning for New Homes	Overall assessment that planning system not working effectively.
Public Sector Audit Appointments Ltd (PSAA)		
5.	Local quality audit forum	December 2018 forum slides available online.
6.	Oversight of audit quality, quarterly compliance reports	No significant issues.
Chartered Institute of Public Finance and Accountancy (CIPFA)		
7.	Scrutinising Public Accounts: A Guide to Government Accounts	Online publication resource available.
8.	An introductory guide to Local Government Finance	Updated guide which may be of interest to Members.
9.	CIPFA Fraud and Corruption Tracker 2017-18	Annual report. Increase in fraud detected or prevented.
Mazars		
10.	Summary of NHS long-term plan	Views on the deliverability of the plan will vary.
Local Government Association		
11.	Twenty-first Century Councils	Toolkit to help councils empower women, parents and carers to become local councillors and take on leadership positions.

2. NATIONAL PUBLICATIONS

1. Local auditor reporting in England 2018, NAO, January 2019

Since 2015, the Comptroller and Auditor General (C&AG) has been responsible for setting the standards for local public audit, through maintaining a Code of Audit Practice and issuing associated guidance to local auditors.

The report describes the roles and responsibilities of local auditors and relevant national bodies in relation to the local audit framework and summarises the main findings reported by local auditors in 2017-18. It also considers how the quantity and nature of the issues reported have changed since the C&AG took up his new responsibilities in 2015, and highlights differences between the local government and NHS sectors. The report highlights a number of points as summarised below.

- Auditors gave unqualified opinions on financial statements in 2015-16, 2016-17 and 2017-18. This provides assurance that local public bodies are complying with financial reporting requirements. As at 17 December 2018, auditors had yet to issue 16 opinions on financial statements, so this does not yet represent the full picture for 2017-18.
- Auditors qualified their conclusions on arrangements to secure value for money at an increasing number of local public bodies: up from 170 (18%) in 2015-16 to 208 (22%) in 2017-18. Again, as at 17 December 2018, auditors had yet to issue 20 conclusions on arrangements to secure value for money, so this number may increase further for 2017-18. This level of qualifications reinforces the need to ensure that local auditors' reporting informs as much as possible relevant departments' understanding of the issues facing local public bodies.
- Auditors qualified their conclusions at 40 (8%) of local government bodies. The proportion of qualifications was highest for single-tier local authorities and county councils where auditors qualified 27 (18%) of their value for money arrangements conclusions. The qualifications were for weaknesses in governance arrangements, often also highlighted by inspectorates' ratings of services as inadequate.
- More local NHS bodies received qualified conclusions on arrangements to secure VfM than local government bodies. In 2017-18, auditors qualified 168 (38%) of local NHS bodies' conclusions; up from 130 (29%) in 2015-16, mainly because of not meeting financial targets such as keeping spending within annual limits set by Parliament; not delivering savings to balance the body's budget; or because of inadequate plans to achieve financial balance. The increase between 2015-16 and 2017-18 is particularly steep at clinical commissioning groups, with qualifications for poor financial performance increasing from 21 (10%) in 2015-16 to 67 (32%) in 2017-18.
- Local auditors are using their additional reporting powers, but infrequently. Since April 2015, local auditors have issued only three Public Interest Reports, and made only seven Statutory Recommendations. These Public Interest Reports have drawn attention to issues such as unlawful use of parking income, governance failings in the oversight of a council-owned company, management of major projects or members' conduct. Auditors have made Statutory Recommendations in relation to failing to deliver planned cost savings, poor processes for producing the annual financial statements and failure to address weaknesses highlighted by independent reviews.
- A significant proportion of local bodies may not fully understand the main purpose of the auditor's conclusion on arrangements to secure value for money and the importance of addressing those issues. 102 local public bodies were contacted where auditors had reported concerns about their arrangements to ensure value for money:
 - half of the bodies (51) said that the auditor's report identified issues that they already knew about;
 - fifty-seven (95%) of those responding said they had plans in place to address their weaknesses but only three were able to say that they had fully implemented their plans; and
 - twenty-six (25%) did not respond at all to the NAO's request.
- The extent to which central government departments responsible for the oversight of local bodies have formal arrangements in place to draw on the findings from local auditor reports varies. Processes in the relevant central government departments differ. The Department of Health & Social Care, NHS Improvement and NHS England have arrangements in place to monitor the in-year financial performance of local NHS bodies, and use information from local auditor reports to confirm their understanding of risks in the system. The Home Office and Ministry of Housing, Communities & Local Government consider the output from local auditors' reports to obtain a broad overview of the issues local auditors are raising, but there is a risk that these two departments may be unaware of all relevant local issues.

2. NATIONAL PUBLICATIONS

1. Local auditor reporting in England 2018, NAO, January 2019 (continued)

- Under the current local audit and performance framework, there is no direct consequence of receiving a non-standard report from the local auditor. Before 2010, a qualified value for money arrangements conclusion would have a direct impact on the scored assessments for all local public bodies published by the Audit Commission at that time. While departments may intervene in connection with the issues giving rise to a qualification, such as failure to meet expenditure limits, there are no formal processes in place, other than the local audit framework, that report publicly whether local bodies are addressing the weaknesses that local auditors are reporting.

A list of all local bodies that received a non-standard local auditor report for 2017-18 was published alongside the report.

<https://www.nao.org.uk/report/local-auditor-reporting-in-england-2018/>

2. Local authorities - governance, NAO, January 2019

The NAO has recently published a report on local authority governance, which examines whether local governance arrangements provide local taxpayers and Parliament with assurance that local authority spending achieves value for money and that authorities are financially sustainable.

The report finds that local authorities have faced significant challenges since 2010. For example, they have seen a real-terms reduction in spending power of 29% and a 15% increase in the number of children in care. These pressures raise the risk of authorities' failing to remain financially sustainable and deliver services.

The way authorities have responded to these challenges have tested local governance arrangements. Many authorities have pursued large-scale transformations or commercial investments that carry a risk of failure or under-performance and add greater complexity to governance arrangements. Spending by authorities on resources to support governance also fell by 34% in real terms between 2010-11 and 2017-18, potentially increasing the risks faced by local bodies.

In 2017-18, auditors issued qualified VFM arrangements conclusions for around one in five single tier and county councils. A survey, carried out by the NAO, of external auditors indicates that several authorities did not take appropriate steps to address these issues.

Some external auditors have raised concerns about the effectiveness of the internal checks and balances at the local authorities they audit, such as risk management, internal audit and scrutiny and overview. For example, 27% of auditors surveyed by the NAO do not agree that their authority's audit committees provided sufficient assurance about the authorities' governance arrangements. Auditors felt that many authorities are struggling in more than one aspect of governance, demonstrating the stress on governance at a local level.

Some authorities have begun to question the contribution of external audit to providing assurance on their governance arrangements. 51% of chief finance officers from single tier and county councils responding to our survey indicated that there are aspects of external audit they would like to change. This includes a greater focus on the value for money element of the audit (26%). External auditors recognise this demand within certain local authorities. However, their work must conform to the auditing standards they are assessed against and any additional activity may have implications for the fee needed for the audit.

The report also finds that MHCLG does not systematically collect data on governance, meaning it can't rigorously assess whether issues are isolated incidents or symptomatic of failings in aspects of the system. MHCLG recognises that it needs to be more active in leading co-ordinated change across the local governance system. The report recommends that MHCLG works with local authorities and other stakeholders to assess the implications of, and possible responses to, the various governance issues identified. It should examine ways of introducing greater transparency and openness to its formal and informal interventions in local authorities and should adopt a stronger leadership role in overseeing the network of organisations managing key aspects of the governance framework.

<https://www.nao.org.uk/report/local-authority-governance-2/>

2. NATIONAL PUBLICATIONS

3. NHS financial sustainability, NAO, January 2019

This is the NAO's seventh report on the financial sustainability of the NHS. In its recent reports, in December 2015, November 2016 and January 2018, the NAO concluded that financial problems in the NHS were endemic and that extra in-year cash injections to trusts had been spent on coping with current pressures rather than the transformation required to put the health system on a sustainable footing. To address this, local partnerships of clinical commissioning groups (CCGs), NHS trusts and NHS foundation trusts (trusts) and local authorities were set up to develop long-term strategic plans and transform the way services are provided more quickly.

In June 2018, the Prime Minister announced a long-term funding settlement for the NHS, which will see NHS England's budget rise by an extra £20.5 billion by 2023-24. Between 2019-20 and 2023-24, this equates to an average annual real-terms increase of 3.4%. The government asked NHS England to produce a 10-year plan that aims to ensure that this additional funding is well spent. In return for this extra funding, the government has set the NHS five financial tests to show how the NHS will do its part to put the service onto a more sustainable footing.

This report covers 2017-18, so the NAO first concludes on financial sustainability for that year. The NAO considers that the growth in waiting lists and slippage in waiting times, and the existence of substantial deficits in some parts of the system, offset by surpluses elsewhere do not add up to a picture that can be described as sustainable. Recently, the long-term plan for the NHS has been published, and government has committed to longer-term stable growth in funding for NHS England.

In the NAO's view these developments are positive, and the planning approach seen so far looks prudent. The NAO further states that it will really be able to judge whether the funding package will be enough to achieve the NHS' ambitions when we know the level of settlement for other key areas of health spending that emerges from the Spending Review later in the year. This will help inform whether there is enough to deal with the embedded problems from the last few years and move the health system forward.

<https://www.nao.org.uk/report/nhs-financial-sustainability/>

4. Planning for New Homes, NAO, February 2019

The NAO has recently published a report on Planning for new homes. This report is part of a series on housing in England, including Housing in England: overview (2017) and Homelessness (2017). The latest report focuses on the Ministry of Housing, Communities and Local Government's (MHCLG's) objective for housing in England to deliver a million homes by the end of 2020; half a million by the end of 2022; and to deliver 300,000 net additional homes a year on average. The report recognises that increasing the supply of new homes is a complex task and one of the measures MHCLG has introduced to help achieve the objective is reforming the planning system. The report notes that the planning system is fundamental to providing new homes and it assesses how effectively MHCLG supports the planning regime to provide the right homes in the right places through:

- supporting local authorities to produce plans for how the supply of new homes will meet need in their area;
- supporting local authorities and the Planning Inspectorate in having effective and sufficiently resourced planning processes and teams to deal with planning applications and appeals; and
- working effectively with local authorities, other government departments and developers to ensure infrastructure to support new homes is planned and funded.

The report finds that at present, the system is not providing value for money and that the supply of new homes has failed to meet demand. It notes that a number of factors have contributed to the planning system not working and some of these include:

- the process of setting the need for new homes;
- the reductions in local authority capability;
- the under-performing Planning Inspectorate; and
- failures in the system to ensure adequate contributions for infrastructure.

The report recognises that MHCLG's new National Planning Policy Framework is an important step, but it is too early to tell whether the changes it introduces will be effective. The report also makes a number of recommendations for MHCLG to implement alongside the framework to help the planning systems work more effectively.

<https://www.nao.org.uk/report/planning-for-new-homes/>

2. NATIONAL PUBLICATIONS

5. Local Audit Quality Forum, Public Sector Audit Appointments, December 2018

The Local Audit Quality Forum (LAQF) is a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England. PSAA wants to develop a momentum and a passion for continuous improvement in audit arrangements throughout the entities and sectors for which PSAA has a mandate.

Slides of the Manchester December 2018 event are available on the PSAA website as per the link below.

The theme of the Manchester event was financial resilience and sustainability, a major challenge for all local authorities and police bodies in the current climate and a key strategic concern as bodies prepare 2019/20 budgets and update medium term plans. The event explored:

- the nature and scale of the sustainability challenges facing local bodies;
- the strategies and disciplines which can help to address them successfully; and
- the roles and responsibilities of Chief Finance Officers and Auditors in helping to maintain resilience and sustainability.

<https://www.psa.co.uk/local-audit-quality-forum3/local-audit-quality-forum/>

6. Oversight of audit quality, quarterly compliance reports 2017-18, Public Sector Audit Appointments Ltd

There are no significant issues arising in the latest quarterly compliance report issued by PSAA.

<https://www.psa.co.uk/audit-quality/contract-compliance-monitoring/principal-audits/mazars-audit-quality/>

7. CIPFA Fraud and Corruption Tracker 2017-18, CIPFA, October 2018

The CIPFA Fraud and Corruption Tracker (CFaCT) survey gives a national picture of fraud, bribery and corruption across UK local authorities and the actions being taken to prevent it. It aims to:

- help organisations understand where fraud losses could be occurring;
- provide a guide to the value of detected and prevented fraud loss;
- help senior leaders understand the value of anti-fraud activity; and
- assist operational staff to develop pro-active anti-fraud plans.

The 2017-18 report shows that fraud continues to pose a major financial threat to local authorities, with £302m detected or prevented by councils in 2017-18. While this was £34m less than last year's total, the report revealed an overall increase in the number of frauds detected or prevented – up to 80,000, from the 75,000 cases found in 2016-17. Among these cases there are reminders of some of the challenges being faced by local authorities, with the number of serious or organised crime cases doubling to 56, and a significant increase in the amount lost to business rates fraud, which jumped to £10.4m in 2017/18 from £4.3m in 2016-17.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/local-councils-detect-or-prevent-£302m-in-fraud-in-2017-18>

2. NATIONAL PUBLICATIONS

8. Scrutinising Public Accounts: A Guide To Government Finances, CIPFA, November 2018

This guide provides an overview of the different processes for budgeting and performance reporting in central and local government, health bodies and includes key questions to ask when scrutinising government financial statements using examples based on UK public sector accounts.

This publication is available only .

<https://www.cipfa.org/policy-and-guidance/publications/s/scrutinising-public-accounts-a-guide-to-government-finances>

9. An introductory guide to Local Government Finance, CIPFA, February 2019

This introductory guide addresses the basic questions regarding how money flows, how budgets are set and where it is spent in local government. An understanding of these issues is essential to realising the current issues in local government.

This guide is aimed at helping local councillors, those working with and for local councils, and anybody with an interest in the sector to understand the complexity of local government finance.

The guide covers revenue and capital financing, financial reporting, governance and auditing as well as giving an overview of some of the key services provided by local councils.

This guide is available online only.

<https://www.cipfa.org/policy-and-guidance/publications/a/an-introductory-guide-to-local-government-finance-2019>

10. Summary of NHS long-term plan, Mazars, January 2019

The NHS Long Term Plan was published on 7 January 2019. It sets out the priorities for the new funding settlement announced in June 2018 – a real terms increase of £20.5bn by 2023-24 representing an average increase of revenue funding of 3.4% per annum, compared to an average of 2.2% in recent years.

Views on the deliverability of the plan will vary, particularly as some aspects of implementation will depend on spending review decisions later this year and the direction of travel for social care. The plan recognises existing financial pressures and workforce challenges and takes some steps to manage these risks whilst accepting that further nationally-led work is necessary to alleviate these constraints.

<https://www.mazars.co.uk/Home/Industries/Public-Services/Health/NHS-Long-Term-Plan-summary>

11. Twenty-first Century Councils, Local Government Association, March 2019

This toolkit has been developed to help councils create the underlying policies, procedures, ethos and environment that encourages and empowers women, parents and carers to become local councillors and take on leadership positions.

The Local Government Association is encouraging councils to consider their existing practices, celebrate what is working, share good practice and take action to support councillors who are women, parents and carers.

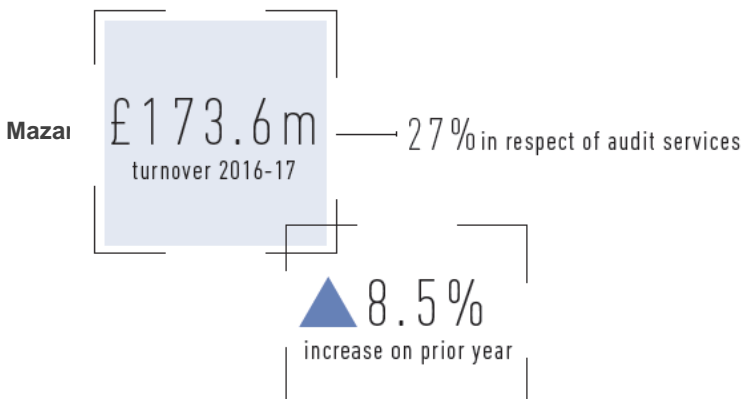
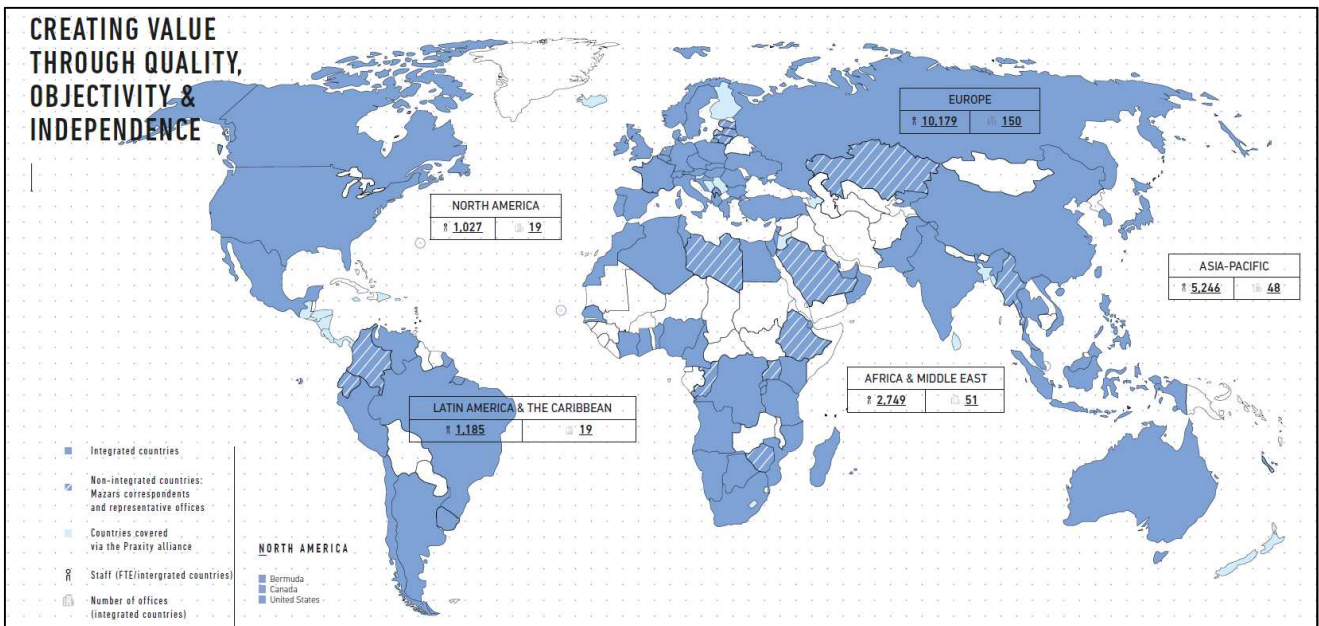
The equal participation of women and men in local politics, as our elected councillors and as our leaders, is an important condition for effective democracy and good governance. Representative councils are best able to speak to, and for, their communities and to support the effective business of local government. Democracy and decision-making are strengthened when councillors reflect the people they seek to serve and represent.

<https://www.local.gov.uk/twenty-first-century-councils>

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- Over 86 countries and territories
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- Over 20,000 professionals
- International and integrated partnership with global methodologies, strategy and global brand



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Report Reference Number: A/18/23

To: Audit and Governance Committee
Date: 10 April 2019
**Author: Phil Jeffrey; Audit Manager (Veritau).
Jonathan Dodsworth; Counter Fraud Manager (Veritau)
Rebecca Bradley; Information Governance Manager (Veritau)**
Lead Officer: Karen Iveson; Chief Finance Officer (s151 Officer)

Title: Internal Audit, Counter Fraud and Information Governance 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 and information governance work undertaken in the financial year.

Recommendations:

It is recommended that the committee note progress on delivery of internal audit, counter fraud and information governance work.

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, Counter Fraud and Information Governance 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, counter fraud and information governance work undertaken in 2018/19 are included in the reports attached at Appendix 1, Appendix 2 and Appendix 3 respectively.
- 2.2 Veritau carries out its work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 Internal audit, counter fraud and information governance 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 reviewing the Council's financial arrangements, and support and advice on counter fraud arrangements and investigation services.
- 2.5 At the time of drafting this report, there are seventeen 2018/19 audits in progress. Two of these audits are currently at draft report stage and another five are at the fieldwork complete stage. Three reports have been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2019 (the cut off point for 2018/19 audits).
- 2.6 The key issues identified at this stage of the year relate to information security and actions have been identified to address these. Follow-up work of previously agreed actions is in progress and whilst a number of actions have been implemented revised dates have been agreed for others. This continues to be monitored closely and will be reported via the agreed escalation policy if considered necessary.
- 2.7 Up to 28 February, the counter fraud team has achieved £14.7k in savings for the council and detected £36.6k of loss. There are currently 15 ongoing investigations. The counter fraud team has received 107 reports of fraud to the end of February compared to 81 in 2017/18.
- 2.8 Work is ongoing towards General Data Protection Regulation (GDPR) and Data Protection Compliance. This year has focused on briefing staff, development of the Information Asset Register and Privacy Notices for the Council. Six Information Security incidents have been reported to Vertiau in the last two quarters of 2018/19.

3. Implications

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

4. Conclusion

- 4.1 The current status of ongoing audit work is summarised above at 2.5. The Head of Audit annual opinion in 2017/18 was one of Reasonable Assurance. This opinion remains unchanged based on our work to date, however this may change depending on the results of ongoing audit work.
- 4.2 Counter fraud work is on track to meet annual targets, as detailed in Appendix 1. Levels of fraud referrals have increased in 2018/19. This is thought to be a result of greater awareness amongst staff and the public, rather than an actual increase in fraud against the council.
- 4.3 It is recognised that the Council has made considerable strides to fulfil the work necessary for the transparency and accountability principles of the GDPR. Work towards the GDPR action plan must continue, to ensure the council develops in all GDPR and data protection compliance areas.

5. Background Documents

SDC Internal Audit, Counter Fraud and Information Governance Plans
2018/19

6. Appendices

Appendix 1 – Internal Audit Progress Report 2018/19

Appendix 2 – Counter Fraud Progress Report 2018/19

Appendix 3 – Information Governance Progress Report 2018/19

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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:	10 th April 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 in progress and completed in the year to date is attached at Annex 1.
- 4 At the time of drafting this report, there are seventeen 2018/19 audits in progress. Two of these audits are currently at draft report stage and another five are at the fieldwork complete stage. Three reports have been finalised since the last report to this committee (Annex 2). It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 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.
No Opinion Given	An opinion is not provided when a piece of work is non-assurance or limited in scope. This may include work such as grant claims, fact-finding work, projects, a review of follow-up implementation or consultancy work.

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 A number of actions have revised implementation dates. This is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, the delays are unavoidable (e.g. due to unexpected difficulties or where actions are dependent on new systems being implemented). These actions will be followed up after the revised target date and if necessary they will be raised with senior managers in accordance with the escalation procedure. Detailed updates on revised actions at Priority 2 and above can be found at Annex 3.

- 11 Five outstanding actions relating to the 2015/16 audit of Information Governance have been consolidated into one action. This action reflects ongoing work to achieve compliance with the General Data Protection Regulation (GDPR). This is currently expected to be completed by 30 June 2019 and further details can be found at Annex 3.
- 12 All 64 agreed actions from 2016/17 audits have been followed up with the responsible officers. Of these, 59 have been satisfactorily implemented. In a further 5 cases, the actions had not been implemented by the target date; a revised target date was subsequently agreed and the action will be followed up again after that point. A summary of this follow up work is included below:

2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	59	1	22	36
Revised date agreed	5	0	5	0
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
Total agreed actions	64	1	27	36

- 13 A total of 38 agreed actions from 2017/18 audits have been followed up with the responsible officers. Of these, 34 have been satisfactorily implemented. In a further 4 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	34	1	18	15
Revised date agreed	4	1	2	1
Follow up in progress	4	0	0	4
Not yet followed up	0	0	0	0
Total agreed actions	42	2	20	20

- 14 A total of 2 agreed actions from 2018/19 audits have been followed up with the responsible officers. Of these, one has been satisfactorily implemented. In the other case, the action had not been implemented by the target date; a revised target date was subsequently agreed and the action will be followed up again after that point. A further 6 remaining actions agreed in 2018/19 audits have not yet been followed up because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

2018/19 Follow-up status

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

- 15 Two audits have been cancelled during the year in order to fund other work. The Organisational Development strategy was not as developed as originally envisaged and a review of Better Together was agreed with the Chief Finance Officer as a higher priority. It therefore replaced the Organisational Development audit.
- 16 An audit of Community Engagement was planned for Q4 of 2018/19. The service asked for a deferral to early 2019/20 and this was agreed with the Chief Finance Officer due to the relatively short delay and to fund additional priority work in the counter fraud service.
- 17 Both audits have been included in the 2019/20 audit plan.

Annex 1: 2018/19 Audits

Audit

Status

**Audit
Committee**

Corporate Risk Register

Savings Delivery	In progress	
Programme for Growth – Selby 950	No Opinion Given	April 2019
Economic Development Framework	Fieldwork complete	

Financial Systems

Benefits	In progress	
Capital Accounting	In progress	
Council House Repairs	In progress	
Council Tax & NNDR	Substantial Assurance	April 2019
Creditors	In progress	
General Ledger	In progress	
Payroll	Fieldwork complete	

Regularity / Operational Audits

Community Engagement	Cancelled	
Data Quality	Not started	
Housing Development	Draft report issued	
Organisational Development	Cancelled	
Performance Management	Fieldwork complete	
Planning	In progress	

Technical / Project Audits

Business Continuity and Disaster Recovery	In progress	
Contract Management and Procurement	In progress	
ICT Governance	Draft report issued	
Information Security	Reasonable Assurance	April 2019
Insurance	Fieldwork complete	
Project Management	Fieldwork complete	
Better Together	In progress	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Programme for Growth – Selby 950	18 th February 2019	No Opinion Given	0	2	0
Council Tax & NNDR	25 th February 2019	Substantial Assurance	0	0	3
Information Security	22 nd March 2019	Reasonable Assurance	0	3	0

Annex 2: Summary of audits completed to 21 March 2019; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
Programme for Growth – Selby 950	No Opinion Given	The Selby 950 project team had used Pentana effectively to track and record progress. However, following the submission of the brief to Executive in May 2018, the project has not been in full compliance with the Council’s project management framework. The project team has made a commitment to produce a PID before entering into the delivery phase.	18 th February 2019	0	2	0	<p>The Selby 950 project team will produce a Project Initiation Document and present this to the Programme for Growth Delivery Board for approval. Once approved, the document and evidence of approval will be published on Pentana.</p> <p>A risk workshop will be held to identify, analyse and prioritise project risks. The output from the workshop will help form the project risk register which will then be updated on Pentana and kept under regular review.</p>	<p>The Project Initiation Document has been completed and will be presented at the next available meeting of the Programme for Growth Delivery Board.</p> <p>The original agreed date was 28 February 2019; a revised date will be required.</p> <p>Action completed</p>

¹ Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
Council Tax & NNDR	Substantial Assurance	Regular reconciliations are carried out between Northgate and Valuation Office Agency data; and discounts, exemptions, disregards and reliefs are only granted for justified reasons. Arrears are being recovered in line with the Council's recovery timescales with refunds and write offs only being processed for valid reasons.	25 th February 2019	0	0	3	None.	
Information Security	Reasonable Assurance	An improvement in physical information security was observed, compared to the	22 nd March 2019	0	3	0	The detailed findings from the information security checks will be shared with Directors, Heads of Service and service managers. In areas where	Due 30 April 2019

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ¹	Progress against key actions
				1	2	3		
		previous check in March 2018. However, some storage is still being left unlocked and some items are being left on desks. It appears that, despite the implementation of the key safes at the Civic Centre (which had been in operation for six months at the time of the audit) more work is required to ensure they are being used as intended.					<p>the audit identified concerns, managers will be required to consider more targeted communication and training/awareness raising; and, where necessary, to review storage facilities to ensure they are sufficient for their service area.</p> <p>The expectations on use of the key safes will be reiterated to all staff.</p> <p>The importance of physical information security will be reiterated to all staff and partners at the point at which the police co-location is complete. This supersedes an action in the previous Information Security report.</p>	<p>Due 30 April 2019</p> <p>Due 30 June 2019</p>

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

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance	<p>The agreed actions from the audit have been consolidated into one action and is summarised as follows.</p> <ul style="list-style-type: none"> • Review the Information Asset Register (IAR). • Ensure Information Asset Owners (IAOs) and SIRO are identified and their responsibilities captured in 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 will be used to update and consolidate the corporate records retention and disposal schedule in line with the document retention policy. This will apply to all records held and in all formats and will be made available throughout the organisation. 	2	Solicitor to the Council	30 Nov 2016	<p>These actions have been included in the Council's GDPR action plan – with Veritau acting as DPO for SDC.</p> <p>The IAR has been reviewed and amended to include extra information. IAOs have been identified as has the SIRO. Work still needs to take place to capture these in JDs.</p> <p>Relevant risks are covered in the Corporate Risk Register. The IAR is also in the process of identifying service specific risks to information.</p> <p>Service specific Privacy Notices are in</p>

					<p>various stages of drafts. It has been identified where areas require more than one Privacy Notice.</p> <p>The IAR identifies controllers and processors who the information is shared with. It has not yet been identified where sharing agreements are in place,</p> <p>Retention periods for information assets have either been identified or are being queried on the IAR.</p> <p>Revised date of 30 June 2019</p>
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	2	Head of Operational Services	30 Nov 2018	The housing management system is modular and the repairs module will be implemented in the final phase. This module is not yet

	checked.				<p>available as the software is still in the development stage and the system provider has yet to confirm when it will be complete.</p> <p>Implementation is expected to happen towards the end of 2019.</p> <p>In the meantime, Veritau and the service are discussing the effectiveness of possible mitigating actions.</p> <p>Revised date of 31 Dec 19.</p>
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	<p>See action above.</p> <p>Revised date of 31 Dec 19.</p>
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	2	Head of Operational Services	30 Nov 2018	<p>See action above.</p> <p>Revised date of 31 Dec 19.</p>

	implemented.				
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	The annual review of the constitution was presented to Full Council for approval at its 26 March meeting and included these changes. Action complete.
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 options are being considered and software changes are currently being discussed with IT. As yet there is no date for implementation. Revised date required.
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 reoccurrence as necessary.	2	Data & Systems Team Leader	30 Jun 2018	Data & Systems has confirmed that the COA system does assign invoice numbers sequentially – there is no technical

					<p>issue. The explanation for 'missing' invoice numbers is operational (i.e. the 'missing' invoices are those raised incorrectly and subsequently deleted).</p> <p>Action complete.</p>
PCI DSS (2017/18)	<p>Data & Systems will seek assurances from NYCC as to the compliance of their cardholder data processing and liaise with the new income management system software supplier to better understand the future of PARIS and possible opportunities for scope reduction. An options appraisal will then be presented to Leadership Team which will set out the risk and cost implications of pursuing changes to the existing cardholder data environment. As for the compliance validation requirements, responsibilities will be established and assurances will either be obtained from NYCC that compliance requirements are 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</p>	1	Head of Business Development & Improvement	30 Sep 18	<p>Civica have bought Northgate PARIS – the Council's current payments and income management system – and will no longer commit to supporting the software. As a result, the Council is required to procure new software. A bid for funding procurement of Civica Pay (or similar) is included in the draft budget for 2019/20.</p> <p>Implementation of new software will resolve PCI DSS issues.</p>

	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.				Revised date of 30 Sep 19.
Payroll (2017/18)	Training on payroll procedures will be provided to at least one other member of staff and access to ResourceLink and Bond HR will be arranged for them.	2	Head of Business Development & Improvement	31 Aug 18	Training is ongoing and is expected to be completed by April 2019. Revised date of 30 Apr 19.
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. This is currently being followed-up as part of the 2018/19 Payroll audit.
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	2	Head of Commissioning, Contracts & Procurement	31 Mar 19	Formal arrangements have been put in place or previous arrangements have

	<p>framework contract will consist of several lots reflecting the schedule and various trade disciplines. Preparatory work is currently underway to ensure all current and local suppliers are supported prior to and during the formal tender process.</p>				<p>ended with four of the five identified suppliers with which there was no contract, preferred supplier or framework agreement in place. The fifth supplier will be part of a new framework agreement.</p> <p>Initial preparatory work has been done on the framework and it is expected to be fully in place by March 2020.</p> <p>This is being considered as part of the 2018/19 audit.</p>
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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: 10th April 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 28 February, the fraud team detected £36.6k of loss to the council and achieved £14.7k in savings for the council as a result of investigative work. There are currently 15 ongoing investigations. A summary of counter fraud activity is included in the tables below.

COUNTER FRAUD ACTIVITY 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 28/02/19)	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).	44%	30%	44%
Amount of actual savings (quantifiable savings - e.g. CTS and CTAX) identified through fraud investigation.	£14,704	£14,000	£22,195

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Caseload figures for the period are:

	2018/19 (As at 28/02/19)	2017/18 (Full Year)
Referrals received	107	81
Referrals rejected	54	43
Number of cases under investigation	15	15 ¹
Number of investigations completed	17	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 sent to the Cabinet Office by council colleagues in October 2018. An initial 515 matches were released at the beginning of February with more expected over the next two months. The matches will be reviewed by the counter fraud team and council colleagues.</p> <p>The council participated in an NFI Business Rates pilot alongside regional partners in 2018. The exercise identified at least two businesses that were incorrectly receiving Small Business Rate Relief (SBRR) which resulted in substantial savings for the council. A further two properties have been sent to the Valuation Office Agency (VOA) for revaluation.</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"><li data-bbox="421 890 1998 1058">• Council Tax Support fraud – To date the team has received 63 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 8 cases under investigation.<li data-bbox="421 1114 1998 1233">• Council Tax/Non Domestic Rates fraud – 38 referrals for council tax fraud have been received in 2018/19. Over £9k of fraud has been detected in this area. One person has been issued a warning this year. There are currently 2 cases under investigation.<li data-bbox="421 1289 1998 1402">• Housing fraud – The team has received 4 referrals for investigation in the year. There are currently 2 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

Activity	Work completed or in progress
	<p>property. One warning has also been issued in this area.</p> <ul style="list-style-type: none"> • Internal fraud – Two cases of fraud in this area have been reported this year, both investigations are ongoing. • External fraud – An investigation is ongoing following a mandate fraud perpetrated against the council. • 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	<p>The fraud team acts as a single point of contact for the Department for Work and Pensions and is responsible for providing data to support their housing benefit investigations. The team have dealt with 137 requests on behalf of the council in 2018/19.</p>
Fraud Management	<p>In 2018/19 a range of activity has been undertaken to support the Council's counter fraud framework.</p> <ul style="list-style-type: none"> • In May 2018, the council's counter fraud transparency data was updated to include data on counter fraud performance in 2017/18 meeting the council's obligation under the Local Government Transparency Code 2015. • The council participated in the annual CIPFA Counter Fraud and Corruption Tracker (CFaCT) survey in June 2018. The information provided has contributed to a recently released report which provides a national picture of fraud, bribery and corruption in the public sector and the actions being taken to prevent it.

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



Selby District Council

Information Governance Progress Report 2018/19



Information Governance Manager: Rebecca Bradley
Head of Internal Audit: Max Thomas
Date: 10th April 2019

PURPOSE OF THE REPORT

- 1 To provide an update on Information Governance matters and developments in the Council's Information Governance arrangements and compliance with relevant legislation.

BACKGROUND

- 2 Information governance is the framework established for managing, recording, protecting, using and sharing information assets in order to support the efficient and effective delivery of services. The framework includes management structures, policies and processes, technical measures and action plans. It helps to ensure information is handled securely and correctly, and provides assurance to the public, partners and other stakeholders that the Council is complying with all statutory, regulatory and best practice requirements. Information is a key asset for the Council along with money, property and human resources, and must therefore be protected accordingly. Information governance is however the responsibility of all employees.
- 3 The Council must comply with relevant legislation, including:
 - The Data Protection Act 2018
 - The General Data Protection Regulation (GDPR)
 - Freedom of Information Act 2000
 - Environmental Information Regulations 2004
 - Regulation of Investigatory Powers Act 2000
- 4 In March 2018, the Council appointed Veritau to be its statutory Data Protection Officer (DPO).
- 5 The General Data Protection Regulation (GDPR) and the newly updated Data Protection Act came into force in May 2018. A working group comprising officers and representatives from Veritau was established and an intensive programme of work was undertaken to prepare for the new legislation.
- 6 The Corporate Information Governance Group (CIGG) is responsible for overseeing information governance within the council. The group is chaired by the Head of Business Development and Improvement and provides overall direction and guidance on all information governance matters. CIGG also helps to support the Council's Senior Information Risk Owner (SIRO) to discharge her responsibilities. CIGG is currently coordinating the delivery of the GDPR action plan, which includes reviewing and updating the council's information governance strategy and policy framework. CIGG has met regularly during the year.
- 7 All public authorities are required to appoint a Data Protection Officer (DPO). The DPO is responsible for monitoring and reporting on compliance with data protection legislation. The DPO also provides independent advice on data protection matters. The DPO also advises on Data Protection Impact Assessments and acts as the first point of contact for the Information Commissioner's Office (ICO) and data subjects.

GDPR ACTION PLAN UPDATE

- 8 The corporate privacy notice has been updated and is available on the Council's website. Individual privacy notices are also being prepared by each service team. These are being reviewed by Veritau as they are completed and will be published on the website.
- 9 Work is also ongoing to review and update the information governance policy framework.
- 10 The Information Asset Register has been amended to reflect GDPR compliance needs. Work is ongoing to ensure the register is correct and up to date. Veritau is working with the relevant service teams to complete this work. A summary of this progress has been included in the Internal Audit Progress Report (Appendix 1, Annex 3). This work is expected to be completed by 30 June 2019.

TRAINING

- 11 The Council and Veritau successfully delivered a series of GDPR briefing sessions to all Council officers in March, April, and May 2018. However, it is recognised that some teams will require further service specific training sessions. These service specific training sessions are now being planned.
- 12 Veritau is also planning to deliver a series of other training sessions including Data Protection Principles and Rights; Introduction to Records Management; and Elected Members Data Protection Induction Briefing.

INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 13 Information Security Incidents have been reported to Veritau as required. The incidents are assessed, given a RAG rating and then investigated as required. Green incidents are unlikely to result in harm but indicate a breach of procedure or policy; Amber incidents represent actual disclosure, but harm is unlikely to be serious; and Red incidents are sufficiently serious to be considered for self-reporting to the ICO. Some incidents are categorised as 'white'. White incidents are where there has been a failure of security safeguards but no breach of confidentiality, integrity, or availability has actually taken place (i.e. the incident was a near miss). None of the reported incidents have needed to be reported to the Information Commissioner's Office (ICO).
- 14 The number of Security Incidents reported to Veritau in 2018-19 are as follows:

Year	Quarter	Red	Amber	Green	White	Total
2018/19	Q1	0	0	0	0	0
	Q2	0	0	0	0	0
	Q3	0	1	1	1	3
	Q4	1	2	0	0	3
	Total	1	3	1	1	6

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Report Reference Number: A/18/24

To: Audit and Governance Committee
Date: 10 April 2019
**Author: Phil Jeffrey; Audit Manager (Veritau).
Jonathan Dodsworth; Counter Fraud Manager (Veritau)
Rebecca Bradley; Information Governance Manager (Veritau)**
Lead Officer: Karen Iveson; Chief Finance Officer (s151 Officer)

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

Summary:

The purpose of this report is to present the proposed Internal Audit, Counter Fraud and Information Governance plans for 2019/20.

Recommendations:

It is recommended that the Internal Audit Plan 2019/20 be approved and that the Counter Fraud and Information Governance plans be noted.

Reasons for recommendation

Internal audit is required to prepare an audit plan on at least an annual basis. Veritau provides the Council with specialist Counter Fraud and Information Governance services. For transparency and information purposes we have included these services alongside the audit plan within this report. These reports do not need Committee approval but are presented for the Committee's information.

1. Introduction and background

- 1.1 This document sets out the planned 2019/20 programme of work for internal audit, counter fraud, risk management and information governance services provided by Veritau for Selby District Council.
- 1.2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.

2. Internal Audit Plan

- 2.1 The internal audit plan (Appendix 1) is aligned to the Council's main strategic risks. The plan is however a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 2.2 The content of the internal audit plan has been subject to consultation with directors and other senior officers and is submitted for formal approval by the Committee. Changes to the plan are agreed through the Council's client management arrangements and are notified to the Committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 2.3 The plan is based on a total commitment of 355 days for 2019/20. This includes 322 days for internal audit and 33 days to support the council's risk management arrangements.
- 2.4 This a 20 day reduction from last year in order to fund additional priority counter fraud work. This is a temporary one year reduction to reflect increased demand on the counter fraud service and will be reviewed at the end of the year.

3. Counter Fraud Plan

- 3.1 The counter fraud plan (Appendix 2) sets out proposed areas of counter fraud work for 2019/20. No estimate of time is made for each area as time spent is dependent on the levels of work received by the team. Priorities and focus for counter fraud activity is led by the Council's Counter Fraud Strategy and Counter Fraud Risk Assessment (reported to the committee in January 2019).
- 3.2 Total planned days for 2019/20 are 125.

4. Information Governance Plan

- 4.1 The information governance plan (Appendix 3) sets out proposed areas of information governance work for 2019/20. The total planned days for 2019/20 are 60.

5. Implications

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

6. Conclusion

- 6.1 The Internal Audit, Counter Fraud and Information Governance plans have been drafted in consultation with the Chief Finance Officer (s151) as well as other senior officers. .
- 6.2 They represent plans which utilise resources effectively and are informed by the Council's main strategic risks.

7. Background Documents

Counter Fraud Strategy and Action Plan (January 2019)
Counter Fraud Risk Assessment (January 2019)

8. Appendices

Appendix 1 – Internal Audit Plan 2019/20

Appendix 2 – Counter Fraud Plan 2019/20

Appendix 3 – Information Governance Plan 2019/20

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Selby District Council

Internal Audit Plan 2019/20

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

Phil Jeffrey
Richard Smith
Max Thomas

Circulation List:

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

Date: 10 April 2019

Introduction

- 1 This document sets out the planned 2019/20 programme of work for internal audit and risk management provided by Veritau for Selby District Council.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.
- 3 The plan is informed by the Council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Council's priorities and objectives. The audit plan is however a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 4 The content of the audit plan has been subject to consultation with senior officers and is submitted for formal approval by the Audit and Governance Committee who is also responsible for monitoring progress against the plan. Changes to the plan are agreed with the Chief Finance Officer and are notified to the Committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 5 The plan is based on a total commitment of 355 days for 2019/20. This includes 322 days for internal audit, and 33 days to support the Council's risk management arrangements.
- 6 This a 20 day reduction from last year in order to fund additional priority counter fraud work. This is a temporary one year reduction to reflect increased demand on the counter fraud service and will be reviewed at the end of the year.

2019/20 Plan

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

- **Client support & advice;** work we carry out to support the Council in its functions. This includes the time spent providing support, advice and training in relation to risk management in the Council.
- **Other;** an allocation of time to allow for unexpected work and the follow up of work we have already carried out, ensuring that agreed actions have been implemented.

8 Details of the 2019/20 plan are set out below.

Internal Audit Plan 2019/20

Corporate Risk Register

Risk No	Risk	Audit	Scope	Days
003	The Council's financial position is not sustainable beyond 2021.	Savings Delivery	A review of the progress made on savings delivery proposals. This may include the Council's plans to utilise digital processes and whether this has realised the expected benefits.	10
		Financial Resilience	A review of the Council's financial resilience including medium-term financial planning.	10
004	Lack of organisational capacity and resilience to effectively deliver agreed outcomes and objectives for now and for the future.	Organisational Development	A provision of time to provide support, advice and challenge to the Council's emerging Organisational Development strategy. This is deferred from 2018-19.	10
				30

Financial Systems

Audit	Scope	Days
Benefits	A review of the key risks and controls involved in awarding and paying benefits including the Council Tax Support Scheme.	12
Council Tax & NNDR	A review of key controls and risks relating to Council Tax and NNDR.	12
Creditors	To review the key risks/controls in relation to creditors.	12

Audit	Scope	Days
Debtors	A review of the systems for raising debtor invoices and collecting income, credit control, and debt recovery arrangements.	15
General Ledger	A review of the budget setting, monitoring processes and reconciliations including virements and journal transfers.	12
Housing Rents	A review to provide assurance that the processes employed to administer the Council's housing rent accounts are sound.	12

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Regularity Audits

Audit	Scope	Days
Absence Management	A review of the processes and procedures in place to manage staff absence.	12
Assurance Mapping	A review of other sources of assurance to ensure that duplication of work is minimised and audit resources are used effectively. This was a specific recommendation from Veritau's external PSIAS assessment.	5
Community Engagement	A review of the arrangements in place to gauge customer needs and target services accordingly. This will also consider good practice from other authorities. This is deferred from 2018-19.	15
Community Infrastructure Levy	An audit of the procedures in place for administering the CIL. This will include a review of governance and decision making.	15
Data Quality	An audit of systems for capturing key performance data, to ensure information used for management of the organisation is robust.	15

Emergency Planning	A review of key risks and controls relating to emergency planning.	15
Health & Safety	A review of key health and safety risks. This may include a review of the effectiveness of the health and safety committee including incident tracking and trend analysis.	10
Planning	An allocation of time to provide support and advice to the planning team in relation to benchmarking and value for money. This will build on work started in 2018/19.	10

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Technical/Project Audits

Audit	Scope	Days
Better Together	A review of key controls and risks relating to the Better Together programme with North Yorkshire County Council.	10
Contract Management & Procurement	The scope will be agreed with officers during the year. This may include a general review of procurement arrangements and/or a review of individual contracts.	12
ICT Audits	An allocation of days for ICT audit. This will include reviews of cyber security awareness and the appropriateness of user access levels.	20
Information Security	An allocation of time to carry out information security checks.	5
Project Management	An allocation of time to provide support, advice and challenge to key projects.	10

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Client Support & Advice

Area	Days
Financial Appraisals and Tender Openings	5
Committee Preparation & Attendance including Annual Governance Statement	12
External Audit Liaison	2
Miscellaneous Advice	3
Data analysis	5
Corporate Issues (including audit planning, client liaison and attendance at Extended Leadership Team)	15
Risk Management Facilitation	33
	75

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Other

Area	Days
Contingency	6
Follow Ups	15
	21
	355

Selby District Council

Counter Fraud Plan 2019/20

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

Jonathan Dodsworth
Richard Smith
Max Thomas

Circulation List:

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

Date: 10 April 2019

Introduction

- 1 Veritau undertakes counter fraud work on behalf of Selby District Council. This document summarises the agreed areas of counter fraud work for 2019/20.
- 2 The Counter Fraud Plan is based on an estimate of the amount of resource required to provide the range of counter fraud activities required by the council. A total of 125 days of counter fraud work has been agreed for 2019/20.

2019/20 Counter Fraud Plan

- 3 A summary of planned areas of work is set out in the table below.

Fraud Area	Scope
Counter Fraud General	Monitoring changes to regulations and guidance, review of counter fraud risks, and support to the council with maintenance of the counter fraud framework. This will include completion of the annual counter fraud risk assessment and review of the counter fraud policy and strategy.
Proactive Work	This includes: <ul style="list-style-type: none">• raising awareness of counter fraud issues and procedures for reporting suspected fraud - for example through training and provision of updates on fraud related issues• targeted proactive counter fraud work - for example through local and regional data matching exercises• support and advice on cases which may be appropriate for investigation and advice on appropriate measures to deter and prevent fraud.
Reactive Investigations	Investigation of suspected fraud affecting the council. This includes feedback on any changes needed to procedures to prevent fraud recurring.
National Fraud Initiative (NFI)	Coordinating submission of data to the Cabinet Office for the NFI national fraud data matching programme and investigation of subsequent matches.
Fraud Liaison	Acting as a single point of contact for the Department for Work and Pensions, to provide data to support their housing benefit investigations.

Selby District Council

Information Governance Plan 2019/20

Information Governance Manager: Rebecca Bradley
Head of Internal Audit: Max Thomas

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

Date: 10 April 2019

Introduction

- 1 Veritau undertakes information governance work on behalf of Selby District Council. Veritau is also the Council's appointed statutory Data Protection Officer which involves the carrying out of specific functions. The service helps to ensure the Council complies with all relevant legislation, including the General Data Protection Regulation (GDPR), Data Protection Act 2018 and Freedom of Information Act 2000. This document summarises the agreed areas of work for 2019/20.
- 2 The Information Governance Plan is based on an estimate of the amount of resource required to provide the range of activities required by the Council. A total of 60 days of information governance work has been agreed for 2019/20.

2019/20 Information Governance Plan

- 3 The following table provides an indicative allocation of time across each element of the service:

Area	Days	Scope
Data Protection Officer Role	15 Days	<p>Monitoring compliance with the Council's policy framework and data protection legislation (including undertaking a programme of audits) as Data Protection Officer.</p> <p>This also includes liaising with the UK Information Governance regulator: the Information Commissioner's Office (ICO) and with data subjects who have concerns with how their data is being processed.</p>
Information Governance Strategy and Support	30 Days	<p>Developing the Council's policy framework, advising on the implementation of new information governance processes and supporting service area projects with information governance consultations.</p>
Provision of Advice and Training	15 Days	<p>The provision of advice and guidance on all information governance related matters.</p> <p>Supporting service managers by providing specific information governance training sessions to officers.</p>

2019/20 Information Governance Strategic Objectives

4 The following strategy objectives will be delivered by Veritau in 2019/20:

Review of Information Governance Policy Framework

5 The Council is required to demonstrate compliance with the six data protection principles by maintaining a framework of Information Governance Policies. A new Information Governance Policy framework was adopted in 2018/19.

This piece of work will assess the effectiveness of the policies and will ensure that updates to legislation and regulatory guidance, introduced since the policy implementation, are reflected in the policies.

Information Asset Management

6 The Council is required to maintain 'Records of Processing'. The Council established an information asset register in 2018/19 to comply with this requirement. Veritau will work with service managers to refine and expand this register in 2019/20. This will give better oversight of processing activity in each service area.

7 As part of the work on developing the Council's information asset register a comprehensive list of other data controllers who may receive data from the Council has been compiled. Veritau will work with service managers to ensure that these data sharing arrangements are formalised through information sharing agreements as per the requirements of the North Yorkshire Information Sharing Protocol which the Council is a signatory to.

8 A process map detailing how this work will be undertaken can be found in Appendix 1 of this report.

Transparency

9 Veritau will work with service managers to ensure that necessary information is published in accordance with legislative requirements. This includes local government specific datasets, privacy notices, and consent forms.

2019/20 Information Governance Compliance Review

10 An information governance compliance review will be conducted in 2019/20. This review will focus on specific requirements of the General Data Protection Regulation (GDPR) and Data Protection Act 2018 which came into force in the UK in May 2018.

11 A key element of the compliance review will be to cross check contracts declared on the corporate information asset register against the Council's contracts register. This will identify where data processing arrangements are in existence and to ensure that contracts have been suitably varied to include adequate GDPR contractual clauses.

- 12 The outcomes of the compliance review will be published in a report which will determine the information governance strategic objectives for 2020/21.

2019/20 Information Governance Training Provision

- 13 The following information governance themes will be covered by specific Veritau delivered training in 2019/20:

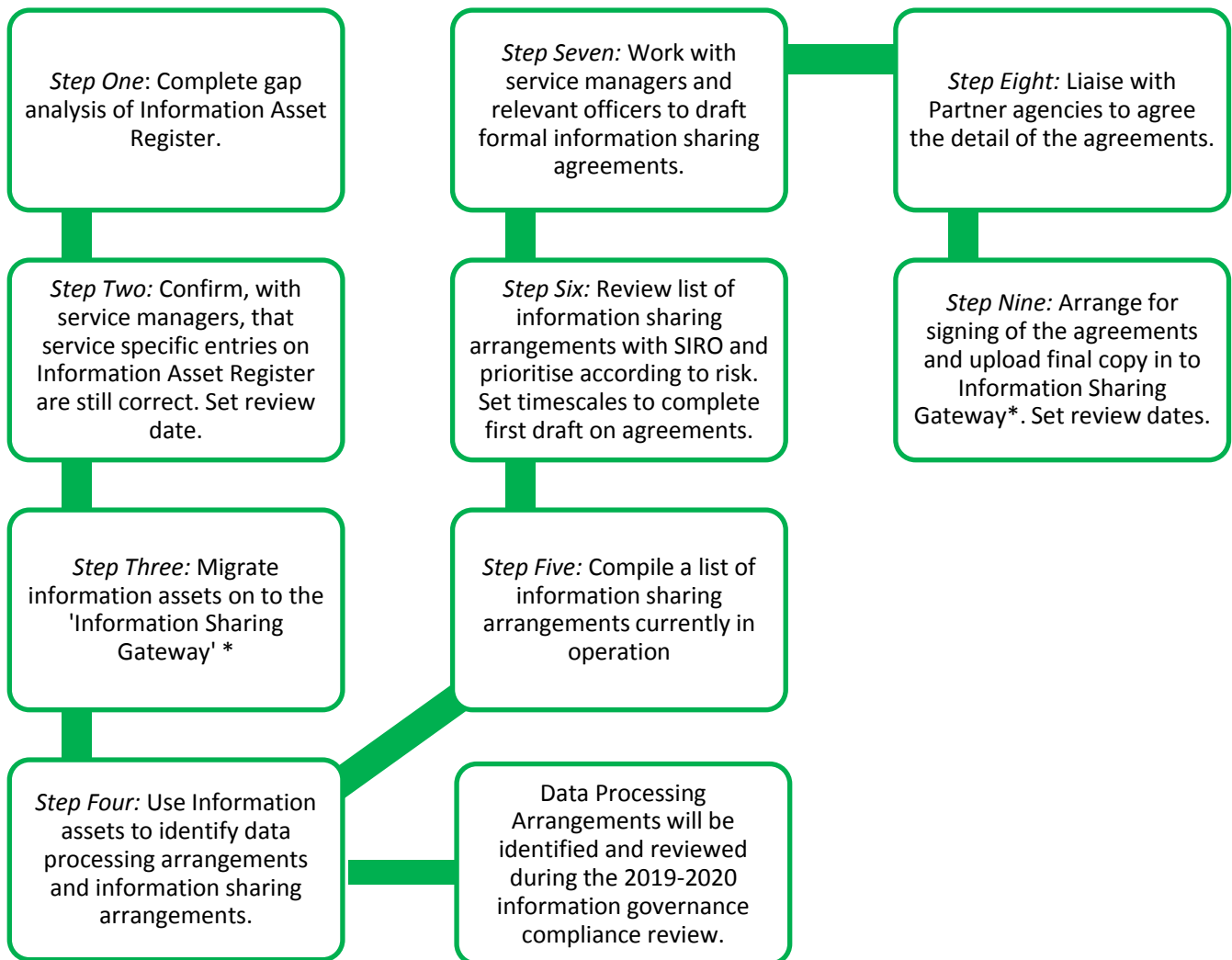
Records Management

- 14 Delegates will be introduced to Records Management concepts and tools including: the Records Lifecycle, benefits of Records Management, file plans, email management, retention and Information Asset Registers.

Data Protection Rights and Principles

- 15 Delegates will be introduced to the six data protection principles and the various rights that data subjects have with regards to their personal data. This session will focus on transparency and accountability.

Appendix 1: Process Map detailing development of Information Sharing Agreements across the Council.



* The 'Information Sharing Gateway' is an online framework to support information sharing across a number of organisations. A number of organisations in North Yorkshire are working together to use the gateway to integrate their depositories of information sharing agreements and create a detailed information flow map across the County.

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Agenda Item 11



Report Reference Number: A/18/25

To: Audit and Governance Committee
Date: 10 April 2019
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit and Governance Committee Annual Report 2018/19

Summary:

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

Recommendations:

- i. To approve the Audit and Governance Committee Annual Report 2018/19; and**
- ii. To delegate authority to the Democratic Services Officer in consultation with the Chair, to update the appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

Reasons for recommendation

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

1. Introduction and background

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

2 The Report

- 2.1 A draft Annual Report is attached at Appendix A. This has been drafted by the Chair and the Democratic Services Officer and it is now available for the Committee to consider.

- 2.2 The Report has been structured in three sections:
- An introduction from the Chair
 - A summary of the membership, role and work of the committee
 - An appendix comprising a retrospective work programme and summary of decisions for 2018/19
- 2.3 The Committee is asked to consider any amendments and approve the report for publication.
- 2.4 As there will be no further meeting of the Committee during this municipal year, the Committee is asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to amend the appendix prior to publication to reflect the business transacted at the April meeting.

3 Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to approve the draft Annual Report 2018/19 to comply with the requirement of Article 6 of the Constitution.
- 4.2 The Committee is further asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the appendix to the Annual Report to reflect outcomes following the final meeting of the year.

5. Background Documents

None.

Contact Officer:

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Appendices:

A – Draft Audit and Governance Committee Annual Report 2018/19



Audit and Governance Committee

Annual Report 2018/19

Introduction from the Chair – Councillor Karl Arthur

I am pleased to present the Audit and Governance Committee Annual Report 2018/19.

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

The Committee was fortunate to again have excellent officer support to help guide it through complex reports. I was delighted to welcome the new External Audit Manager, Nicola Hallas, to help the committee with its deliberations, and would like to record my thanks to the previous External Audit Manager, Gavin Barker, for his hard work and diligence over the previous few years.

As in recent years, the Committee continued to attend briefings prior to meetings, which were largely focussed on the most important item of business being considered at the subsequent meeting. This helped to further ensure that Committee members were able to fully undertake their scrutiny duties.

The Committee met four times during the municipal year and considered a range of different issues. The Committee's Work Programme ensured a strong focus on the priorities of the Council and the concerns of local people, this included regular reviews of audit reports and risk management systems.

I am delighted to say that there were no items of business for the Standards Committee to investigate during the course of the 2018/19 municipal year. However, I would like to take this opportunity to thank Philip Eastaugh, Hilary Putman and Wanda Stables for continuing to volunteer as independent members in case it was needed.

I would like to thank all councillors who served on the Audit and Governance Committee during 2018/19 for their support and continued hard work. Many people have contributed to the work of the Committee, including officers and external partners. I would like to put on record my thanks to them.

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



Councillor Karl Arthur
Chair, Audit and Governance Committee
10 April 2019

The Audit and Governance Committee

The membership of the Committee was not changed at Annual Council for the start of the municipal year, but changes were made to the membership on two occasions during the year. In July 2018 changes to the political composition of the Council resulted in Councillor Karl Arthur being appointed as Chair of the Committee, replacing Councillor Mike Jordan. Councillor John Cattanach was appointed to the Committee to replace Councillor Karl Arthur.

Conservative

Cllr. Karl Arthur (Chair) (*appointed to Chair from 5 July 2018*)

Cllr. Ian Reynolds (Vice-Chair)

Cllr. Mike Jordan (*Chair up to 5 July 2018*)

Cllr. Judith Chilvers

Cllr. Bryn Sage

Cllr. John Cattanach (*appointed July 2018*)

Labour

Cllr. Brian Marshall

Independent

Cllr. Mary McCartney

The Committee met four times during the year.

Council officer support during the year was provided by:

- Karen Iveson, Chief Finance Officer
- Gillian Marshall, Solicitor to the Council (*up to 14 December 2018*)
- Alice Courtney, Democratic Service Officer (*up to May 2018*)
- Dawn Drury, Democratic Services Officer (*from 2 July 2018*)

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

The Role of the Audit and Governance Committee

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

In accordance with the Council's Constitution, the Committee has delegated authority to:

- monitor and report on the effectiveness of the Council's Constitution;
- receive reports from the Monitoring Officer on the effectiveness of the Standards arrangements adopted by the Council;
- scrutinise and approve the Council's Annual Governance Statement, statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be);
- be satisfied that the Council's assurance statements, including the Annual Governance Statement, have been fully developed and considered by councillors;

- to scrutinise and monitor the control systems, procedures and risk management systems operating at the Council;
- receive, but not direct, internal audit service strategy and plan and monitor performance;
- receive the annual report of the internal audit service;
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- consider the reports of external audit and inspection agencies relating to the actions of the Council;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to issues raised by external audit;
- issue reports and make recommendations, where appropriate, and in relation to any matters listed above, for consideration by the Council, Executive or the relevant committee of the Council;
- monitor the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000 for the use of authorisation of surveillance.

2018/19 Work Programme

During 2018/19 the Audit and Governance Committee reviewed and considered:

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

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

To assist the Committee in its work, an 'action log' was maintained throughout the year which listed issues and actions arising from each meeting. The action log was considered at each meeting, with updates provided by officers on the progress and status of previously agreed actions. The action log was included on the agenda for each meeting and published in advance.

Member Development

The nature of the Committee's work requires a high level of knowledge of the Council's control framework and financial arrangements. In order to ensure members of the Committee developed the skills and knowledge necessary to fulfil their role, a

variety of training and development opportunities were provided throughout the year. Attendance at these sessions was very high.

Member development included training sessions prior to Committee meetings.

Looking forward to 2019/20 the Committee is keen to further develop its skills and knowledge. To help achieve this, the Committee will continue to attend training sessions before each meeting. The theme of the training will continue to reflect the Committee's Work Programme. The Chair will encourage attendance at these member development sessions to ensure that the Committee is adequately equipped to fulfil its role effectively.

Conclusion

Throughout 2018/19, the Audit and Governance Committee exercised its delegations across a broad range of topics and had the opportunity to further develop the skills and knowledge of its members to ensure that the Council's control framework was adequately scrutinised.

Audit and Governance Committee Work Programme Review – 2018/19

25 July 2018	
Topic	Outcome
Risk Management Annual Report 2017/18	The Committee considered the Risk Management Annual Report for 2017/18 and noted the proposed actions.
Corporate Risk Register	The Committee reviewed the Corporate Risk Register 2018-19, which had been refreshed following a risk workshop with the Extended Leadership Team. The Committee noted that the Risk Register contained more information on how, once identified, risks would be mitigated, managed and monitored. Members of the Committee highlighted that they found the scoring easier to understand, and endorsed the actions of officers in furthering the progress of risk management.
Annual Report of the Head of Internal Audit 2017/18	The Committee considered the Annual Report of the Head of Internal Audit (Veritau), which confirmed that the Council provided 'Reasonable Assurance' in respect of the governance, risk management, and control frameworks. The Committee noted that to date 41 fraud investigations had been completed with actual savings achieved of £22,194. The Committee was informed that following a successful bid, Selby District Council was one of seven authorities chosen to take part in the National Fraud Initiative to look at business rates fraud; it was noted that the results of the pilot were expected in September 2018.
Consideration of Internal Audit Reports – Payment Card Industry Data Security Standard (PCI DSS)	The Committee considered the Internal Audit Report relating to PCI DSS, which advised that an audit completed on 12 July 2018 expressed the overall opinion that the controls within the system only provided 'Limited Assurance'. The Committee noted that an actions proposal to improve the situation would be developed and presented to the Leadership Team. The Committee was satisfied that appropriate action was being taken.
External Audit Completion Report 2017/18	The Committee considered the External Audit Completion Report, it was highlighted that the financial statements had been received ahead of the deadline, which was a great achievement and officers were praised for their excellent work and assistance with the Audit. The Committee noted that the External Auditors had not encountered any significant difficulties in completing the Audit.
Annual Governance Statement 2017/18	The Committee approved the Annual Governance Statement 2017/18. It was confirmed that the Statement provided assurance that the Council had a sound system of internal control to help manage and control risks.
Statement of Accounts 2017/18	The Committee approved the Statement of Accounts 2017/18, and were pleased to note that it had been a very positive year.

The General Data Protection Regulation (GDPR) – Update on Implementation	The Committee noted that following the introduction of the GDPR legislation in May 2018, a working group had been set up, and key work on policies and procedures and updating the Information Asset Register had been completed. It was highlighted that at the time of the April 2018 meeting of the Committee progress on implementation had stood at 29%, whilst current progress was at 82%. The Committee was assured that once full compliance was achieved, it would continue to be monitored and maintained to ensure that the Council remained compliant. The Committee noted that further updates would be included in the Information Governance Annual Report in January 2019.
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24 October 2018

Topic	Outcome
Local Government and Social Care Ombudsman Annual Review Letter 2017/18	The Committee considered the Local Government and Social Care Ombudsman Annual Review Letter 2017/18, which presented a summary of the complaints submitted in relation to Selby District Council and the associated decisions made by the Ombudsman. The Committee noted that the Council had received 23 complaints in the year 2017/18, of which only 5 cases had been progressed to a detailed investigation by the Ombudsman, of which none were upheld.
Internal Audit and Counter Fraud Progress Report 2018/19	The Committee reviewed progress against the Internal Audit and Counter Fraud Plan and noted progress to date. The Committee noted that £4,900 in Council savings had been achieved through fraud investigation to date.
External Annual Audit Letter 2018	The Committee noted 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 noted 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. The Committee endorsed the work of the External Auditors.
External Audit Progress Report	The Committee reviewed progress against the External Audit Plan.

30 January 2019

Topic	Outcome
Information Governance Annual Report 2018	The Committee considered the Information Governance Annual Report 2018, which included an action plan and an update on information governance matters during 2018. The Committee was satisfied with

	the content of the report and the action plan, and noted that with regard to the General Data Protection Regulations (GDPR) a new Information Governance Strategy had been put in place; with a Central Information Governance Group (CIGG) consisting of internal officers and Veritau to monitor compliance.
External Audit Progress Report	The Committee reviewed progress against the External Audit Plan, and noted that the planning work for the 2018/19 external audit was underway. The Committee noted that the 2017/18 Housing Benefits Subsidy return required amendments, with detailed finding reported in a qualification letter to the Department of Works and Pensions dated 29 November 2018.
Review of Risk Management Strategy	The Committee noted the amendments to the Risk Management Strategy, which remained largely unchanged following the review, however, minor amendments had been made in some sections to improve readability; and also to dates and references where appropriate. The Committee endorsed the actions of officers in furthering the progress of risk management.
Corporate Risk Register 2018-19	The Committee reviewed the Corporate Risk Register 2018-19 and noted that no new risks had been added to the register since it was previously reported to the Committee in July 2018. The Committee endorsed the actions of Officers in furthering the progress of risk management.
Internal Audit and Counter Fraud Progress Report	The Committee reviewed progress against the Internal Audit and Counter Fraud Plan and noted progress to date. The Committee noted £10,000 worth of fraud had been detected in relation to Council Tax Support to date; and officers had recovered a property which was being fraudulently sub-let. The Committee also heard that the Council had fallen victim to a “mandate fraud”.
Annual Governance Statement 2017/18 – Action Plan Review	The Committee reviewed progress against the Action Plan for the Annual Governance Statement for 2017/18 and noted progress to date. The Committee heard that a Quarterly Work Programme Liaison Group between the Executive and the Chairs of Audit and Governance, Scrutiny and Policy Review Committees had been established, training had been delivered; and role profiles for the Chairs developed, agreed and adopted into the Constitution at the meeting of Council in July 2018. The Committee was informed that positive progress had been made in relation to the Action Plan.
Counter Fraud Framework Update	The Committee approved the updated Counter Fraud and Corruption Strategy Action Plan, which was reviewed annually to ensure that it was fit for purpose, and noted the updated Counter Fraud Risk Assessment. The Committee noted Procurement Fraud remained the highest perceived area of threat nationally, to mitigate the risk in relation to this Veritau used data matching; along with raising awareness by working with officers to put stringent checks in place.
Annual Review of the Constitution	The Committee noted the amendments to the Constitution, which had been undertaken to ensure that it was up to date and fit for purpose, prior to its consideration at Full Council in March 2019.

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

10 April 2019	
Topic	Outcome
External Audit Progress Report	
External Audit Strategy Memorandum	
Internal Audit and Counter Fraud Progress Report	
Internal Audit and Counter Fraud Plan 2019/20	
Consideration of Internal Audit Reports	
Review of Local Government Ethical Standards on Standards in Public Life	
Information Governance	
Audit and Governance Committee Annual Report 2018/19	
Work Programme 2019/20	

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Audit Committee Work Programme 2019/20

Date of Meeting	Topic	Action Required
<i>All meetings will be preceded by a training / briefing session for Councillors. These sessions will start 30 minutes before the meeting.</i>		
30 July 2019	Meeting start times	To agree the start time of Audit and Governance Committee meetings for 2019/20
	Review of Action Log	To consider the latest Action Log
	Annual Report of the Head of Internal Audit 2018/19	To consider the Annual Report of the Head of Internal Audit 2018/19
	Internal Audit Charter	To review the Internal Audit Charter
	External Audit Completion Report 2018/19	To receive the Audit Completion Report from the external auditors
	Risk Management Annual Report 2018/19	To consider the Risk Management Annual Report for 2018/19
	Corporate Risk Register	To review the Corporate Risk Register
	Consideration of internal audit reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

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

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

22 April 2020	Review of Action Log	To consider the latest Action Log.
	External Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Internal Audit and Counter Fraud Plan 2020/21	To approve the Internal Audit, Counter Fraud and Information Governance plans 2020/21
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2019/20	To approve the 2019/20 Annual Report of the Audit and Governance Committee
	Work Programme 2020/21	To approve the Audit and Governance Committee Work Programme for 2020/21



Report Reference Number: A/18/27

To: Audit and Governance Committee
Date: 10 April 2019
Status: Non Key Decision
Ward(s) Affected: All Wards
Author: Bernice Elgot, Interim Solicitor to the Council and Monitoring Officer.
Lead Officer: Janet Waggott, Chief Executive

Title: Report of the Committee on Standards in Public Life and Update to Selby District Council's Code of Conduct

Summary:

To advise members of the outcome of the 20th report of the Committee on Standards in Public Life ('the Committee') and to propose a number of potential updates and amendments to the Council's Code of Conduct for Members and arrangements for dealing with standards complaints.

Recommendations:

- (i) to note the content of the report from the Committee;**
- (ii) to approve the suggested amendments to the Council's Code of Conduct for Members and the arrangements for dealing with standards allegations as set out in the second part of the table in Appendix 1 (Best Practice)**

Reason for recommendation

To ensure that the Council continues to promote and maintain high standards of member conduct in accordance with the most up to date recommendations for best practice.

1. Introduction and background

- 1.1** The Committee on Standards in Public Life have recently reported and made various recommendations for future changes to the legislation by way of amendments to the Localism Act 2011 which will require central government action but there are also recommendations for future best practice within local authorities which the members are asked to note and consider.

2. The Report

- 2.1** The Committee on Standards in Public Life was established in 1994 and is responsible for promoting what are sometimes called the Nolan Principles. The 7 Principles of Public Life are selflessness, integrity, objectivity, accountability, openness, honesty and leadership.
- 2.2** The Committee keeps a watching brief and publishes reviews of the effectiveness of the current arrangements for standards in local government particularly since the changes introduced by the Localism Act 2011. The most recent (20th) report is publically available and can be seen online here <https://www.gov.uk/government/publications/local-government-ethical-standards-report>

In summary the Committee recognises and recommends:-

- 2.2.1** That responsibility for ethical standards should remain with local authorities and not be returned to a national centralised body such as the former Standards Board for England.
- 2.2.2** That a clear, relevant and proportionate code for each individual authority is essential. The Committee recommends that there should be a national model code (not yet available) but this will not be mandatory.
- 2.2.3** Recommends removal of the criminal offences relating to disclosable pecuniary interests (DPIs).
- 2.2.4** Recommends an amendment to the Localism Act 2011 which will replace the rules around declaring pecuniary interests with a more general objective test.
- 2.2.5** Recommends that Councillors should be presumed to be acting in an official capacity in their public conduct including on publically accessible social media.
- 2.2.6** Recommends that stronger sanctions should be made available for breaches of ethical standards including that local authorities are given the power to suspend councillors for up to 6 months in serious cases albeit that the Committee envisages that such a sanction would be rarely used and only in the most serious circumstances.
- 2.2.7** Recognises that 'principal authorities' such as Selby District Council have responsibility for investigating and resolving standards breaches at parish councils but recognises that this can be a disproportionate burden and makes recommendations, for example, that parish councils should be required to adopt either the code of conduct of the principal authority or a new model code and that the principal authority's decision on sanctions for a parish councillor should be binding.
- 2.3** The Committee made 26 recommendations in all many of which will require a change in legislation and action from central government. The main recommendations are set out in the first part of Appendix 1 together with a statement of the Council's existing position so that members can note the

position. Once changes are made to the legislation then a further report will be brought back to the members. The second part of Appendix 1 sets out the Best Practice list identified by the Committee and in relation to this list there are some officer proposals and comments about actions which could be taken immediately without the need for central government intervention and members are asked to consider these actions and indicate whether they wish to implement all or some of the suggested changes to the Code and arrangements.

3. Alternative Options Considered

- 3.1 Not to review and update thereby not taking advantage of the opportunity to ensure that the Council is complying with best practice as recommended by the Committee.

4. Implications

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

4.2 Legal Implications

Legal Implications are incorporated in to the main text of this report.

5. Conclusion

- 5.1 The Committee Report is a useful and well considered review of the effectiveness of the current arrangements for local authorities in upholding the principles of public life and of best practice across the country. It provides a helpful framework for the recommended amendments and additions to the Council's Code and, following further legislation in due course and central government action, a further report will update this one.

6. Background Documents

The link to the full report of the Committee is provided above.

7. Appendices

Appendix 1 – Committee's Recommendations

Contact Officer:

Bernice Elgot
Interim Solicitor to the Council and Monitoring Officer
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Committee's Recommendations

No	Recommendation	Council's existing position
4	Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.	Selby's Code does not contain this wording and so it is recommended that it is amended to make it clear that the relevant standards of behaviour are required where 'Councillors are acting, claim, or give the impression that they are acting as a member or co-opted member'.
5	The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.	Paragraph 15 of Selby's Code refers to all of these categories of 'other interests' except specifically unpaid directorships and trusteeships and so it is recommended that those categories are inserted.
7	Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if that have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter".	These are sometimes called 'bias' interests which the Committee is recommending should be treated in the same way as disclosable pecuniary interests (DPIs). The Selby Code does not at the moment include this requirement to treat bias interests in the same way as DPIs and it is recommended that it is amended going forward.
15	The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (eg bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.	An annual report is taken to Council already.

23	The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.	The contact details for the external auditor are already available on Selby's website as part of the Whistleblowing Policy.
25	Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.	Standards training is provided as part of the elected member induction process. Ongoing training is provided by the Monitoring Officer. However, it is recommended that there is a formal process for reporting non-attendance to political group leaders and that the national political group rules should add such a requirement for mandatory induction and continuing development training.

Best Practice

The best practice list identified by the Committee in its report is set out below, with proposals and comments against each one.

No	Best Practice	Response
1	Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.	There is a prohibition on bullying and harassment but it is recommended that a definition and some examples taken from the Committee Report might usefully be inserted based on the definition in the Equality Act 2010.
2	Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.	There is currently no such wording in the Code but it is unproblematic to insert some suitable wording and it is understood by Councillors that compliance is required.
3	Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.	Suggest that this review is undertaken each year when the annual report is taken to Council.

4	An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.	This is already done and reflects existing practice.
5	Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.	This is proposed as an action to take forward in future. The gifts register is available for each Councillor on the website.
6	Councils should publish a clear and straightforward public interest test against which allegations are filtered.	The Monitoring Officer in consultation with one or more of the Independent Persons usually filters complaints and judges whether they are frivolous or vexatious and whether they should go forward for a formal investigation. This process is clearly explained on the Selby website under the heading 'Arrangements for dealing with standards allegations' but it would be possible to draft a more detailed public interest test and publish this if the Audit Committee requires it and insert it at the assessment stage.
7	Local authorities should have access to at least two Independent Persons.	Selby has three Independent People.
8	An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.	This reflects current practice at Selby – see the 'Arrangements for dealing with standards allegations' page on the Selby website.
9	Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.	This information is already published by Selby save that the views of the Independent Persons are not currently included and the Code could be amended to permit this.

10	A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.	This guidance is already available and accessible on Selby's website.
11	Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.	This is a matter for Parish Council's but it is proposed that the Monitoring Officer should write to all Parish Councils and draw their attention to this matter.
12	Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breached to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.	This is already done at Selby but of course if there are a high volume of complex complaints the level of resource may need to be reviewed.
13	A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.	The Monitoring Officer uses her discretion in the appointment of an investigating officer and where it is not appropriate for it to be a Selby member of staff then external investigators are appointed including those from other local authorities.
14	Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their Board agendas and minutes and annual reports in an accessible place.	This report should be part of the Selby Annual Governance Statement and no difficulties are anticipated in complying with the recommendation.

15	Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.	This is done via the Chief Executive who is appraised by the Monitoring Officer of all significant standards issues.
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