



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 26 JANUARY 2022**
Time: **5.00 PM**
Venue: **COUNCIL CHAMBER - CIVIC CENTRE, DONCASTER ROAD, SELBY, YO8 9FT**
To: **Councillors K Arthur (Chair), N Reader (Vice-Chair), M Jordan, A Lee, K Franks, J Duggan, D Mackay and C Richardson**

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 - 10)

To confirm as a correct record the minutes of the Audit and Governance Committee held on 29 September 2021.

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

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

To note the current Work Programme and consider any amendments.

6. Annual Report of Information Requests 2021 (A/21/13) (Pages 15 - 18)

To receive the report, which asks the Committee to note the annual report for 2021 in relation to information requests.

7. External Auditor's Annual Report 2021 (A/21/14) (Pages 19 - 38)

To receive the report of the external auditor, which asks the Committee to consider the work of the external auditor during the financial year ending 31 March 2021.

8. External Audit Progress Report (A/21/15) (Pages 39 - 56)

Members are asked to review the progress in delivering the 2020-21 audit and assurance work of the external auditor.

9. Internal Audit, Counter Fraud and Information Governance Progress Report 2021/22 (A/21/16) (Pages 57 - 86)

To note progress on delivery of internal audit, counter fraud and information governance work and the plans for work to be completed in 2021-22.

10. Review of the Risk Management Strategy (A/21/17) (Pages 87 - 106)

The Committee are asked to note the revisions to the Risk Management Strategy.

11. Corporate Risk Register (A/21/18) (Pages 107 - 132)

Members are asked to note the current status of the Corporate Risk Register 2021-22.

12. Counter Fraud Framework Update (A/21/19) (Pages 133 - 176)

Members are asked to recommend the Executive approve the updated Counter Fraud and Corruption Policy, and comment on and note the updated counter fraud risk assessment, and counter fraud strategy action plan.

13. Annual Governance Statement Action Plan Review 2020-21 (A/21/20) (Pages 177 - 180)

To review progress on the Annual Governance Statement (AGS) 2020/21 Action Plan approved in September 2021.

14. Procurement of External Audit for the period 2023-24 to 2027-28 (A/21/21) (Pages 181 - 194)

The Committee are asked to recommend to Council that Council accepts the Public Sector Audit Appointments' invitation to opt into the sector-led option for

the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Janet Waggott

Janet Waggott, Chief Executive

<p>Date of next meeting (5.00pm) Wednesday, 27 April 2022</p>
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Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065
ddrury@selby.gov.uk.

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Minutes

Audit & Governance Committee

Venue:	Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 29 September 2021
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), N Reader (Vice-Chair), M Jordan, K Franks, J Duggan and C Richardson
Officers present:	Karen Iveson (Chief Finance Officer), Peter Williams (Head of Finance), Christopher Chapman (Accountant), Alison Hartley (Solicitor to the Council and Monitoring Officer) (to agenda item 12), Allison Heap (Customer Services Manager) (to agenda item 12), Stuart Robinson (Head of Business Development), (Mark Kirkham (Partner, Mazars LLP), Ed Martin (Audit Manager, Veritau), Daniel Clubb (Counter Fraud Manager, Veritau), Kirsty Bewick (Information Governance Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources)

13 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor Mackay.

14 DISCLOSURES OF INTEREST

There were no disclosures of interest.

15 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 27 July 2021.

RESOLVED:

**To approve the minutes of the Audit and Governance
Committee meeting held on 27 July 2021.**

16 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

There was no Chairs address.

The Chair indicated that he would be amending the order of business to allow agenda item number 10, Corporate Complaints and Compliments Annual Report, agenda item number 11, Corporate Policy: Regulation of Investigatory Powers Act 2000; and agenda item number 12, Corporate Policy and Guidance: Surveillance Overview Document and Overt Surveillance Policy to be considered first as agenda item numbers 5, 6 and 7; the rest of the business would follow as set out in the agenda.

17 CORPORATE COMPLAINTS & COMPLIMENTS ANNUAL REPORT, APRIL 2019 - MARCH 2020 & APRIL 2020 - MARCH 2021 AND LOCAL AUTHORITY OMBUDSMAN ANNUAL REVIEW LETTER 2021 (A/21/9)

The Committee received the report, presented by the Solicitor to the Council who explained that the Corporate Complaints and Compliments Annual report was an opportunity to inform Members on individual service area improvement within the Council. It was further explained that this report was for a two-year period, with the delay in reporting the 2020 information, a direct result of the extraordinary circumstances caused by the pandemic, as all service areas focussed resource on immediate customer needs.

Members were informed that the Local Authority Ombudsman was the final stage for corporate complaints made against Local Authorities, and that during this period there had been a decrease in the number of complaints escalated to the Ombudsman; and that none of the complaints made against the Council had been upheld. In addition, the Council showed a 100% record of implementation of the recommendations made by the Ombudsman.

The Committee's attention was drawn to the table at page 220 of the agenda pack; the Solicitor to the Council explained that Licensing and Democratic Services were part of the Legal service area, which had recorded a total of three complaints, one in each service area.

Members noted that since the report had been written the Licensing complaint had been resolved as it was service request, the Democratic Services complaint had been referred to the Ombudsman and had not been upheld. In relation to the third complaint, this had been a right to buy transaction which had experienced delays, this had been dealt with through the North Yorkshire County Council Better Together Legal service.

The Committee was assured that the complaints process was operating

effectively and to a high standard.

RESOLVED:

To note the Corporate Complaints Annual Report and the Local Authority Ombudsman Annual Review Letter 2021.

18 CORPORATE POLICY: REGULATION OF INVESTIGATORY POWERS ACT 2000, VERSION: 2021 (A/21/10)

The Committee received the report, presented by the Solicitor to the Council who explained that the Regulation of Investigatory Powers Act (RIPA) controlled and regulated surveillance, and other means of gathering information by local authorities.

The Committee heard that the Council had a duty under RIPA 2000 to demonstrate how requests for covert directed surveillance activities were determined and recorded. Part of the role of the Audit and Governance Committee was to monitor the Council's use and authorisation of covert surveillance.

Members noted that following an inspection by the Investigatory Powers Commissioner's Office (IPCO) in February 2021, it had been commented that the Council's draft RIPA guidance and procedure could be amended to reflect up to date Codes of Practice. Accordingly, officers of the Council had worked with Veritau to develop the revised RIPA Policy which reflected the current legislation and ensured that any consideration regarding the use of covert surveillance by officers complied with the law.

The Committee heard that to reflect the rarity of use of the powers by the Council, the number of authorising officers had been restricted to five at a senior level. The process of authorisation and recording had also been revised so that it linked to the guidance and up to date Home Office forms available on the internet.

In terms of training, bespoke refresher training was currently being delivered to the five authorising officers, and some officers working in enforcement roles had recently attended RIPA refresher training.

Finally, the Solicitor to the Council informed Members that should the use of covert surveillance, on a case-to-case basis, be considered appropriate and proportional by an authorising officer of the Council, this authorisation would then be reviewed, prior to covert surveillance taking place, at the Magistrates Court to ensure compliance with the Human Rights Act.

Members acknowledged that there was a separate report included within the agenda pack relating to the use of overt surveillance.

A question was raised regarding the possibility of increasing the number of CCTVs within the district to counteract fly tipping, it was confirmed that if this was overt surveillance, which included signs being displayed next to

the cameras, additional CCTV could be installed. If a serious case of fly tipping occurred, which was being investigated, and it was considered that covert CCTV be warranted, before the use of covert CCTV could take place the case would have to go through the RIPA process and on to the Magistrates Court for final approval.

In response to a query regarding who within the Council had been trained to authorise the deployment of covert cameras, it was confirmed that the determining officers were the Director of Economic Regeneration and Place, the Director of Corporate Services, the Head of Operational Services, and the Head of Planning; with the Chief Executive dealing with cases which involved confidential information. It was further explained that the Enforcement team had been trained to complete the application form to seek authorisation to deploy covert cameras.

One Member stated that at the last meeting of Council the Lead Member for Health and Culture had mentioned covert cameras in relation to fly tipping and queried if the RIPA procedure would have to be followed, it was confirmed that if the cameras to be used were covert in nature, then yes, this process would have to be followed. It was further confirmed that fly tipping was considered a serious enough offence to warrant covert CCTV but only on a case-by-case basis.

The Solicitor to the Council clarified for Members that if cameras were overt in nature, then clear signage would be visible to ensure that people were fully aware that they were being filmed. If the cameras were covert this was in effect a secret camera, with no signage.

The Committee noted that if the Council were to prosecute a case of fly tipping on evidence that had been collected using a covert camera, if that camera had not been authorised the evidence could be deemed not admissible. All evidence must be collected appropriately and according to the law.

Members acknowledged that there were no financial implications in approving the RIPA policy, however failure to comply with RIPA would put the Council at risk of legal challenge for breach of legislation, which could result in a fine.

RESOLVED:

To note the revised draft Regulation of Investigatory Powers Act (RIPA) Policy.

19 CORPORATE POLICY & GUIDANCE: SURVEILLANCE OVERVIEW DOCUMENT AND THE OVERT SURVEILLANCE POLICY: VERSION: 2021 (A/21/11)

The Committee received the report, presented by the Solicitor to the Council who explained that whilst outside the Regulation of Investigatory Powers Act 2000 (RIPA) legislation, any overt surveillance undertaken by the Council must be monitored in terms of its authorisation and use.

Members noted that the Overt Surveillance Policy 2021 policy and guidance provided oversight as to how overt surveillance was managed at the Council in compliance with the Surveillance Camera Commissioner's Codes of Practice and the General Data Protection Regulation (GDPR).

The Committee heard that the Information Governance policies had also been refreshed, and that all policies had been drafted in association with Veritau, who acted as the Council's Data Protection Officer.

One Member advised that some local authorities had CCTV deployed in their town centres which not only recorded but was used to speak to the public on the street, it was queried whether Selby district had any of these types of cameras in operation. The Data Protection Officer Veritau confirmed that Selby district, to date, did not have any of these cameras, however work was being progressed at present to assess the capability and risks involved in installing this type of CCTV.

RESOLVED:

To note the Overt Surveillance Policy 2021 and guidance.

20 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log. It was noted that the action requested in relation to a "deep-dive" of the Industrial Units owned by the Council had been referred to the Chairman of the Scrutiny Committee who had asked that the matter be added to the Scrutiny Work Programme, therefore the action was noted as complete.

RESOLVED:

To note the Audit Action Log.

21 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

The Committee were reminded that at the last meeting of the Audit and Governance Committee Members had been informed that it may be necessary to convene one additional meeting to consider the procurement of the external auditors. It was confirmed that this item would now come to the Audit and Governance Committee scheduled into the committee calendar on 26 January 2022.

RESOLVED:

To note the Work Programme.

22 EXTERNAL AUDIT COMPLETION REPORT 2020-21 (A/21/6)

The Partner, Mazars LLP presented the report and explained that it set out a summary of the external audit progress for 2020-21.

The Committee heard that work was yet to be completed in respect of the Council's value for money arrangements and that this would be reported to Members in the Auditors Annual Report in December 2021.

Members noted that in relation to the significant risks identified in terms of the valuation of property, plant and equipment (PPE), the net defined benefit liability valuation, and the management override of controls, additional procedures had been carried out; it was confirmed that this was not unusual and had happened at other local authorities.

The Partner, Mazars LLP highlighted that there were two outstanding areas of audit work; Information Technology (IT), and Pensions, however it was anticipated that a response would be received shortly with regards to the IT testing. In terms of pensions, to date the assurance that had been requested from the pension fund auditor had not been received.

In response to a question regarding how the valuation of the North Yorkshire County Council (NYCC) Pension Scheme was acquired, it was confirmed that there was a routine liaison arrangement in place with the auditor at NYCC to provide yearly figures.

RESOLVED:

To note the report.

23 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE PROGRESS REPORT (A/21/7)

The Audit Manager, Veritau presented the quarterly report which provided the Committee with an update on the delivery of the internal audit work plan for 2021-22, along with an update on the counter fraud and information governance work undertaken to date in 2021-22. It was noted that due to Covid-19, there had been a higher level of outstanding audit work to be completed for the year 2020-21 than would normally be expected, however much of this work had taken place since the last report to Members in July 2021.

Member's attention was drawn to page 60 of the agenda pack which detailed the new approach of flexible audit plans that had been implemented for the current priorities in the internal audit work, which ensured the audit service was responsive to potential emerging risks.

A number of questions were asked regarding the impact of Covid-19, and the Local Government Review (LGR) on the internal audit work. Members were assured that when the pandemic first started normal work was suspended, however over the course of the year the audit work had been brought back on schedule with the current work plan.

In terms of LGR it was confirmed that the auditors core responsibility was to Selby District Council, and as such the auditors would continue to follow the audit work plan to offer reassurance and identify mitigating actions where and when required. The Audit Manager further confirmed that Veritau had not contributed to the LGR consultation and there was no conflict of interest as part of the audit services that Veritau provided for other local authorities.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2021-22, which highlighted that actual savings of £2.5k had been achieved through fraud investigation; in addition, 8k of Covid-19 grant fraud had been prevented to date.

The Committee heard that a range of work to include activity to promote the awareness of fraud to Council officers and members of the public, data matching as part of the National Fraud Initiative 2020-21 and requests for information from external agencies was ongoing.

Members were informed that there had been a drop in the number of suspected fraud referrals to date in 2021-22, compared to 2020-21, this was attributed to Covid-19 and less social interaction between members of the public, which may have resulted in less suspicions being raised.

The Committee queried once investigations had taken place and fraud had been proven, were the culprits prosecuted. It was confirmed that Veritau would recommend pursuing the matter through the court system, however there had been no cases considered for court, to date, this year.

Members were informed that other sanctions such as warnings and cautions could also be considered; it was noted that one investigation had resulted in a warning being issued in relation to a Single Person Discount award.

The Information Governance Manager, Veritau drew the Committee's attention to annex 3 of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan along with the Information Asset Register, Privacy Notices, Data Protection Impact Assessments, and project specific advice.

Members heard that the Information Commissioners Office (ICO) had published additional guidance in relation to privacy notices, therefore the Councils privacy notices had been reviewed and updated. The GDPR action plan had been updated, and the Information Policies had been approved by the Leadership Team and published onto the Council website.

In terms of Information Security incidents involving personal data, Members were informed that two such incidents had been reported to the

ICO but neither had resulted in further actions for the Council.

The Committee were informed that in relation to Data Protection Impact Assessments (DPIA), Veritau was supporting the Council in completing a number of DPIAs as well as providing advice on whether a DPIA was required for other projects, to include CCTV for Selby town centre.

In response to a query regarding the main reception in the Civic Centre and a perceived issue around data protection which had the potential to arise, as that area was shared by both Police and Council personnel. It was confirmed that the Solicitor and Data Protection Officers for both organisations had been consulted and the decision was to ensure that the correct signage and privacy notices were in place at reception. It was further confirmed that appropriate action had been taken to mitigate any risk to the Council.

RESOLVED:

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

24 STATEMENT OF ACCOUNTS 2020-21 (A/21/8)

The Committee received the Statement of Accounts, presented by the Chief Finance Officer. It was explained that the audit was still to be concluded as there were two matters outstanding, as Members had heard featured in the External Auditors Completion Report. It was further explained that some minor amendments and a change to the recommendation had been made to the report within the agenda pack.

The Chief Finance Officer highlighted that in view of the outstanding Pension Fund and Information Technology responses the audit was not complete and requested that Members delegate authority to her to make any minor amendments which may arise in the accounts in consultation with the Chair of the Committee; and authority to sign the letter of representation contained within the agenda pack on completion of the audit.

The Committee's attention was drawn to appendix B which set out key movements between the financial years of 2019-20 and 2020-21 and identified key changes.

The accountant briefly explained the minor amendments within the report, but assured Members that the changes did not impact on any of the figures within the accounts.

In response to a query regarding what data required verification in relation to property, plant and equipment, the Partner, Mazars explained that assurance was requested when working with property valuations as to whether the assertions featured were fairly stated, and sight of the underlying evidence was required.

In relation to investment interest, the Chair queried why the Council only showed the income generated as 1% of the overall total income, and further queried what sort of investments the Council held, and whether the investments could be diversified. It was explained that the bank interest rate was at a record low, and that the investment strategy employed by the Council was approved by Members at Full Council each year. It was further explained that North Yorkshire County Council invested money on Selby Council's behalf, the majority being with banking organisations which were low risk; there were no future plans in place to diversify.

The Chair queried if sundry debt arrears were recovered and what process was in place if the monies could not be recovered. The Chief Finance Officer explained that all debtors were pursued to the full effect, however this year had been challenging due to the pandemic, although officers continued to progress. Once all avenues had been exhausted to recover the debt then a "write off" would be considered, but only as a last resort.

In response to a query regarding why the spend to save reserve had led to a substantial balance at the end of March 2021, it was confirmed that this was a relatively small reserve which had been in the earmarked reserves for a number of years; the monies had come from transformational type savings and been carried forward year on year. The Chief Finance Officer stated that she was not aware of the specific origins, however examples could be circulated to the Committee.

The Chair queried if the reduction in the Members allowance and expenses was due to the pandemic, and if so, would the amounts revert back to the figures in 2019-20, the Chief Finance Officer advised Members that an increase in expenses was to be expected as physical committee meetings resumed, and stated that an analysis of the allowance and expenses figures could be provided for their information.

The Committee approved the Statement of Accounts, subject to the completion of the audit.

RESOLVED:

- i. To approve the Statement of Accounts 2020-2021, subject to the completion of the audit.**
- ii. To delegate authority to the Chief Finance Officer to make minor amendments to the accounts in consultation with the Chair of the Committee.**
- iii. To authorise the Chief Finance Officer to sign the letter of representation as set out in draft in the External Auditors report at item 7 of the agenda.**

25 PRIVATE SESSION

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

RESOLVED:

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

26 CONSIDERATION OF INTERNAL AUDIT REPORTS (A/21/12)

The Audit Manager from the Council's internal auditors Veritau presented the report, which advised that an audit had been completed on 20 September 2021 and the overall opinion was that the controls within the system only provided "Limited Assurance". As such, the findings had been brought to the Committee for presentation and discussion.

Members noted that actions had been agreed to address the issues identified, and that many of the actions had already been completed.

The Committee was satisfied that appropriate action was being taken.

RESOLVED:

To note the report.

The meeting closed at 6.22 pm.



Audit Committee Work Programme 2021-22

Date of Meeting	Topic	Action Required
27 July 2021	Review of Action Log	To consider the latest Action Log
	External Audit Progress Report	To review the progress of the external auditor
	Draft Annual Governance Statement (AGS) 2020-21	To comment and note the draft Annual Governance Statement 2020-21
	Annual Report of the Head of Internal Audit 2020-21	To consider and note the Annual Report of the Head of Internal Audit 2020-21. To note the outcome of the internal audit quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards To note the counter fraud and information governance work undertaken during the year.
	Risk Management Annual Report 2020-21	To consider and note the Risk Management Annual Report for 2020-21, and the proposed actions for 2021-22.
	Corporate Risk Register 2021-22	To review and note the Corporate Risk Register.

29 September 2021	Review of Action Log	To consider the latest Action Log
	Corporate Complaints & Compliments Annual Report, April 2019 - March 2020 & April 2020 - March 2021 and Local Authority Ombudsman Annual Review Letter 2021	To provide comments and note the Corporate Complaints & Compliments Annual Report and the Local Authority Ombudsman Review Letter 2021
	External Audit Completion Report 2020-21	To receive the Audit Completion Report from the external auditors
	Statement of Accounts 2020-21	To approve the Statement of Accounts for the financial year 2020-21
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Corporate Policy: Regulation of Investigatory Powers Act 2000, Version: 2021	To note the revised draft RIPA Policy intended to take effect from 1 st October 2021
	Corporate Policy & Guidance: Surveillance Overview Document and the Overt Surveillance Policy: Version: 2021	To note the Overt Surveillance Policy
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

26 January 2022	Review of Action Log	To consider the latest Action Log
	Information Requests Annual Report 2021	To note the annual report for 2021 in relation to information requests
	External Auditor's Annual Report	To consider the External Auditor's Annual Report.
	External Audit Progress Report	To review the progress of the external auditor
	Review of the Risk Management Strategy	To note the Risk Management Strategy
	Corporate Risk Register 2021-22	To note the current status of 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
	Counter Fraud Framework Update	To recommend the Executive approve the updated Counter Fraud and Corruption Policy and comment on and note the updated counter fraud risk assessment, and counter fraud strategy action plan.
	Procurement of External Audit for the period 2023/24 to 2027/28	To recommend to Council that Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.
	Annual Governance Statement 2020-21 - Action Plan Review	To review progress on the Annual Governance Statement Action Plan 2020-21
Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'	

27 April 2022	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, Counter Fraud and Information Governance Plan 2022-23	To approve the Internal Audit, Counter Fraud and Information Governance plans 2022-23
	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 2021-22	To approve the 2021-22 Annual Report of the Audit and Governance Committee
	Work Programme 2022-23	To approve the Audit and Governance Committee Work Programme for 2022-23



Report Reference Number: (A/21/13)

To: Audit & Governance Committee
Date: 26 January 2022
Status: Non-Executive
Ward(s) Affected: All
Author: Alison Hartley, Solicitor to the Council
Joint Lead Officers: Karen Iveson, S151, Senior Information Risk Officer
Alison Hartley, Solicitor to the Council

Title: Annual Report of Information Requests 2021

Summary:

This report sets out the number of requests responded to by SDC under the Freedom of Information Act and Environmental Information Regulations in 2021.

Recommendations:

That the Report be noted.

Reasons for recommendation

Part of the role of the Audit and Governance Committee is to monitor the Council's response to requests for information under the Freedom of Information Act and Environmental Information Regulations.

1. Introduction and background

1.1 The Officer Corporate Information Governance Group chaired by Karen Iveson, as the Council's Senior Information Risk Officer (SIRO), has undertaken a review of the Council's suite of Information Governance policies and reporting. Previously, an Information Governance Report was provided to Members of Audit and Governance Committee (A&G) for information, written by a Legal Officer, with lead officer being the Council's SIRO. That report included the statistics about requests for information. This year, Veritau Ltd (as the Data Protection Officer for SDC) is reporting to A&G on all aspects of Information Governance apart from requests for information under Freedom of Information legislation.

1.2 At SDC the requests for information are managed and co-ordinated in house by business support. Individual officers within each service area are

responsible for responding to requests allocated to them. Officers can seek legal advice where required through the Better Together legal shared service and/or advice from Veritau Ltd, on the application of exemptions.

1.3 A planned training refresh is shortly to take place for the Extended Leadership Team, facilitated by Veritau Ltd about handling requests for information governed by the legislation.

2. Requests Received and Responded to between January 2021 and December 2021 (FOI and EIR requests)

2.1 The Council has maintained an 85.99% response rate within time, which is to be commended, particularly in light of the ongoing pressures faced by the covid pandemic last year.

Month	FOI Received	FOI completed within time	FOI completed out of time	% completed in time (20 days)	% completed out of time (20 days)
Jan-21	41	36	5	87.80%	12.20%
Feb-21	54	50	4	92.59%	7.41%
Mar-21	74	59	15	79.73%	20.27%
Apr-21	53	40	13	75.47%	24.53%
May-21	41	34	7	82.93%	17.07%
Jun-21	46	46	0	100.00%	0.00%
Jul-21	38	32	6	84.21%	15.79%
Aug-21	36	34	2	94.44%	5.56%
Sep-21	59	50	9	84.75%	15.25%
Oct-21	41	33	8	80.49%	19.51%
Nov-21	36	35	1	97.22%	2.78%
Dec-21	45	36	9	80.00%	20.00%
Total	564	485	79	85.99%	14.01%

3. Implications

3.1 Legal Implications

The Council has a duty to comply with the Freedom of Information legislation and maintain timeliness of response. The information is kept under review by the Information Commissioner’s Office. It is best practice to report figures annually to the Audit & Governance Committee to maintain political oversight.

4.2 Financial Implications

Failure to comply with legislation could put the Council at risk of legal challenge for breach of legislation. Breach of the legislation can result in a fine.

4.3 Policy and Risk Implications

Failure to comply with guidance in responding to information requests would put the Council at risk of legal challenge for breach of legislation.

4.4 Corporate Plan Implications

n/a

4.5 Resource Implications

n/a

4.6 Other Implications

n/a

4.7 Equalities Impact Assessment

n/a

5. Conclusion

5.1 The percentage of requests responded to in time continues to demonstrate that the way in which requests are handled is fit for purpose.

5.2 To seek further improvement, whilst the administrative system to co-ordinate and track requests for information is adequate, this has recently been reviewed by the Solicitor to the Council and further support is being provided through Veritau Ltd by introducing an Officer Handbook, and refresher training will be delivered to Officers to maintain standards and continue compliance with legislation.

6. Background Documents

none

7. Appendices

none

Contact Officers:

Alison Hartley
Solicitor to the Council
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Agenda Item 7



Report Reference Number: A/21/14

To: Audit and Governance Committee
Date: 26 January 2022
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Auditor's Annual Report 2021

Summary:

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

Recommendations:

To consider the External Auditor's Annual Report 2021.

Reasons for recommendation

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

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and summarises the work undertaken for the Council for the financial year ending 31 March 2021.

2. The Report

2.1 The report is attached at Appendix A and sets out a summary of external audit work undertaken for the financial year ending 31 March 2021.

2.2 The report confirms that the audit was completed in accordance with the requirements of the Code of Audit Practice issued by the National Audit Office (NAO), and International Standards on Auditing (UK and Ireland).

2.3 The report also sets out key challenges and risks to the Council for the financial year 2020-21.

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

3. Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

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Appendices:

A – External Auditor’s Annual Report 2021

Auditor's Annual Report

Selby District Council – year ended 31
March 2021

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Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to Members or officers are prepared for the sole use of the Council. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor's Annual Report

Our Auditor's Annual Report (AAR) summarises the work we have undertaken as the auditor for Selby District Council ('the Council') for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice ('the Code') issued by the National Audit Office ('the NAO'). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



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Opinion on the financial statements

We issued our audit report on 1 October 2021. Our opinion on the financial statements was unqualified.



Value for money arrangements

In our audit report we explained that we had not completed our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements at the time of reporting. Section 3 confirms that we have now completed this work and provides our commentary on the Council's arrangements.



Wider reporting responsibilities

We have not yet received group instructions from the National Audit Office in respect of our work on the Council's WGA submission. We are unable to commence our work in this area until such instructions have been received.

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02

Section 02:

Audit of the financial statements

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2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs). The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on 1 October 2021 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Qualitative aspects of the Council's accounting practices

We reviewed the Council's accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council's circumstances. Draft accounts were received from the Council in June 2021 and were of a good quality.

Significant difficulties during the audit

During the course of the audit we did not encounter any significant difficulties and we have had the full co-operation of management. Given the ongoing impact of COVID-19 the whole audit was completed remotely.

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2. Audit of the financial statements

Internal control recommendations

We considered the internal controls in place that are relevant to the preparation of the financial statements. We did this to design audit procedures that allow us to express our opinion on the financial statements, but this did not extend to us expressing an opinion on the effectiveness of internal controls. We identified the following deficiencies in internal control as part of our audit.

Description of deficiency

Note 14 of the accounts discloses the level of commitments under capital contracts totalling £7.4m. A significant proportion of the commitment is linked to a series of contracts with Engie for which the Council does not have signed contracts in place. We are, however, aware that work is on-going in 2021/22.

Potential effects

Without a signed contract there is a risk that the contract may not be fulfilled to the specification required.

Recommendation

The Council ensures that all contracts for major capital contracts are signed.

Management response

The Council will ensure that all future contracts for significant capital projects are signed. The finalisation of the ENGIE contract was ongoing at the time of the Financial Audit and will be resolved in the coming months.

Description of deficiency

When reconciling the FAR to the statement of accounts two instances of the opening balances having not been correctly updated were identified. The opening gross cost and accumulated depreciation figures for land and buildings are understated by £188k and the opening gross cost and accumulated depreciation figures for vehicle, plant and equipment are overstated by £61k. This results in the closing gross cost and accumulated depreciation entries being misstated by the same value.

Potential effects

The asset register is not providing an accurate representation of the assets of the Council.

Recommendation

The Ledger and FAR should be reconciled regularly.

Management response

Agreed.

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03

Section 03:

Commentary on value for money arrangements

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3. VFM arrangements – Overall summary

Audit approach

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services.
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks.
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services.

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant

weaknesses in those arrangements. Where we identify significant risks, we design a programme of work (risk-based procedures) to enable us to decide whether there is a significant weakness in arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses. We have identified no risks of significant weakness.

Where our risk-based procedures identify actual significant weaknesses in arrangements, we are required to report these and make recommendations for improvement. We have identified no actual significant weaknesses in arrangements requiring reporting or recommendations for improvement.

The table below summarises the outcomes of our work against each reporting criteria. On the following page we outline further detail of the work we have undertaken against each reporting criteria, including the judgements we have applied.

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Reporting criteria	Commentary page reference	Risks of significant weaknesses in arrangements identified?	Actual significant weaknesses in arrangements identified?
Financial sustainability	10	No	No
Governance	11	No	No
Improving economy, efficiency and effectiveness	13	No	No

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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

How the Council identifies significant financial pressures that are relevant to its short and medium-term plans

The Council has an established process for developing its Medium Term Financial Strategy (MTFS). The strategy is reviewed on an annual basis and allows the Council to capture its short and medium term plans, and manage these within available resources. The process of developing the strategy involves input by officers across the Council as well as Members to ensure all known pressures, changes and priorities are captured and reflected. We noted the strategy is based on the current year's base budget to ensure the starting point is accurate. Quarterly monitoring reports are used to communicate the in year budget position and notify of any over/underspends as well as pressures on the budget. The Council has made progress in addressing financial challenges and has a proven track record of strong budget management and delivering planned budget reductions. We have seen evidence of effective financial management arrangements despite the additional issues caused by the COVID-19 pandemic.

How the Council plans to bridge funding gaps and identifies achievable savings

The 3 year MTFS arrangements include the identification of savings to ensure budgets are balanced. In 2020/21 the revised budget identified in-year General Fund savings of £0.155m and £0.195m for the Housing Revenue Account (HRA) which were largely achieved. The updated July 2021 Strategy shows planned savings of 0.123m in 2021/22 increasing to £0.323m yearly thereafter for General Fund and annual savings of £0.195m for the HRA. Through review of the strategy and savings achieved in 2020/21 we have seen evidence of the process for approval, scrutiny, monitoring and reporting of the savings plan. We identified no evidence of a weakness in arrangements.

How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities

We confirmed that the MTFS was developed using assumptions including inflation and expected income. The Council identifies its priorities through the Council Plan which is updated periodically and the current Plan runs for the period 2020 to 2030. Resources are earmarked through the reserves programme, to enable the priorities within the Council Plan to be achieved. The MTFS covers financial forecasts over a three year period, and is updated annually. This has close links to the priorities within the Council Plan the MTFS provides an opportunity to assess costs, income and savings to ensure forward planning of finances.

The Council has a number of reserves built up over the years to allow for unforeseen issues to be managed over the medium term. In recent years the Council has benefitted from business rates income of around £9m largely arising from renewables at the Drax power station. This is being held in a reserve to support the revenue budget should it be needed. Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council ensures that its financial plan is consistent with other plans

In line with the Prudential Code and the Council's Capital Strategy, revenue implications of capital investment decisions are fully considered and form part of the MTFS planning and budget setting process to ensure such investments are fully funded. The Leadership Team and Executive are involved in the financial planning process to ensure a joined up approach across the Council and that all risks and opportunities are captured.

We noted that savings plans are risk assessed and the annual MTFS process includes reviewing the Council's earmarked reserves. We confirmed a review was completed in 2020/21 to ensure funding set aside remains in line with strategic and statutory priorities of the Council. This is evidenced in the outturn reports presented to the Executive in May 2021. Our work did not identify any evidence to indicate a significant weakness in arrangements.

How the Council identifies and manages risks to financial resilience

Risk assessment is a key part of the MTFS with core funding streams modelled applying a range of scenarios. Major service budgets are also risk assessed to understand the potential issues and scale in order to ensure sufficient reserve cover should this be required. We noted that there are contingency budgets to deal with issues that arise during the year.

The Council's 2020/21 financial position was reported to the Executive throughout the year with the final position reported in the Outturn report of 27 May 2021. The reported position is consistent with the financial position reported during the year and did not indicate a weakness in the Council's budget monitoring and reporting arrangements.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

How the Council monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud

The Council operates an Executive with a Leader model, and this is governed by a Council Constitution including all of the normal features of an effective governance framework in local government. We noted the Council has a risk management strategy and framework in place and the Audit and Governance Committee oversees the governance framework including the work of Internal Audit. Work plans and progress reports are submitted to the Committee as part of the standard committee work programme.

Internal Audit's work is driven by a risk assessed work programme established through engagement with senior managers and the Committee. Progress reports and key audit findings are reported and should instances of limited assurance arise then the Committee calls the relevant officers or executive lead to attend in order to scrutinise and gain assurance on progress in responding to the deficiency. The Head of Internal Audit Opinion was presented to the Audit and Governance Committee meeting in July 2021. This provides reasonable assurance on the adequacy and effectiveness of internal control operating across the Council. A Counter Fraud Plan is in place and we confirmed there is also regular reporting to the Audit and Governance Committee on counter fraud activities, including fraud investigations. The Counter Fraud Annual Report issued in July 2021 sets out a summary of the investigation, prevention and detection work for the year.

Based on attendance at the Audit and Governance Committee we have identified no evidence of a significant weakness in arrangements.

How the Council approaches and carries out its annual budget setting process

The Council's MTFS arrangement includes the identification and evaluation of risks to the Council's finances. We have reviewed the budget setting arrangements through observation and discussions with officers. No matters have been identified indicating a significant weakness in arrangements. Overall the Council is aware of the financial pressure it faces.

How the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed

We have reviewed Council minutes and confirmed there was regular reporting of the financial position during 2020/21 financial year. This included detail of movements in the budget and forecast outturn between quarters. The reports detailed the in-year pressures as well as planned mitigations. The outturn position was not significantly different to that reported to Members during the year and did not indicate a weakness in arrangements.

The Council has a good record of delivering against its budget and this is evidence of effective arrangements for budgetary control.

The financial statements timetable was delivered in 2020/21 with the draft statements available for audit in June 2021. Our audit of the financial statements did not identify any matters to indicate a significant weakness in the accuracy of the financial information reported or the process for preparing the accounts. It is our experience that management takes action to address audit matters in a timely and appropriate manner.

How the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency.

The Council maintains a forward plan of key decisions which is published on its website. We noted that new decisions are supported by reports that outline options and relevant considerations, including references to financial, legal and performance issues where appropriate, to ensure recommendations are supported by robust information.

We have reviewed Council minutes and have not identified any evidence of a significant weakness in arrangements. The reports we reviewed support informed decision-making and were clear in the decision or recommendation Members were asked to make.

The Council implemented measures to ensure that services could continue despite the restrictions arising during the COVID-19 pandemic. The arrangements included live streaming to allow the public to observe Council meetings.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria (continued)

How the Council monitors and ensures appropriate standards are maintained

The Council's Constitution was updated in June 2021 and sets out how the Council operates, how decisions are made and the rules and procedures which are followed to ensure that these are efficient and transparent to local people. Supporting the Constitution are codes of conduct for Members and officers. Registers of gifts and hospitality and registers of interest are maintained and are available on the Council website. The Statement of Accounts records material related party transactions as well of senior officer pay and Member allowances. We considered these disclosures and compared them with the interests declared and identified no matters to report.

We confirmed that contract procedure rules are in place and require procurement decisions to comply with appropriate standards.

There is regular reporting of treasury management activity that details the Council's investments, cash and borrowing positions. The Treasury Management Strategy was approved ahead of the 2020/21 financial year and sets out the Council's measures against which treasury management can be assessed. The measures include those designed to mitigate risk to the Council's finances and we identified no evidence to indicate a significant weakness in arrangements.

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3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

How financial and performance information has been used to assess performance to identify areas for improvement

Service performance is monitored/managed through the Council's performance management framework which includes the Council Plan, agreed priorities, key milestones and performance indicators. Performance is reported quarterly to the Leadership Team, the Executive and scrutiny committees. Performance issues are highlighted, considered and remedies agreed. Plans are in place to undertake value for money reviews and the Council has subscribed to 'CFOInsights' a benchmarking tool which enables comparison of costs and performance across desired council groups. Work has been suspended during the Covid-19 pandemic but is to recommence when the additional demands of responding to the public health emergency are no longer needed. The Council's financial performance is reported on a regular basis to Executive with details of the financial position along with rationale for any changes and factors to be taken into account.

How the Council evaluates the services it provides to assess performance and identify areas for improvement

The performance reporting system described above is the way the Council assesses performance and identifies areas for improvement. In addition, the Council has also sought external challenge with an LGA peer review. Recommendations and other identified issues are addressed through improvement plans.

How the Council ensures it delivers its role within significant partnerships, engages with stakeholders it has identified, monitors performance against expectations, and ensures action is taken where necessary to improve

Regular meetings are held with key partners and stakeholders to assess progress against agreed targets/objectives. The Council can point to numerous examples including:

- the charity Inspiring Healthy Lifestyles (IHL) to discuss leisure services provision;
- the government agency Home England regarding the provision of housing in the District;

- North Yorkshire County Council in relation to a number of issues but specifically waste disposal, fly tipping, highways and transport, planning and public health and 'Better Together' arrangements;
- Local Resilience Forum to ensure all agencies are working together to deal with issues arising out of the pandemic (and other emergencies);
- the Selby Health Matters partnership to integrate work across public health;
- Directors of Development across York & North Yorkshire to integrate work around economic development, planning, infrastructure and the low carbon agendas; and
- the York & North Yorkshire Local Enterprise Partnership round economic growth and Covid economic recovery.

How the Council ensures that where services are commissioned or procured this is done in accordance with relevant legislation

All procurement activity is managed and supported by the commissioning and procurement team in accordance with the Council's contract procedure rules. Tender documents are jointly prepared with service managers to ensure compliance and manage tender risks. Where required, payment mechanisms are linked to project delivery milestones and or achievement of quality criteria.

We saw evidence of the Council's process when the Novation of the street scene contract was undertaken in 20/21 as part of the sale of Amey PLC's environmental services business. Professional support was provided by the Head of Contracts and Commissioning, Legal services and Finance.

04

Section 04:

Other reporting responsibilities and our fees

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4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

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

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data and to carry out certain tests on the data. At the time of preparing this report we have not yet received instructions from the NAO on what procedures are required. As such this work is outstanding.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit Committee in February 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:.

Area of work	2019/20 fees	2020/21 fees
Planned fee in respect of our work under the Code of Audit Practice	£34,425	£34,425
Additional fees in respect of XYZ (e.g. new VFM approach)	-	£9,000
Additional fees in respect of additional work on PPE valuation and pension liability valuation.	£9,800	£9,800
Total fees	£44,225	£53,225

Fees for other work

In 2020/21 the Council has engaged Mazars LLP for the following non-audit services:

- Housing Benefit Assurance - £14,000 plus VAT the same fee as 2019/20.

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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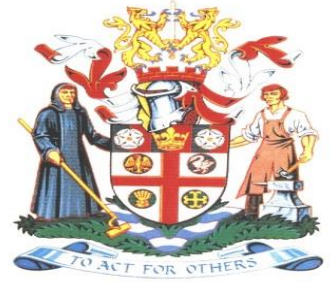
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Agenda Item 8



Report Reference Number: A/21/15

To: Audit and Governance Committee
Date: 26 January 2022
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Progress Report

Summary:

The report from the external auditor, Mazars, is provided for the Audit and Governance Committee to consider.

Recommendations:

To consider the External Audit Progress Report.

Reasons for recommendation

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

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and provides the Committee with a progress report in relation to the work and responsibilities of the external auditors.

2. The Report

2.1 The report is attached at Appendix A, which sets out a summary of external audit work completed to date on the 2020-21 financial statements, along with an update on the 2021-22 audit planning process.

2.2 The report also refers to recent national publications and highlights other relevant updates.

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

3. Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

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Appendices:

Appendix A – External Audit Progress Report

External Audit Progress Report

Selby District Council

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January 2022



1. Audit Progress
2. National publications

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01

Section 01: **Audit Progress**

Audit Progress

Purpose of this report

This report provides the Audit and Governance Committee's January 2022 meeting with:

- an update on progress in delivering the 2020/21 audit and assurance work;
- the 2021/22 audit planning process; and
- a summary of recent relevant reports and publications for your information (Section 2).

2020/21 Audit

The position on the key elements of the audit are as follows:

- Financial Statements Audit – our Audit Completion Report was presented at the Committee's September 2021 meeting and we issued a follow up letter on 30th September to update on points outstanding. We gave the audit opinion on 1st October 2021.
- Value for money arrangements– our work in this area is now complete with detailed commentary included in the Annual Audit Report, which is a separate agenda item. Our work did not identify any areas of significant weaknesses in the Council's VFM arrangements.
- Other auditor responsibilities – we have not needed to take any action in relation to any of our broader auditor responsibilities.
- Assurance – our work on the Housing Benefit Claim is due to commence in February and we expect to complete by the end of March 2022. DWP's revised submission date for the submission of Reporting Accountant's reports is 31st January 2022 but DWP, in recognition of the challenges faced by audit firms, has put in place arrangements for local authorities to request extensions. We understand that officers will make a request for an extension when the request window opens.
- We expect the National Audit Office to confirm their requirements in relation to Whole of Government Accounts (WGA) in January 2022 and will update the Committee in due course.

2021/22 Audit

At this stage we do not expect any significant changes to the audit risk profile and the overall audit approach, and we have not identified any significant changes to the financial reporting requirements under the 2021/22 CIPFA Code. The operating and financial environment for local authorities continues though to be challenging and its important our audit plan is properly tailored to the risks and issues. We will share our 2021/22 Audit Strategy Memorandum at the next meeting.

02

Section 02:

National publications

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1.	New Prudential and Treasury Management Codes	These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate.
2.	CIPFA launches value for money toolkit with the University of Oxford's GO Lab	Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation.
Department for Levelling Up, Housing and Communities		
3.	Consultation on changes to the capital framework: Minimum Revenue Provision	This consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.
4.	Measures to improve local audit delays and accounts and audit timetable confirmed	DLUHC have announced a new package of measure to support the improved timeliness of local audit. These include additional funds and an extension of the deadline for publishing accounts.
National Audit Office (NAO)		
5.	The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management	The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall approach.
6.	The Local Government finance system in England: Overview and Challenges	This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.
7.	Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities	This provides a summary of the Department's spending in 2020-21, its major areas of activity and performance, and the challenges it is likely to face in the coming year.
8.	Cyber and Information Security: Good practice guide	Audit committees should be scrutinising cyber security arrangements. This guidance complements government advice by setting out high-level questions and issues for audit committees to consider.
9.	Climate change risk: A good practice guide for Audit and Assurance Committees	This guide helps Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.
Financial Reporting Council		
10.	Inspection findings into the quality of major local body audits	The findings show an improvement on the previous year but the timeliness of reporting was a concern.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA publishes new Prudential and Treasury Management Codes, December 2021

CIPFA has published the new Prudential Code for Capital Finance in Local Authorities (Prudential Code) and Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (the Treasury Management Code) following a consultation period. These two statutory and professional codes are important regulatory elements of the capital finance framework within which local authorities operate. Local authorities are required by regulation to 'have regard to' their provisions. Guidance notes will follow shortly in the new year.

The updated **Prudential Code** includes the following as the focus of the substantive changes:

- The provisions in the code, which present the approach to borrowing in advance of need in order to profit from additional sums borrowed, have been strengthened. The relevant parts of the code have augmented to be clear that borrowing for debt-for-yield investment is not permissible under the Prudential Code. This recognises that commercial activity is part of regeneration but underlines that such transactions do not include debt-for yield as the primary purpose of the investment or represent an unnecessary risk to public funds.
- Proportionality has been included as an objective in the Prudential Code. New provisions have been added so that an authority incorporates an assessment of risk to levels of resources used for capital purposes.

The main changes to the updated **Treasury Management Code** and the accompanying guidance for local authorities are as follows:

- Investment management practices and other recommendations relating to non-treasury investments are included within the Treasury Management Practices (TMPs) alongside existing TMPs.
- The guidance will recommend the introduction of the Liability Benchmark as a treasury management indicator for local government bodies (note that CIPFA has issued a toolkit to assist local authorities with the production of this indicator).
- Environmental, Social and Governance (ESG) risks are incorporated into TMP1 (Risk Management) rather than a separate TMP 13.
- The purpose and objective of each category of investments should be described within the Treasury Management Strategy.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/cipfa-issues-new-prudential-and-treasury-management-codes>

NATIONAL PUBLICATIONS

CIPFA (continued)

2. CIPFA launches value for money toolkit with the University of Oxford's GO Lab, August 2021

CIPFA has partnered with the Government Outcomes Lab (GO Lab) from the University of Oxford's Blavatnik School of Government to develop the innovative GO Lab-CIPFA Value for Money (VfM) Toolkit.

Based on the UK National Audit Office's standard definition of value for money, the toolkit offers a consistent approach to programme evaluation and has been developed in response to recent trends towards the use of outcomes-based contracts (OBCs) and impact bonds.

The toolkit provides public managers with a framework to help assess the economic validity of public programmes, while also serving as a self-assessment instrument. The toolkit promotes thinking about the longer-term effects of interventions, such as outcomes and impacts, during the design and planning stage of public sector programmes.

The GO Lab-CIPFA VfM toolkit is available for free download on the CIPFA website.

<https://www.cipfa.org/services/go-lab-cipfa-value-for-money-toolkit>

Department for Levelling Up, Housing and Communities

3. Consultation on changes to the capital framework: Minimum Revenue Provision, December 2021

This consultation seeks views on proposed changes to regulations to better enforce the duty of local authorities to make prudent Minimum Revenue Provision each year.

Local authorities borrow and invest under the Prudential Framework (the Framework), which comprises legislation and 4 statutory codes that authorities must have regard to. Under this system, authorities have wide freedoms to borrow and invest without the need to seek the government's consent, provided that borrowing is affordable. The intent of the Framework is to make sure local decisions are prudent, affordable and sustainable.

The government is aware that some authorities employ practices that are not fully compliant with the duty to make a prudent revenue provision, resulting in underpayment of MRP. This was reported in the NAO's report Local Authority Investment in Commercial Property (February 2020) and the subsequent report by the Public Accounts Committee in July 2020, which recommended the government take steps to address the issue.

<https://www.gov.uk/government/consultations/changes-to-the-capital-framework-minimum-revenue-provision/consultation-on-changes-to-the-capital-framework-minimum-revenue-provision#excluding-specific-debt-from-mrp-determination>

4. New package of measures to support the improved timeliness of local audit

This publication sets out a range of measures agreed with key partners to support the timely completion of local government audits and the ongoing stability of the local audit market. The measures include:

- Steps to increase the number of auditors with skills to carry out the work;
- Additional funding to support increases in audit fees; and
- Extension of the audit deadlines to 30 November 2022 and 30 September for 2023 onwards.

https://www.gov.uk/guidance/measures-to-improve-local-audit-delays?utm_medium=email&utm_campaign=govuk-notifications&utm_source=81365e1a-e6b1-4c1b-bce1-b5ef8fafef6f&utm_content=daily#section-4-longer-term-measures-to-help-stabilise-the-market-and-address-long-term-supply-issues

NATIONAL PUBLICATIONS

National Audit Office

5. The Government's preparedness for the COVID-19 pandemic: lessons learned for government on risk management, November 2021

In November 2021

This report sets out the facts on:

- the government's approach to risk management and emergency planning (Part One);
- the actions the government took to identify the risk of a pandemic like COVID-19 (Part Two);
- the actions the government took to prepare for a pandemic like COVID-19 (Part Three); and
- recent developments (Part Four).

The report sets out central government's risk analysis, planning, and mitigation strategies prior to the arrival of the COVID-19 pandemic, with the aim of drawing out wider learning for the government's overall risk management approach.

The report concludes that this pandemic has exposed a vulnerability to whole-system emergencies – that is, emergencies that are so broad that they engage the entire system. Although the government had plans for an influenza pandemic, it did not have detailed plans for many non-health consequences and some health consequences of a pandemic like COVID-19. There were lessons from previous simulation exercises that were not fully implemented and would have helped prepare for a pandemic like COVID-19. There was limited oversight and assurance of plans in place, and many pre-pandemic plans were not adequate. In addition, there is variation in capacity, capability and maturity of risk management across government departments.

The pandemic also highlighted the need to strengthen the government's end-to-end risk management process to ensure that it addresses all significant risks, including interdependent and systemic risks. This will require collaboration on risk identification and management not only across government departments and local authorities, but also with the private sector and internationally. For whole-system risks NAO states that the government needs to define its risk appetite to make informed decisions and prepare appropriately so that value for money can be protected. NAO state that the pandemic has also highlighted the need to strengthen national resilience to prepare for any future events of this scale, and the challenges the government faces in balancing the need to prepare for future events while dealing with day-to-day issues and current events.

The full report can be seen at this link: <https://www.nao.org.uk/report/the-governments-preparedness-for-the-covid-19-pandemic/>

NATIONAL PUBLICATIONS

National Audit Office

6. The Local Government finance system in England: Overview and Challenges, November 2021

This overview looks at what local government in England spends, how this spending is funded and the effect of changes in recent years. It draws on relevant findings from past NAO work.

The overview aims to enhance financial transparency about local government in England. It covers:

- An introduction to local government funding
- Government policy and actions since 2010
- Some results or consequences of these changes.

The report headlines include the following in respect of the impact of the changes implemented by government on councils:

- Rising social care spending has squeezed funds available for non-social care services, yet rising spend has not prevented concerns about social care, and projections suggest continued cost and demand pressures.
- Local authorities have made substantial spending reductions in some services and sought to maximise revenue funding from other sources. Some local authorities have sought to maximise revenue available for services in ways that may reduce financial resilience. Commercial property investment strategies have increased some local authorities' exposure to risk. Local authorities now rely more on sources of income that are dependent on local economic conditions.
- A lack of short-term funding certainty hampers local authorities' ability to plan. Local authorities are also planning and delivering services amid medium-term financial uncertainty. Financial uncertainty does not support value-for-money decision-making.
- The governance mechanisms that support decision-making about financial sustainability are under strain. The financial resilience of the local government sector was being tested, even before the COVID-19 pandemic

The full report can be seen at this link: <https://www.nao.org.uk/report/the-local-government-finance-system-in-england-overview-and-challenges/>

NATIONAL PUBLICATIONS

National Audit Office

7. Departmental Overview 2020-21: Department for Levelling Up, Housing and Communities, November 2021

This provides a summary of the Department for Levelling Up, Housing and Communities' spending in 2020-21, its major areas of activity and performance, and the challenges it is likely to face in the coming year, based on the insights from NAO's financial audit and value for money work.

The full report can be seen at this link: <https://www.nao.org.uk/report/departmental-overview-2020-21-department-for-levelling-up-housing-and-communities/>

8. Cyber and Information Security: Good practice guide, October 2021

Audit committees should be scrutinising cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for audit committees to consider.

The guide provides a checklist of questions and issues covering:

- Set overall approach to cyber security and risk management;
- Capability needed to manage cyber security; and
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management.

The guidance is based on NAO previous work and our detailed systems audits, which have identified a high incidence of access-control weaknesses. It also provides links to other government guidance and NAO resources.

The full report can be seen at this link: <https://www.nao.org.uk/report/cyber-security-and-information-risk-guidance/>

NATIONAL PUBLICATIONS

National Audit Office

9. Climate change risk: A good practice guide for Audit and Assurance Committees, August 2021

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The full report can be seen at this link: <https://www.nao.org.uk/report/climate-change-risk-a-good-practice-guide-for-audit-and-risk-assurance-committees/>

NATIONAL PUBLICATIONS

Financial Reporting Council

10. Inspection findings into the quality of major local body audits, October 2021

The Financial Reporting Council (FRC) published in October 2021 its [inspection findings into the quality of major local body audits](#) in England (which includes large health and local government bodies) for the financial year ended 31 March 2020.

The FRC reviewed 20 major local audits performed by six of the largest audit firms and found 6 (30%) required improvements. This is an improvement on the prior year inspection results where 60% of audits inspected required either improvements or significant improvements.

The FRC found that the firms have taken action in response to previous findings, however, the timeliness of auditor reporting was disappointing.

The key areas requiring action by some of the audit firms included:

- strengthening the audit testing of expenditure;
- improving the evaluation and challenge of assumptions used in concluding over investment property valuations;
- improving the evaluation of assumptions used in property, plant and equipment valuations; and
- providing improved rationale supporting a modified audit opinion.

FRC found that all Value for Money arrangement conclusions inspected by the FRC required no more than limited improvements.

The full report can be seen at this link: <https://www.frc.org.uk/news/october-2021/frc-publishes-latest-major-local-audit-quality-ins>

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Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 40,400 professionals – 24,400 in Mazars' integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

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Report Reference Number: A/21/16

To: Audit and Governance Committee
Date: 26 January 2022
Authors: Ed Martin; Audit Manager – Veritau
Daniel Clubb; Counter Fraud Manager – Veritau
Kirsty Bewick; Information Governance
Manager – Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Internal Audit, Counter Fraud and Information Governance
Progress Report 2021/22

Summary:

The purpose of the report is to provide an update on the delivery of the internal audit work plan for 2021/22. The report also updates the committee on counter fraud and information governance work undertaken so far in 2021/22.

Recommendation:

That the committee:

- (i) note progress on delivery of internal audit, counter fraud and information governance work and the plans for work to be completed.

Reasons for recommendation

To enable the committee to fulfil its responsibility to review the outcomes of internal audit and counter fraud work, including any issues arising, and action being taken.

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 2021/22 at the meeting held on 21st April 2021.

- 1.3 The purpose of this report is to update the committee on internal audit, counter fraud and information governance activity up to December 2021, and on plans for completion of work for 2021/22.

2. The Report

- 2.1 Details of internal audit, counter fraud and information governance work undertaken in 2021/22 are included in the reports at annexes 1 to 3 respectively.

Internal Audit

- 2.2 Veritau carries out internal audit work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 Internal audit provides assurance on corporate governance arrangements, internal control and risk management to the Council's leadership team and this committee.
- 2.4 Annex 1 provides details of the completed and ongoing internal audit work as well as plans for audit work to be completed in the remainder of 2021/22.

Counter Fraud

- 2.6 Annex 2 contains the counter fraud progress report. It reports on progress against the counter fraud work programme up to 30 November 2021. Details are provided on activity undertaken to promote awareness of fraud, ongoing work with external agencies, and the level of fraud reported to date.

Information Governance

- 2.7 Information Governance provides advice and assurance on compliance with the UK GDPR and Data Protection Act 2018. This includes the Information Asset Register, Privacy Notices, Data Protection Impact Assessments and project specific advice.
- 2.8 Action is ongoing to address the outstanding areas of the Information Asset Register and other areas of UK GDPR compliance. The new action plan, presented to CIGG in June 2021, continues to be used when reporting progress to CIGG through the year.
- 2.9 Work on reviewing privacy notices and implementing any necessary changes has commenced. Once the changes are completed and approved, the updated privacy notices will be published.
- 2.10 Veritau continues to provide advice on the completion of data protection impact assessments.

2.11 A detailed summary of information governance activity and arrangements is included in Annex 3.

3. Implications

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

4. Conclusion

4.1 Work is in progress on 2021/22 audits. Progress on these will be reported to subsequent meetings of this committee.

4.2 The counter fraud team undertakes a range of activities to support delivery of the Council's counter fraud strategy. Fraud reported to the team is investigated and progress is regularly reported to the committee.

4.3 An action plan is in place to deliver information governance work on behalf of the Council; this is overseen by the council's CIGG. Regular liaison takes place with the council's Senior Information Risk Owner (SIRO) and regular updates are reported to this committee.

Background Documents

None

Appendices:

Annex 1: Internal audit progress report – January 2022

Annex 2: Counter fraud progress report – January 2022

Annex 3: Information governance progress report – January 2022

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INTERNAL AUDIT PROGRESS REPORT 2021/22

Date: 26 January 2022

Annex 1



BACKGROUND

- 1 Internal audit provides independent and objective assurance and advice about the Council's operations. It helps the organisation to achieve its overall objectives by bringing a systematic, disciplined approach to the evaluation and improvement of the effectiveness of risk management, control and governance processes.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. These include the Public Sector Internal Audit Standards (PSIAS), CIPFA guidance on the application of those standards in Local Government and the CIPFA Statement on the role of the Head of Internal Audit.
- 3 In accordance with the PSIAS, the Head of Internal Audit is required to report progress against the internal audit plan (the work programme) agreed by the Audit, Governance and Standards Committee, and to identify any emerging issues which need to be brought to the attention of the committee.
- 4 The internal audit work programme was agreed by this committee in April 2021. The number of agreed days is 375 (including time for risk management facilitation) and the plan is flexible in nature.
- 5 In 2021/22 Veritau introduced a new, flexible approach to work programme development and delivery to keep pace with developments in the internal audit profession and ensure that we can continue to deliver a responsive service. Work is being kept under review to ensure that audit resources are deployed to the areas of greatest risk and importance to the Council.
- 6 The purpose of this report is to update the committee on internal activity between 1 April 2021 and 7 January 2022.



INTERNAL AUDIT PROGRESS

- 7 As noted in previous reports to this committee, the Covid-19 pandemic meant there was 2020/21 work outstanding at the start of the year and much of the work in the first part of the year was finalising that work.
- 8 Work is ongoing on a number of 2021/22 audits. The payroll and pooling of housing capital receipts audit work are in the latter stages of fieldwork and we expect to be able to report on findings for these to the next committee.
- 9 Planning is underway on a number of other audits, including two audits identified in discussion with senior officers, covering areas where risks and controls have changed due to the impact of Covid pandemic (health and safety homeworking and information security at home).
- 10 A summary of internal audit work currently underway, as well as work finalised in the year to date, is included in appendix A.
- 11 The work programme showing current priorities for internal audit work is included at appendix B.

- 12 Audits are shown in the 'do next' category where we anticipate beginning work during the final quarter of 2021/22 but have not yet agreed a start date with the responsible officers. These include a number of fundamental systems, which will be prioritised for completion in this audit year.
- 13 The programme also includes some audits in the 'do later' category. The internal audit work programme is designed to include all potential areas that should be considered for audit in the short to medium term, recognising that not all of these will be carried out during the current year (work is deliberately over-programmed as previously discussed at committee).
- 14 In determining which audits will actually be undertaken, the priority and relative risk of each area will continue to be considered throughout the remainder of the year, and as part of audit planning for 2022/23. It is not currently anticipated that we will undertake any audits in the do later category during the remainder of 2021/22.
- 15 Two audits have been completed since the last report to this committee in September 2021. Appendix C summarises the key findings from these audits as well as details of actions agreed.
- 16 Appendix D lists our current definitions for action priorities and overall assurance levels.



FOLLOW UP

- 17 All actions agreed with services as a result of internal audit work are followed up to ensure that underlying control weaknesses are addressed. During the Covid-19 pandemic it was agreed with management to concentrate resources on following up higher priority actions. Normal follow up work has now recommenced.
- 18 A summary of the current status of follow up activity is at appendix E. The proportion of actions implemented is lower than might normally be expected. This is likely due to the impact of the Covid pandemic but now that normal follow up activity has been resumed actions that remain outstanding will be escalated as appropriate.
- 19 Actions agreed as part of the creditors limited assurance audit, that was presented to the September meeting of this committee, have been followed up where they had become due and we are satisfied that appropriate action has been taken to address the weaknesses identified.

APPENDIX A: 2021/22 INTERNAL AUDIT WORK

Audits in progress

Audit	Status
Payroll	In progress
Pooling of housing capital receipts	In progress
Council Tax & NNDR	In progress
Health and safety – homeworking	Planning
Information security at home	Planning
General ledger	Planning
ICT asset management	Planning
Council House Repairs	Planning
Debtors	Planning

Final reports issued

Audit	Reported to Committee	Opinion
Creditors	September 2021	Limited Assurance
Debtors	September 2021	Substantial Assurance
Housing Rents	September 2021	Substantial Assurance
Community Infrastructure Levy	September 2021	Reasonable Assurance
Housing Benefits & Council Tax Support	January 2022	Substantial Assurance
Council Tax & NNDR	January 2022	Substantial Assurance

Other work completed in 2021/22

Internal audit work is undertaken in other areas during the year, including:

- Certification of the Local Authority Covid Compliance and Enforcement Grant

APPENDIX B: CURRENT PRIORITIES FOR INTERNAL AUDIT WORK

Audit / Activity	Rationale
<p>Strategic risks / Corporate & cross cutting</p> <p>Category 1 (do now) Health and safety – homeworking Information security at home</p> <p>Category 2 (do next) LGR preparations (inc. project management, contract management, financial procedure rules and decision making)</p> <p>Category 3 (do later) Medium term financial planning Programme for Growth and additional government funding</p>	<p>Key assurance area and changes to controls / risks Key assurance area and changes to controls / risks</p> <p>Significant area for the council</p>
<p>Fundamental / material systems</p> <p>Category 1 (do now) Payroll Council Tax / NNDR General ledger Debtors</p>	<p>Key assurance area Key assurance area Key assurance area Key assurance area</p>

Audit / Activity	Rationale
<p>Category 2 (do next) Creditors Housing rents CTS and benefits</p> <p>Category 3 (do later)</p>	<p>Key assurance area Key assurance area Key assurance area</p>
<p>Operational / regularity</p> <p>Category 1 (do now) Council house repairs Pooling of housing capitals receipts</p> <p>Category 2 (do next) Environmental health Planning</p> <p>Category 3 (do later) Homelessness / housing options Community engagement</p>	<p>Provides broader assurance. Areas of risk identified. Annual audit requirement</p> <p>Provides broader assurance. Provides broader assurance</p>
<p>Technical / projects</p>	

Audit / Activity	Rationale
<p>Category 1 (do now) IT asset management</p> <p>Category 2 (do next)</p> <p>Category 3 (do later) Cybersecurity IT technical infrastructure</p>	<p>IT is key assurance area. IT asset management not recently reviewed.</p>

APPENDIX C: SUMMARY OF KEY ISSUES FROM AUDITS FINALISED SINCE THE LAST REPORT TO THE COMMITTEE

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Housing Benefits and Council Tax Support (November 2021) Page 68	This audit reviewed benefits assessments, quality assurance processes, prevention and recovery of overpayments, as well as the administration of the Covid-19 hardship grant.	Substantial Assurance	0	1	0	<p>Strengths Procedures for calculating claims and obtaining the required evidence were sound. Quality assurance procedures are in place and are appropriate. Overpayments of benefits are identified and appropriate recovery action is taken. Write offs of unrecoverable debt had been appropriately authorised, in accordance with the financial regulations. The Covid hardship grant has been administered appropriately.</p> <p>Weaknesses Quality checks did not always take place with the frequency and volume defined in the council's procedures. It could not be confirmed that management reports that identify claims that may be subject to change are acted upon.</p>	The impact of Covid-19 on resources was acknowledged to have impacted the ability to conduct the usual level of check in some circumstances. Nevertheless, it was agreed that arrangements will be made to ensure there is sufficient cover to carry out quality assurance checks during the absence of key members of staff.
Council Tax & NNDR (November 2021)	This audit reviewed the accuracy and timeliness of bills and demand notices, the monitoring and pursuit of arrears and the processing of refunds and write offs.	Substantial Assurance	0	1	0	<p>Strengths Procedures for annual billing are sound, with extensive tests being undertaken to ensure accuracy. Appropriate segregation of duties are in place. Customer declarations are provided and appropriate to support discounts and reliefs. Thorough procedures are in place for monitoring and recovering arrears. Refunds were authorised by a suitably senior officer and</p>	Officers will work with legal services to develop a procedure note guiding Assessors use of social media during debt recovery. This procedure note will confirm whether Assessors are required

System/area (month issued)	Area reviewed	Assurance rating	Agreed actions			Comments	Management actions agreed
			1	2	3		
Page 69						<p>with sufficient evidence to support the issuing of the refund.</p> <p>Management information is produced and used to manage the service and to forecast the council tax base and expected NNDR income.</p> <p>Weaknesses Officers may legitimately use social media to try to trace debtors but if they repeatedly visit an individual's material they should ensure they follow the council's RIPA Guidance and contact the Senior Responsible Officer for advice to ensure they remain legally compliant. At present, a procedure to record and monitor the use of social media by Assessors is not in place, which makes it challenging to evaluate and prove that the use of social media by Assessors remains in compliance with Council policy and legislation.</p>	to document any social media reviews they undertake.

APPENDIX D: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Our work is based on using a variety of audit techniques to test the operation of systems. This may include sampling and data analysis of wider populations. It cannot guarantee the elimination of fraud or error. Our opinion relates only to the objectives set out in the audit scope and is based on risks related to those objectives that we identify at the time of the audit.

Opinion	Assessment of internal control
Substantial assurance	A sound system of governance, risk management and control exists, with internal controls operating effectively and being consistently applied to support the achievement of objectives in the area audited.
Reasonable assurance	There is a generally sound system of governance, risk management and control in place. Some issues, non-compliance or scope for improvement were identified which may put at risk the achievement of objectives in the area audited.
Limited assurance	Significant gaps, weaknesses or non-compliance were identified. Improvement is required to the system of governance, risk management and control to effectively manage risks to the achievement of objectives in the area audited.
No assurance	Immediate action is required to address fundamental gaps, weaknesses or non-compliance identified. The system of governance, risk management and control is inadequate to effectively manage risks to the achievement of objectives in the area audited.

Priorities for actions

Priority 1	A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management
Priority 2	A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management.
Priority 3	The system objectives are not exposed to significant risk, but the issue merits attention by management.

APPENDIX E: FOLLOW UP OF AGREED AUDIT ACTIONS

Where weaknesses in systems are found by internal audit, the auditors agree actions with the responsible manager to address the issues. Agreed actions include target dates and internal audit carry out follow up work to check that the issue has been resolved once these target dates are reached. Where managers have not taken the action they agreed to, issues may be escalated to more senior managers, and ultimately may be referred to the Audit and Governance Committee.

Actions followed up

A total of 49 agreed actions have been agreed as a result of internal audit work completed up to December 2021. Of these, 45 were due for implementation before 31 December 2021. Of these, it has been confirmed that 18 have been satisfactorily implemented; Revised dates have been agreed for 11 actions; this is done where the delay in addressing an issue will not lead to unacceptable exposure to risk and where, for example, delays are unavoidable. A small number of actions are now considered redundant, for example, where systems or processes have changed so that they are no longer exposed to risks. Follow up work is still in progress for the remaining actions.

Summary of actions status and priorities:

Actions agreed		Action Priority		
Action status	Total Number	1	2	3
Actions now implemented	18	0	11	7
Revised date agreed	11	1	6	4
Redundant / superseded	3	0	3	0
Follow up in progress	13	0	8	5
Actions not yet due	4	0	2	2
Total	49	1	30	18

HIGHER PRIORITY ACTIONS WITH REVISED DATES OF MORE THAN 12 MONTHS FROM ORIGINALLY AGREED DATE

Audit	Agreed Action	Priority Rating	Responsible Officer	Due	Notes / Update
Payment Card Industry Data Security Standard (PCI DSS)	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	1	Head of Business Development and Improvement	Revised date: February 2022 (previously December 2020 and July 2021)	A new income management system has been procured from Civica that will enable PCI DSS compliance. Implementation has been delayed for a number of reasons – the latest due to issues with Civica/Mastercard. Go-live is now on-track to meet the revised date of 17 January 2022.
Performance Management	HR to undertake QA review of sample of PDRs Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete. Training plan to be completed promptly following PDR process.	2	Head of Business Development and Improvement	Revised date: February 2022 (previously December 2020 and June 2021)	Decision taken to de-prioritise changes to PDR process due to LGR. Managers were reminded to prioritise PDRs in September/October 2021. HR had received around 50% of completed PDRs by Christmas 2021. Final reminder sent to Managers on 7 January with deadline of 24 January. Initial draft Training Plan produced. Discussions held with NYCC on best options for delivery to maximise the benefits for staff. In the meantime, significant corporate learning and development activity delivered in 2021 including: managers skills training programme; management development

Audit	Agreed Action	Priority Rating	Responsible Officer	Due	Notes / Update
					programme; aspiring managers programme; widened access to adult skills courses; Microsoft Teams/SharePoint training.

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COUNTER FRAUD PROGRESS REPORT 2021/22

Date: 26 January 2022

Annex 2





BACKGROUND

- 1 Fraud is a significant risk to local government. Losses to councils are estimated to exceed £7.8 billion annually in the United Kingdom.¹
- 2 Veritau delivers a corporate fraud service to the Council which aims to prevent, detect and deter fraud and related criminality. A total of 120 days of counter fraud work has been agreed for 2021/22. This time will be used to investigate allegations of fraud, plan and take part in counter fraud campaigns, undertake fraud awareness activities with staff and the public, and maintain and update the Council's counter fraud framework and associated policies.
- 3 The purpose of this report is to update the Committee on counter fraud activity between 1 April 2021 and 30 November 2021.



FRAUD MANAGEMENT

- 4 Veritau undertakes a range of non-investigative activity to support the development of counter arrangements at the Council. The Council's Counter Fraud Framework has been reviewed and updated for 2021/22. This includes a revised strategy action plan, and fraud risk assessment.
- 5 Veritau have noted an increase in both regional and national attempts by organised criminals operating from overseas to divert genuine payments made to council suppliers (i.e. mandate or payment diversion fraud). Veritau are reviewing the Council's processes for verifying changes to supplier's details to ensure they are robust enough to counter the latest threats posed by fraudsters.
- 6 A key objective for the counter fraud team is to raise awareness of fraud with members of staff and the public, and to inform them of how to report fraud if they suspect it is happening. Fraud awareness sessions were delivered to revenues and benefits staff November 2021.
- 7 A campaign to mark Cyber Security Awareness Month was delivered to staff in October. Another campaign to mark International Fraud Awareness Week was delivered to staff and the public in November.



MULTI-AGENCY WORK

- 8 The counter fraud team are reviewing data matches produced by the National Fraud Initiative. Additional match reports were released in September and October. Instances of suspected fraud will be considered for investigation. Further data is to be submitted to the National Fraud Initiative in January 2022 in relation to Covid-19 business grant payments.

¹ Annual Fraud Indicator 2017, Crowe Clark Whitehill

- 9 To ensure the Council comply with their duty to provide information for Housing Benefit investigations, Veritau has responded to 12 requests for information from the Department for Work and Pensions' (DWP) fraud and error service.

INVESTIGATIVE WORK

- 10 The team have received 64 referrals of suspected fraud in the financial year. Sixteen cases are currently under investigation by the team. These cover a range of areas including revenues, housing and Covid-19 grants.
- 11 The team has continued to support the Council in discharging its duty to correctly administer Covid-19 support grants to local businesses. An attempt to gain a Covid-19 business grant of over £8k was prevented.
- 12 Investigative work in other areas resulted in the recovery of a council property, and a warning being issued in relation to a claim for council tax single person discount.
- 13 A summary of investigation work is included in appendix A, below.

APPENDIX A: SUMMARY OF INVESTIGATION ACTIVITY

Activity to date includes the following:

	2021/22 (As at 30/11/21)	2021/22 (Target: Full Yr)	2020/21 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£2,415	£14,000	£12,687
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	43%	30%	37%
Amount of savings from the prevention of Covid-19 grant fraud	£8,097	n/a	£30,000

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Caseload figures for the period are:

	2021/22 (As at 30/11/21)	2020/21 (Full Year)
Referrals received	64	96
Referrals rejected ²	47	51
Number of cases under investigation	16	18 ³
Number of investigations completed	7	20

² This number includes cases where investigation is not possible (e.g. no discount or exemption in effect, matters in the remit of other agencies such as the Department for Work and Pensions, etc).

³ As at the end of the financial year (i.e. 31/03/2021)

Work completed or in progress

The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2021/22 includes the following:

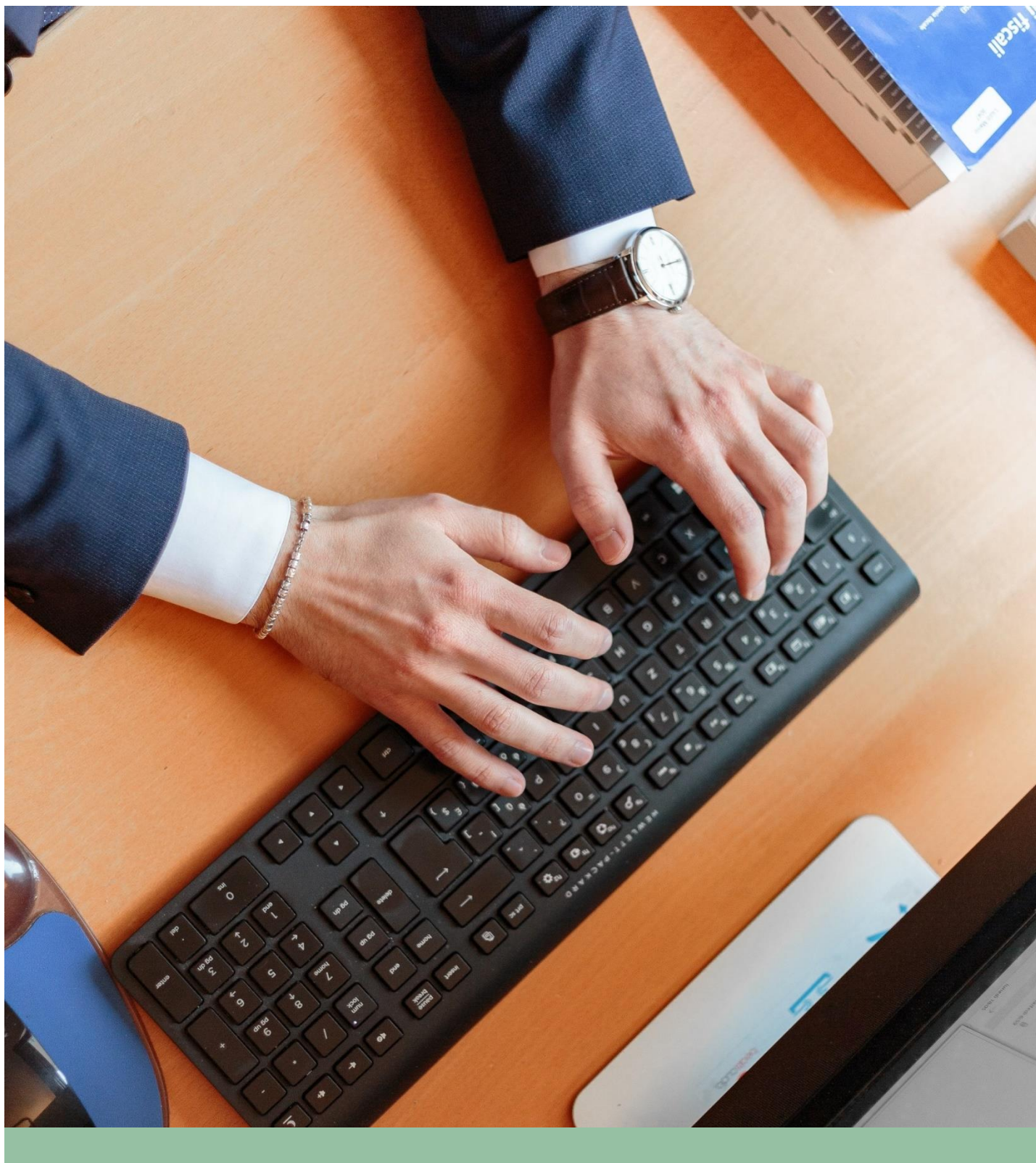
- **Covid-19 related fraud** – Seven reports of Covid-19 related fraud have been received to date. Three applications for Covid-19 business grants have been investigated. Investigation resulted in a payment of over £8k being stopped where a business did not qualify for support. Five investigations are ongoing.
- **Council Tax Support fraud** – One allegation of CTS fraud has been investigated. No fraud or error has been identified to date. Public funds have been recovered in eight cases investigated by the team. Forty-two reports of potential fraud in this have been reported in 2021/22.
- **Council Tax Fraud** – The team have received ten referrals for potential council tax fraud so far this year. Eight investigations have been completed; one person was issued with a warning in relation to incorrectly obtaining a Single Person Discount.
- **Housing Fraud** – Two housing investigations have been completed. Investigative work supported the recovery of a council property which will be made available to someone on the housing waiting list. Three housing related referrals have been received by the team this year.
- **NNDR fraud** – Two business rates referrals have been received by the team. One investigation is ongoing in this area.
- **Internal fraud** – There have been no reports of internal fraud to date.

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INFORMATION GOVERNANCE WORK PROGRAMME 2021/22

Date: 26 January 2022

ANNEX 3



PURPOSE OF THE REPORT

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

UK GDPR ACTION PLAN UPDATE

- 6 A new 2021/22 action plan has been provided to the Council. This includes a detailed breakdown of actions required to achieve and maintain compliance with Data Protection laws. Work is ongoing to ensure that this action plan is updated regularly.
- 7 Following completion of the privacy notice review in 2020/21, Veritau are in the process of applying the relevant changes to the privacy notices. So far, 24 notices have been reviewed and have been sent to service areas for their comments and updates. Once this work is completed, the updated privacy notices will be published.
- 8 The amended Information Governance Policies have been approved and have been published.

- 9 The Information Asset Register (IAR) was amended to reflect UK GDPR compliance needs and now includes columns for law enforcement processing. A review of the IAR is ongoing with copies being sent to each service area for them to check. Currently, the main areas which require further work are Housing and Environmental Health. Veritau are in contact with these areas and are working with them to ensure their IAR entries are correct.
- 10 In 2020/21 a gap analysis of the Council's ISAs and DPCs was completed and a number of areas were identified where there was insufficient information. Work is ongoing to locate and acquire copies of documentation in these areas so they can be reviewed and updated with the appropriate clauses where necessary. Where documentation has been received, this has been reviewed.

TRAINING

- 11 It was agreed at CIGG that training sessions will be held online and in smaller sessions. The training sessions, which will be bookable, include Records Management, Data Protection Rights and Principles and a new session around Data Protection Impact Assessments. The Council has been approached in relation to identifying dates and once these are confirmed, the sessions will be formally booked in.

INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 12 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 Information Commissioner's Office (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).
- 13 The number of Security Incidents reported in 2021/22 up until the end of December are as follows:

Year	Quarter	Red	Amber	Green	White	Total
2021/22	Q1	1	0	4	1	6
	Q2	0	0	2	1	1
	Q3	0	0	0	0	0
	Q4					
	Total	1	0	6	2	7

- 14 The red incident in Q1 was reported to the ICO who responded with no further actions for the Council.

SUBJECT ACCESS REQUESTS - INTERNAL REVIEWS

- 15 Veritau provides advice on internal reviews relating to Subject Access Requests as required. Going forward, Veritau will be providing further assistance to the Council with all aspects of subject access requests. Future reports to the committee will therefore reflect this.

DATA PROTECTION IMPACT ASSESSMENTS

- 16 Veritau is supporting the Council in completing a number of DPIAs as well as providing advice on whether a DPIA is required for other projects.
- 17 CCTV for Town Centre: An initial draft is being prepared to cover town centre CCTV cameras. The relationship the Council has with the police will need to be explored as part of this work as only the police access the footage for law enforcement purposes.
- 18 MyView: In 2019, the council implemented MyView. However, a DPIA was not done before implementation. A first draft of the DPIA was received by Veritau in September 2020. Comments were returned to the service area at that time and the matter has been discussed in CIGG, most recently in December 2021 where it was agreed that the Council would follow this up and ensure that the DPIA was completed.
- 19 ONS Data Sharing: An initial draft is being prepared to cover the sharing with ONS. This has been an ongoing project with both Veritau and the Council's legal services involved to ensure that the sharing of information is lawful. ONS has provided numerous pieces of information which has included confirming that the purpose for the data was in line with their statutory functions.
- 20 A number of DPIAs have been identified as needing to be completed following the completion of the surveillance review (see below). These will be progressed during 2021/22.

SURVEILLANCE

- 21 In early 2020/21, Veritau had a number of meetings with the Head of Communities, Partnerships and Customers (the designated Senior Responsible Officer with the Surveillance Camera Commissioner) and others to progress work on overt surveillance activities. The surveillance log was circulated and a gap analysis completed. This included the need to ensure all relevant DPIA's and ISAs were in place. This work is now complete.
- 22 Policy documents and privacy notices have been approved and have been published.

LAW ENFORCEMENT

- 23 An initial scoping exercise has been completed to ascertain which areas of the Council might be undertaking law enforcement processing, as governed by Part 3 of the Data Protection Act 2018. Areas were mapped out as far as possible and amendments to the Information Asset Register now reflect where law enforcement processing is taking place, linking back to the relevant legislation and/or enforcement policies.
- 24 Documents such as the new DPIA template and guidance were also drafted to include law enforcement considerations.
- 25 Privacy notices were reviewed with law enforcement in mind. It has been agreed that any changes to the notices will occur at the same time as any identified updates as noted in paragraph 7 above. The corporate privacy notice has been updated to include information about conditions for criminal offence data, enforcement investigations and prosecutions.
- 26 The Law Enforcement Policy, required for compliance with section 42 of the Data Protection Act 2018 to cover data processed under Part 3 of the Act alone, was approved by CIGG in April 2021. The policy has now been published.
- 27 A virtual training course which has been designed to meet the requirements of the Council is now available. Selected officers will now have the opportunity book onto this course.

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Report Reference Number: A/21/17

To: Audit and Governance Committee
Date: 26 January 2022
Author: Connor Munro; Audit Manager – Veritau Group
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Review of the Risk Management Strategy

Summary:

The report presents to Councillors the reviewed Risk Management Strategy following consultation with the Leadership Team. It was last brought to the Audit and Governance committee in January 2021.

Recommendation:

Councillors note the revisions to the Risk Management Strategy.

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

2.1 The primary objectives of the strategy are to:-

- Ensure risk management is part of all decision-making processes and that it is embedded through ownership, both at officer and Councillor level;
- To integrate risk management into the day to day activities of the Council;

- Manage risk in accordance with best practice and in response to changes in the internal and external environment;
- Create and maintain effective processes that will allow the Council to produce risk management assurance statements annually.

2.2 The strategy continues to reflect good practice in risk management and so its content remains unchanged following the review undertaken in January 2022.

3. Implications

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

4. Conclusion

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

5. Background Documents

Risk Management Strategy – January 2021.

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Appendices:

Appendix 1 - Risk Management Strategy – January 2022.



Risk Management Strategy

2022

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1. Introduction

This document sets out a strategy for managing risk within Selby District Council. To ensure that the strategy remains focused and in keeping with the overall aims and objectives of the Council, there is a need to review it on an annual basis. As such this document has been reviewed in January 2022.

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

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

The objectives of the strategy are to:-

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

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

2. What is risk management?

Risk management and risk have been defined by the Institute of Internal Auditors as:

Risk management is a process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

Risk can be defined as 'the possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.'

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

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

There are two types of risk:-

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

3. Why do we need a risk management strategy?

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

Firstly, risk management is about identifying those situations that will prevent organisations from being successful in achieving their corporate and service-based objectives, as well as successfully completing projects. If these situations are effectively managed then the organisation is more likely to achieve its objectives. Risk management is good management and should be incorporated in all decision-making. However, risk management is not only about managing risk but also about identifying opportunities. By understanding the risks and rewards that those opportunities may create, the organisation will be in a position to make informed decisions commensurate with its risk appetite. Should the organisation decide to accept a level of risk, where this cannot be fully mitigated, the organisation should be prepared for unfavourable outcomes.

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

4. What are the benefits of risk management?

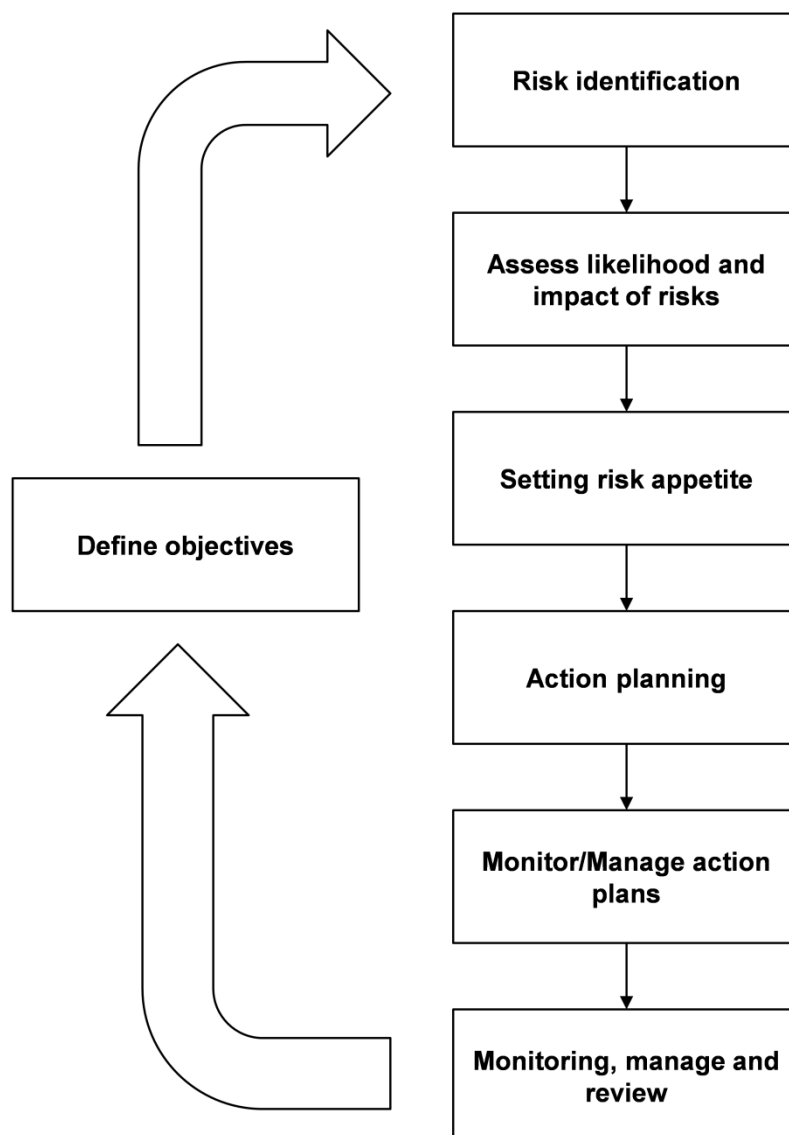
- Increased likelihood of achieving objectives by identifying the barriers to achievement – improved strategic management;
- Become less risk averse in innovation (because you understand) and hence are more innovative;
- Improved business planning and commercial awareness through a risk-based decision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

- Understanding and being prepared for incidents when they occur.

5. What is the risk management process?

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

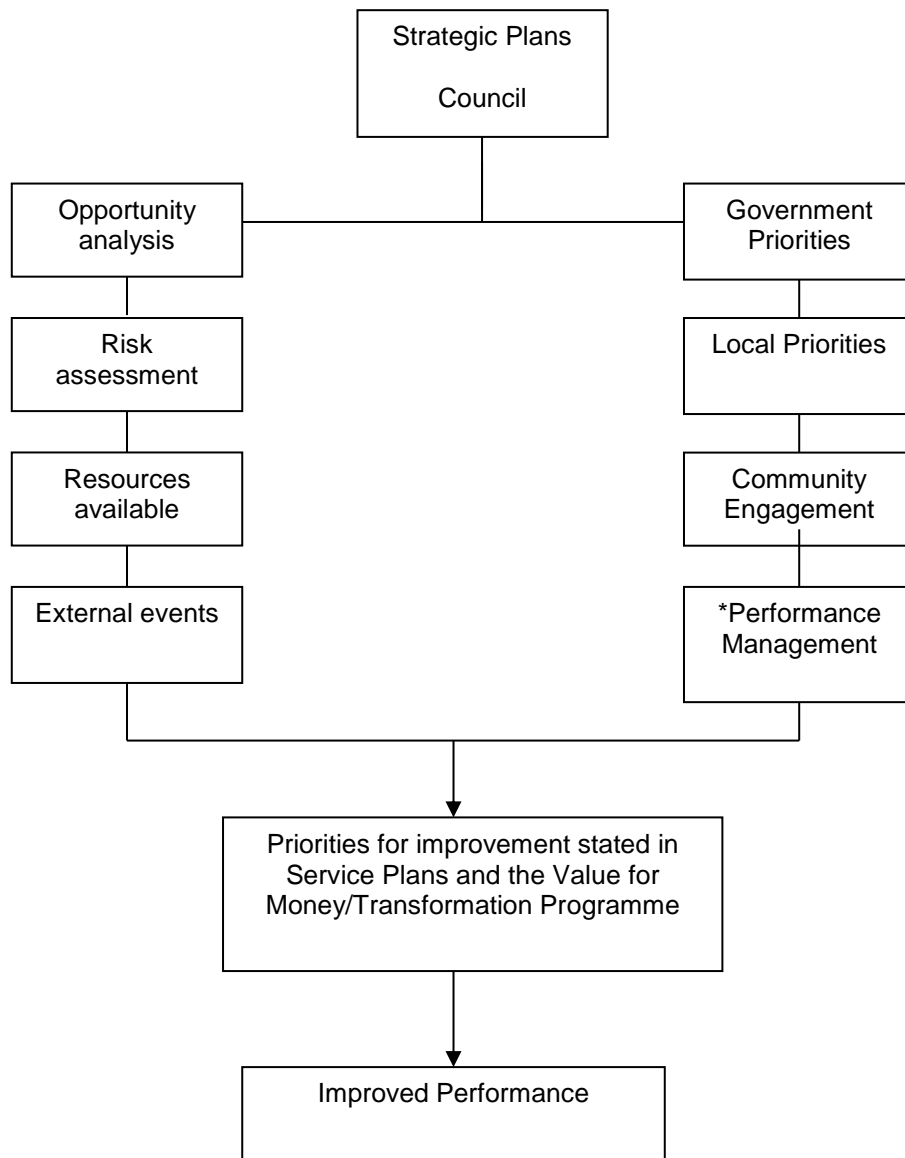
Figure 1: The Risk Management Process



6. Risk management linking into corporate planning

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

Figure 2: Risk Management linking into priority setting



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

In summary, the Risk Management Strategy has critical links to the Council's:

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

7. Risk management strategy for Selby

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

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

8. Risk culture

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

9. Business culture (commercial development)

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

10. Partnership working

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

11. Movement of risks between service based risk registers and the corporate risk register

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

12. Risk management in our decision making

For risk management to be effective it needs to be considered in the decision making activities of the Council. Risks are articulated within the officer reports, including an assessment of risks associated with any

recommendation being made. Formal consideration of risks is recorded within the Council's reporting templates.

13. Monitoring of risk trends

The Council's exposure to risk over time is subject to change as its internal and external environments change. It is imperative that changes in risk scores (and thus the risk 'trend') are kept under review so it can be ensured that appropriate risk treatment measures are in place and in order to make a determination as to whether these measures are functioning effectively. To facilitate this process, in reviewing the Corporate Risk Register, senior officers and Councillors will consider the direction of change in risk since the last assessment was undertaken.

14. Achieving the objectives of the risk management strategy

The objectives of the strategy will be achieved by:

Ref.	Action	Lead
1	Maintaining an up-to-date Risk Management Strategy.	Internal Audit/Chief Finance Officer (Officer Risk Champion)
2	Providing practical guidance to staff and Councillors.	Internal Audit
3	Including consideration of risk management within service plans.	Directors/ Heads of Service
4	Including risk management assessments in Committee reports.	Directors/ Heads of Service
5	Including risk management within financial procedure rules.	Chief Finance Officer (Officer Risk Champion)
6	Allocating specific responsibilities for risk to officers throughout the organisation.	Directors/Heads of Service
7	Appointing a Councillor Risk 'Champion'.	Audit & Governance Committee - Chair
8	Supporting the work of the Councillor Risk Champion.	Internal Audit/ Chief Finance Officer (Officer Risk Champion)
9	Review of risk management arrangements as part of the review of internal controls.	Internal Audit
10	Annual report to the Audit & Governance Committee reviewing the risk management	Internal Audit

	process. Bi-annually to the Audit & Governance Committee on review of the Risk Registers	
11	Maintaining contingency plans in areas where there is potential for risk to the business capability.	Directors/ Heads of Service
12	Improving the integration between performance management and risk management.	Directors/ Heads of Service
13	Providing risk management awareness training for Councillors and officers.	Internal Audit
14	Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council.	Internal Audit
15	Challenging the progress being made on the action plans relating to risk.	Audit & Governance Committee

15. Annual review of the risk management strategy

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

Risk management methodology**Appendix 1**

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

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

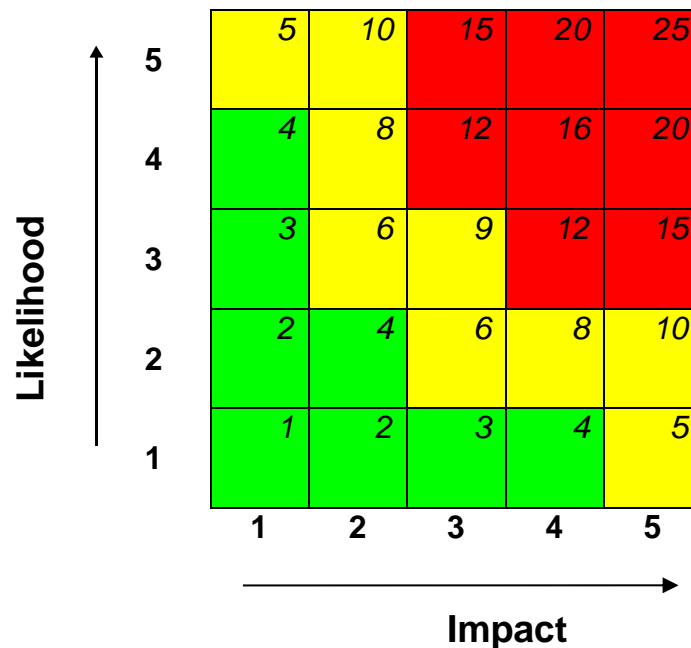
There are different methods to identify risks. Workshops and drop in sessions are facilitated for managers which encourage officers to share their concerns, problems and potential risks that they foresee. A review of published information such as service plans, strategies, financial accounts, media mentions,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

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

Analysis, risk profiling and prioritisation

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

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



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

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

Risks are then categorised as 'high (12-25)', 'medium (5-10)' or 'low (1-4).

Risks falling within the high category require mitigating action.

Stage 2 - Action Planning

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

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

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

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

Stage 3 Management of risks

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

Categories of risk

Appendix 2

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

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

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

Audit and Governance Committee

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

Leadership Team

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

Officer Risk Champion

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

Supporting Services

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

Senior Officers

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

The Council - Partners

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

Internal Audit

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

All employees and Councillors

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

The Importance of an Integrated Approach

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



Report Reference Number A/21/18

To: Audit and Governance Committee
Date: 26 January 2022
Author: Connor Munro; Audit Manager – Veritau Group
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Corporate Risk Register 2021-22

Summary:

The report updates Councillors on movements within the Corporate Risk Register (Appendix A) for the Council, which was last reported to this committee in July 2021.

Recommendation:

Councillors note the current status of the corporate risk register.

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

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

- Title of the risk
- Risk description
- Individual risk scores
- Risk owner: identifies the officer responsible for monitoring the risk. This is a member of the Leadership Team
- Causes of the risk identified

- Consequences of the risk identified
 - Controls and mitigating actions in place: identifies the required management action and controls which have been put in place to manage the risk. In line with the Risk Management Strategy, only risks with a current score of 12 or over require a formal action plan
 - Original risk rating: identifies the risk level before any treatment
 - Current risk rating: identifies the level at which the risk has currently been assessed, based on the likelihood and impact
 - Target risk rating: identifies the risk level the Council is working towards
- 2.2 Responsibility for reviewing and updating the risk register lies with Council officers. Whilst Veritau facilitates the risk management process by offering challenge and support it retains its independence and objectivity as it is not part of the risk management process (i.e. it does not assess or score risks nor does it operate controls or implement mitigating actions).
- 2.3 For the risks identified on the Corporate Risk Register there are controls or mitigating actions in place to manage these risks which are, and need to be, closely monitored on an ongoing basis.
- 2.4 The risks were reviewed and updated by officers in December 2021 and January 2022.
- 2.5 As of January 2022, there are 12 risks on the Council's Corporate Risk Register for 2021-2022. No new risks have been added.
- 2.6 The Corporate Risk Register includes 4 risks with a score of 12 or more (high risk). This is the same as at the time of the July 2021 update. Significant updates have been made to the Local Government Reorganisation (LGR) risk that was added in the July 2021. This is as a result of the increased clarity around future plans (i.e. following the Government announcement that the unitary North Yorkshire proposal has been accepted).
- 2.7 The Economic Environment (CRR_008) and Managing Customer Expectations (CRR_006) risk have both reduced to a score of 6 following the latest assessments, from previous scores of 9 and 8 respectively. CRR_008 has reduced as a result of stronger than anticipated economic performance, and CRR_006 due to the re-commencement of face-to-face appointments for the most vulnerable as well as return of reception provision at the Civic Centre.

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

5. Background Documents

Risk Management Strategy

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Veritau Group**

richard.smith@veritau.co.uk




Appendices:

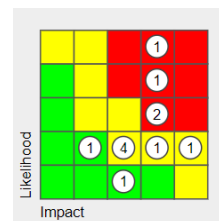
Appendix A – Corporate Risk Register, January 2022












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Selby District Council Corporate Risk Register 2021-2022


Overview: January 2022

Risk Status	
	High Risk
	Medium Risk
	Low Risk




Status	Code	Previous Risk Score (July 2021)	Current Risk Score	Trend	Title
	SDC_CRR_018	16	16		Local Government Reorganisation
	SDC_CRR_003	16	16		Financial Resources
	SDC_CRR_000	12	12		Failure to deliver corporate priorities
	SDC_CRR_004	12	12		Organisational Capacity
	SDC_CRR_002	10	10		Health and Safety Compliance
	SDC_CRR_007	8	8		Fraud & Corruption

Status	Code	Previous Risk Score (July 2021)	Current Risk Score	Trend	Title
	SDC_CRR_008	9	6		Economic Environment
	SDC_CRR_006	8	6		Managing Customer Expectations
	SDC_CRR_014	6	6		Systems and Technology
	SDC_CRR_017	6	6		Managing Partnerships
	SDC_CRR_013	4	4		Information Governance/Data Protection
	SDC_CRR_001	3	3		Failure in corporate governance arrangements



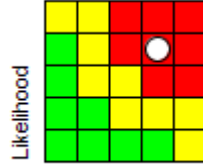
Status	Risk Score	Risk Title	Description		Risk Owner
	16	Local Government Reorganisation (SDC_CRR_018)	Failure to secure delivery of our priorities for the Selby district during the period leading up to and immediately following the commencement of the new unitary North Yorkshire Council in April 2023.		Chief Executive
Causes Page 113		<ul style="list-style-type: none"> • Failure to prioritise effectively • Lack of participation in LGR implementation activity resulting in failure to get the Selby 'voice' heard in the development of the priorities and processes of the new North Yorkshire Council • Lack of staff capacity to deliver due to involvement in LGR implementation • Reduced staff morale due to uncertainty and concern about future employment • SDC voice not heard nationally or sub-regionally • Insufficient financial resources/resources not aligned to priorities • Lack of effective programme/project/performance management 	Consequences	<ul style="list-style-type: none"> • Agreed priorities do not get delivered 	
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Review Council Delivery Plan and agree clear priorities to be delivered by March 2023 and beyond. • Ensure robust project and programme management to ensure council priorities are delivered • Review MTFs and ensure resources – both financial and staffing – are directed towards delivery of the agreed priorities. • Participate fully in both the LGR Implementation Board (Leader) and Team (Chief Executive) to ensure opportunities to influence outcomes beneficial to the Selby district are maximised • Participate fully in the <i>relevant</i> LGR Implementation Workstreams – ensuring the Selby 'voice' is heard in the development of priorities, plans and processes for the new North Yorkshire Council • Review the People Plan to increase support to staff - around communications, engagement and skills - to ensure they are supported through the change process and well placed to take advantage of opportunities in the new council. • Review and prepare for specialist resources that may be required to ensure priorities are delivered and business as usual is maintained. 			

Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
<p>16</p>	<p>12</p>	<p>16</p>
Notes		Review Date
<p>Risk description changed to reflect the government decision to choose the single North Yorkshire council option and the intention to abolish Selby DC from April 2023.</p> <p>Risk Likelihood amended to high; Impact remains critical.</p> <p>Executive confirmed the priorities as part of the Annual Report approval process in September 2021.</p> <p>Leadership Team have introduced weekly priority programme monitoring meetings to ensure progress on identified priorities.</p> <p>SDC is playing its full part in the LGR implementation workstreams - ensuring SDC priorities are recognised. However, implementation of new arrangements will potentially take key staff away from the 'day job' - this will be closely managed and monitored and backfilling arrangements put in place.</p> <p>The People Plan has been re-focused to support staff through this significant change and we are increasing levels of staff engagement, including a weekly Chief Executive blog and Bulletin for staff and councillors, regular all staff briefings via Teams and biannual staff survey/focus groups.</p> <p>LGR has the potential to impact on capacity - some key members of staff have already left and creative measures are being used to address capacity gaps - including with NY partners</p> <p>LGR has the potential to impact on delivery - in addition to staff morale, capacity and resources - there is a significant impact on the time available to deliver council priorities. The expected Structural Changes Order - expected to be signed off by Parliament early 2022 - will set out the date at which SDC comes to an end (expected to be April 2023) and may also have a bearing on how the council spends its money going forward.</p> <p>The MTFs has been refreshed to ensure SDC has a clear plan around what money is to be spent on linked to the councils stated priorities in the Delivery Plan and resources identified to support effective LGR transition activity.</p>		<p>12 January 2022</p>

Status	Risk Score	Risk Title	Description	Risk Owner
	16	Financial Resources (SDC_CRR_003)	The Council's financial position is not sustainable beyond 2021.	Chief Finance Officer
Causes Page 115		<ul style="list-style-type: none"> • Unforeseen financial pressures as a result of Covid-19 • Poor financial planning • Funding cuts/ Investment Strategy • Non-delivery of savings • Poor spending • Poor decisions • Partnership contract (goes awry) • Fair Funding Review (demonstrate why costs) • Over commitment (i.e. Northamptonshire) • Economic - high inflation/increased demand • Loss of control in service delivery • Political environment changes 	Consequences	<ul style="list-style-type: none"> • Unable to deliver its Corporate Plan ambitions and Statutory functions • Unable to meet financial commitments (long/medium/short term) • Unable to set a balanced budget as required by legislation. • Central Government intervention • Forced to make unplanned service reductions which impact on residents and businesses. • Significant reputational and political change.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Financial support provided by central government. • Long term financial strategies (GF & HRA) setting out high level resources and commitments and owned by Council members. • 3 year budget underpinned by reasonable assumptions (inflation, interest rates etc). • Effective in year budget management arrangements in place. • Savings plan approved with supporting delivery plans for each saving. • Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases. 		

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Risk Assessments		
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Original Risk Rating	Target Risk Rating	Current Risk Rating
 <p style="text-align: center;">20</p>	 <p style="text-align: center;">9</p>	 <p style="text-align: center;">16</p>

Notes	Review Date
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Refreshed MTFs was approved by Council in July 2021 which identified a gap between core funding and spending of £1.9m for 22/23. The draft budget for 22/23 approved for consultation in December 2021 showed this underlying gap had increased to £2.8m and by 24/25, based on current assumptions to £3.4m. The gap is largely the result of £2.5m New Homes Bonus previously used to support the revenue budget being phased out along with some specific pressures in leisure and waste services. And we are still awaiting the outcome of the fair funding review to provide a view on future core funding.

Given the on-going response to Covid/recovery, preparations for LGR and resources focussed on delivery of the Council Plan ambitions, savings have been pushed out to 24/25 with earmarked reserves bridging the gap in the medium term.

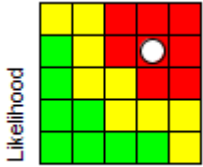

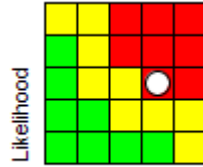
Some potential for additional income has been included in the outline savings plan but this is high risk and will be subject to future decisions of the new council. The remaining savings requirement will have to be covered through savings/transformation following transition to the new unitary council.

Consequently there is no change to the risk score at this time.

December 2021


Status	Risk Score	Risk Title	Description	Risk Owner
	12	Failure to deliver corporate priorities (SDC_CRR_000)	The Council fails to deliver its corporate priorities as set out and approved by Councillors.	Chief Executive
Causes		<ul style="list-style-type: none"> Lack of prioritisation Priorities not reflected in service plans Windfalls re direct priorities Political and/or external factors Capacity/single point of failure Lack of clarity over corporate priorities 	Consequences	<ul style="list-style-type: none"> Poor performance - impacting on residents Poor reputation - residents and partners Political instability Staff morale decreased Missed opportunities for funding Partnership not fulfilled
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> New Council Plan 2020/30 approved December 2019 Clear priorities – cascaded via PDRs/1:1s Shared with wider workforce via Staff Briefings Corporate Comms Plan in place. Delivery via service plans – currently being drafted by Heads of Service in conjunction with employees Monitoring via Leadership Team as programme board Executive oversight through quarterly corporate performance monitoring (also subject to quarterly Scrutiny) 		

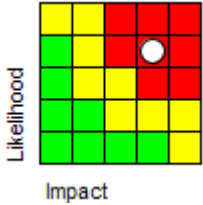
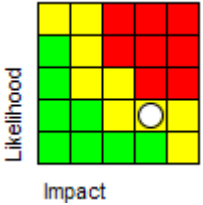
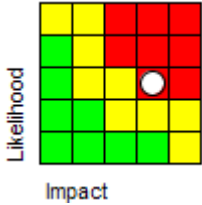
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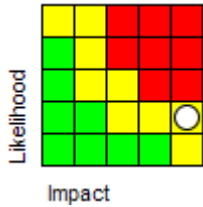
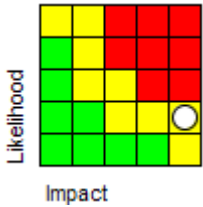
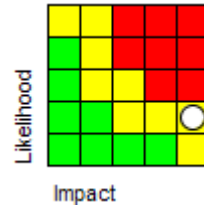
Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
 <p>Likelihood</p> <p>Impact</p> <p>16</p>	 <p>Likelihood</p> <p>Impact</p> <p>4</p>	 <p>Likelihood</p> <p>Impact</p> <p>12</p>
Notes		Review Date
Risk assessment score remains the same		January 2022

Covid pandemic continues. Whilst the summer saw the government lift the majority of restrictions - enabling return of many of those services previously limited by Covid and a reduction of backlogs (e.g. in housing repairs) - we are currently witnessing a significant spike in Covid cases locally that could have a large impact on staffing availability.

LGR continues to be a significant risk to delivery of corporate priorities - see separate risk - due to potential impact on time and resources to deliver. We are implementing creative ways to limit the impact of staff turnover on delivery.


Status	Risk Score	Risk Title	Description	Risk Owner
	12	Organisational Capacity (SDC_CRR_004)	Lack of organisational capacity and resilience to effectively deliver agreed outcomes and objectives for now and for the future.	Director of Corporate Services and Commissioning
Causes Page 119		<ul style="list-style-type: none"> • Loss of staff • Pay scales • Skills • Wrong structure • Succession planning • Motivation • Culture • Poor leadership • Ineffective management • Failure to prioritise 	Consequences	<ul style="list-style-type: none"> • Increased cost of delivery • High churn • Slowing pace • Loss of talent • Poor delivery of priorities • Impact on reputation • Political frustrations • Failure to deliver outcomes • Low resident satisfaction • Loss of confidence from partners and businesses • Staff stress and dissatisfaction • Poor services
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing. • Working with partners to lever capacity and expertise – e.g. Better Together. • Utilising Programme for Growth to secure short/medium term capacity to deliver Council priorities – e.g. Economic Development function. • Assessment and review processes (e.g. Peer Challenge; Staff Survey; IIP Assessment) in place. • Organisational Development Strategy (People Plan) and Action Plan • Secure sufficient HR/OD capacity/resources to deliver. 		

Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	
 <p style="text-align: center;">16</p>	 <p style="text-align: center;">8</p>	 <p style="text-align: center;">12</p>	
Notes			Review Date
<p>Risk score remains the same.</p> <p>Overall risks linked to Covid continue. We agreed a hybrid working model for those staff who can/wish to work at home. The current spike in cases caused by the Omicron variant has seen unprecedented Covid rates in the district (1800 cases/100,000 popn.). This creates an increased risk of reduced staff availability as a result of isolating/illness - although mitigated by the fact the majority of staff can work effectively from home.</p> <p>Despite a slight rise in Q2 - as Covid restrictions were relaxed - general staff sickness remains comparatively low.</p> <p>Positive strides have been made to reduce the backlogs caused by full lockdowns in 2020.</p> <p>LGR-related risks also continue following the government decision to select the NYCC model. We are seeing key staff leave and challenges around recruitment. We are working with North Yorkshire partners to minimise the impact of this. We are undertaking significant staff engagement work to maintain morale whilst the focus of the People Plan targeted to support staff through change (increasing engagement and core skills). LGR-implementation activities are underway and SDC staff are playing their part - however, this also places strain on the ability of SDC to deliver.</p> <p>MTFS reviewed/updated to ensure budgets targeted at priorities and required savings plans amended to ensure maximum staff resources over the next 15 months.</p>			<p>January 2022</p>

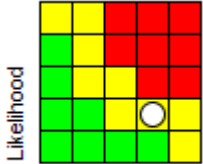
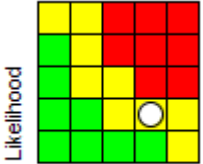
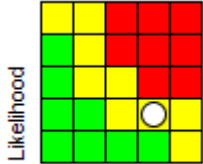
Status	Risk Score	Risk Title	Description	Risk Owner
	10	Health and Safety Compliance (SDC_CRR_002)	Failure to comply with Health and safety legislation.	Director of Corporate Services & Commissioning
Causes		<ul style="list-style-type: none"> • Incident involving a member of staff, visitor or member of the public • Incident involving council property or on council owned land. • HSE or third-party investigation. • Non-compliance with Health and Safety legislation. • Non-compliance with govt guidance for Covid secure 	Consequences	<ul style="list-style-type: none"> • Actual or potential injury or loss of life. • Environmental degradation. • Financial loss / impact on value of assets. • Reputational damage. • Covid outbreak / loss of staff and reputational damage
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Health and Safety Policy and Plan has been reviewed and is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous. • Health and safety due diligence assessment on service areas and contractors. • Public liability and property insurance. • Risk management system in place to manage equipment, contractors, property and environmental and health & safety risks. • Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance. • Risk assessing, and then managing accordingly, every property and asset. • Statutory checks to ensure regulatory HS&E Compliance. • Event Safety Plan for all events managed by external consultants. • Covid Secure risk assessments for all Council operations are in place and certified Covid Secure 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
				
10		10		10
Notes				Review Date


Annual corporate work plan in place and reviewed on a regular basis by LT. Technical support is provided by NYCC through a SLA up to 1/4/23

January 2022

Status	Risk Score	Risk Title	Description	Risk Owner
	8	Fraud & Corruption (SDC_CRR_007)	Incident of fraud and/or corruption occurs within the Council.	Chief Finance Officer
Causes		<ul style="list-style-type: none"> • Low staff morale • Debt (Individual) • Lack of vigilance by staff • System weakness - unknown • Failure to report changes • Incorrect information 	Consequences	<ul style="list-style-type: none"> • Financial and reputational loss • Potentially more fraud (gaps not closed)
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Counter fraud arrangements reviewed through annual self-assessment • Counter Fraud and Corruption Strategy and Policy to be reviewed regularly 		

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Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	
 <p>Likelihood</p> <p>Impact</p> <p>8</p>	 <p>Likelihood</p> <p>Impact</p> <p>8</p>	 <p>Likelihood</p> <p>Impact</p> <p>8</p>	
Notes			Review Date
Systems are in place to prevent and detect fraud but officers and members need to continue to be vigilant. LGR may present opportunities for fraudsters as resources are stretched but we continue to raise awareness.			December 2021


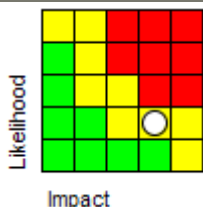
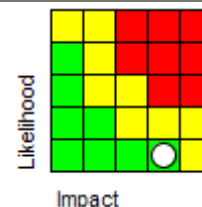
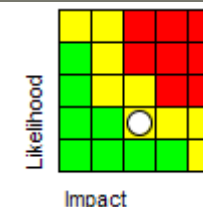
Status	Risk Score	Risk Title	Description	Risk Owner
	6	Economic Environment (SDC_CRR_008)	Poor net economic growth.	Director of Economic Regeneration and Place
Causes		<ul style="list-style-type: none"> • Selby District has performed well across a range of economic measures in recent times including low unemployment, high skills levels, significant business investment and increased levels of employment. • However, the Covid-19 lockdown has had a significant and unprecedented impact on global, national, regional and the local economy and the full impact has yet to be realised. • The impact of leaving the EU is also a cause of uncertainty for businesses. 	Consequences	<ul style="list-style-type: none"> • Significant negative impact of Covid-19 lockdown on existing businesses in the district • Impact on reputation and willingness by business to engage • Inward investment reduces • Higher unemployment • Decrease in new employment opportunities • Potential negative impact on business rates income. • Increased demand for economic development and wider Council support services e.g. debt support • Increased demand for interventions to stimulate economic growth.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Reviewed the Council Plan to ensure economic recovery is front and centre in the delivery priorities for the next 3 years – including a strong focus on key projects such as the Town Centre Action Plans, Selby Town HAZ, Selby Station TCF and district wider support for businesses. • Proactive engagement with YNY and LCR LEPs to influence economic growth programmes and the ensure Selby District priorities are captured in their respective Economic Recovery Plans. • Strong focus on Town Centre and High Street Recovery with clear Action Plans being developed for each centre and a bid made to the government’s Re-opening High Streets Safely Fund. • Appointed to vacant posts in the Economic Development & Regeneration service to allow the Council to take a proactive approach • Continued promotion of Selby District as being open for business and a great place to invest and locate. • Detailed engagement with key businesses to understand future challenges and opportunities to identify where the Council can provide additional support including proactive support with small business grants, Federation of Small Businesses Membership and a detailed survey of local businesses to shape where our interventions are most needed. • Engagement with key partners to influence investment programmes and decisions e.g. working jointly with NYCC and the YNY LEP to successfully bid to the governments ‘shovel ready’ programme to aide Covid recovery; helping to shape the draft YNY Devo Deal. 		

Risk Assessments

Original Risk Rating	Target Risk Rating	Current Risk Rating
<p align="center">12</p>	<p align="center">4</p>	<p align="center">6</p>

Notes	Review Date
Likelihood reduced due to stronger economic performance than anticipated - although concerns exist over inflation, land and premises supply, Covid and access to labour.	December 2021

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Status	Risk Score	Risk Title	Description	Risk Owner
	6	Managing Customer Expectations (SDC_CRR_006)	Inability to meet customers' demand for services.	Head of Business Development and Improvement; Chief Executive
Causes		<ul style="list-style-type: none"> • Lack of clear standards/standards not being met • Staff not demonstrating core values/behaviours • Poorly trained staff/ineffective learning • Staff not empowered to take decisions • Ineffective front:back office processes • Lack of resources/resources not aligned to priorities • Poor services 	Consequences	<ul style="list-style-type: none"> • Poor customer satisfaction. • Quality and timeliness of service suffers. • Sustainability of service. • Increased customer complaints. • Impact on Elected Members.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Increase community delivery. • Channel shift to self-service. • Re-design services using quality data. • Develop structured multi-agency partnerships. • Right first time services to remove avoidable work. 		
Risk Assessments				
Original Risk Rating		Target Risk Rating		Current Risk Rating
 <p style="text-align: center;">8</p>		 <p style="text-align: center;">4</p>		 <p style="text-align: center;">6</p>
Notes				Review Date
Impact reduced to medium to reflect re-commencement of face to face appointments for the most vulnerable and re-opening the				January 2022

reception provision at the Civic Centre.


The majority of frontline customer service continues to be delivered successfully from home whilst government requires staff to work at home where possible. Online and telephony contact channels now operate from the Civic Centre.

Significant communications support to customers continues to ensure customer expectations are managed.

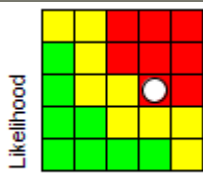
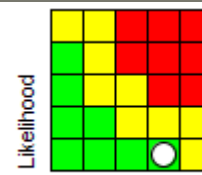
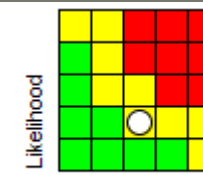
Roll out of technology to support customer self-service continues. Latest developments include the rollout of additional functionality for Revenues and Benefits customers with a new payments portal due in January and a new customer portal for housing customers shortly after.

We continue to make strides to further improve website accessibility.


Despite a dip in Q2, complaints performance shows continuous improvement.

Status	Risk Score	Risk Title	Description	Risk Owner
	6	Systems and Technology (SDC_CRR_014)	Lack of investment in the right technology and systems.	Head of Business Development and Improvement
Causes		<ul style="list-style-type: none"> • Failure to invest/keep up to date • Lack of knowledge to specify what we need • Fraud - internal theft of data or sabotage of system/data • Lack of training • Poor implementation • Policies not up to date • Not utilising fully 	Consequences	<ul style="list-style-type: none"> • System fails - cannot deliver (or less than optimal) • Fraud or financial impact • ICO action/fine • Wasted money/resources • Loss of critical data • Reputational damage and/or undefendable claims
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Digital Strategy 2018/20 and Implementation Plan with focus on: • Digital customers – channel shift/self-service and meeting changing expectations • Digital workforce – using technology to transform how • Digital foundations – maintaining modern, secure systems and infrastructure and strengthening governance and resilience • IT investment - with 10 year plan - aligned to business needs and requirements (Digital Strategy). • Programme supported by clear business cases and benefit realisation reports. • Robust business continuity and disaster recovery arrangements. • Continue to maximise opportunities for partnership working – e.g. through Better Together - which will deliver on shared ICT resources. 		

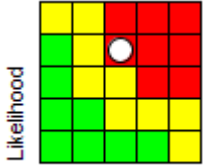

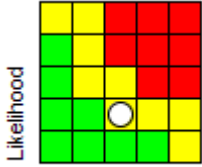
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Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>
12	4	6

Notes	Review Date
<p>Risk score unchanged</p> <p>BT arrangement with NYCC to provide IT infrastructure support renewed until June 2023.</p> <p>Microsoft 365 project complete - including extensive SharePoint and Teams training and enhanced security (more complicated passwords and use of biometrics).</p> <p>Continue to ensure we are on the most up to date versions of software.</p> <p>Shift to moving more services online continues, e.g. new online payment system scheduled for January, new housing portal in February and preparing for ebilling for council tax next spring.</p> <p>PSN health check recently completed - awaiting results.</p> <p>Focus for the next 15 months will be on ensuring digital/IT preparations for LGR go smoothly whilst supporting a robust IT infrastructure to ensure SDC continue to deliver for residents.</p>	<p>January 2022</p>


Status	Risk Score	Risk Title	Description	Risk Owner
	6	Managing Partnerships (SDC_CRR_017)	Inability to influence strategic partnerships (e.g. health/ LEP/NYCC etc.).	Director of Economic Regeneration and Place
Causes		<ul style="list-style-type: none"> • Poor relationship management • Political buy in • Performance Management • Clarity of Purpose • Commissioning/contract management • Lack of Shared objectives • Due Diligence • Partnership governance 	Consequences	<ul style="list-style-type: none"> • Service Failure - quality of delivery • Reputational • Loss of Service • Impact on customers/residents from lack of partnership resources • Conflicting priorities • Unable to gain additional resource/staff/funding • Capacity - ventures • Overspending • Legal challenge and costs • Conflicting governance • Liability of additional cost/spend.
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Targeted work with key developers and investors. • Close working with the LEP's to identify potential investment opportunities. • Close involvement in shaping the demands within any Devolution deal. • Re-structure to increase capacity in economic development, regeneration and partnerships. 		

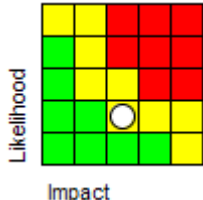
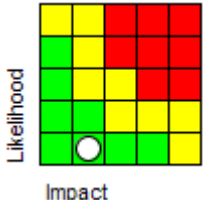
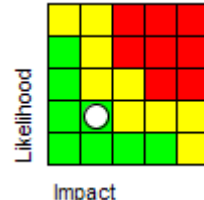
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Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
 <p>Likelihood</p> <p>Impact</p> <p>12</p>	 <p>Likelihood</p> <p>Impact</p> <p>4</p>	 <p>Likelihood</p> <p>Impact</p> <p>6</p>
Notes		Review Date
Current partnerships remain sound although with the Local Government Review due in April 2023, many partners are wanting		December 2021

to understand how to be involved to influence the shape and partnerships of the new authority but also to ensure that Selby as a locality is fully considered.

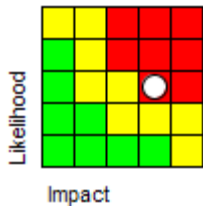
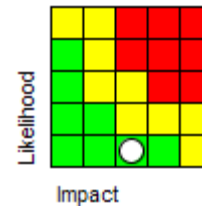
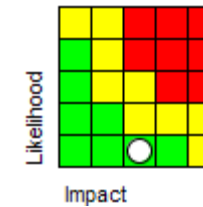
Mitigations include a communications and engagement workstream for LGR, regular briefings, partners involved in LGR workstreams. Each workstream completes a stakeholder engagement plan to ensure inclusion in design.

Status	Risk Score	Risk Title	Description	Risk Owner
	4	Information Governance/Data Protection (SDC_CRR_013)	Non-compliance with the Freedom of Information and General Data Protection Regulation acts.	Chief Finance Officer
Causes		<ul style="list-style-type: none"> • ineffective and/out of date policies • staff not aware and/or trained • ineffective communication • lack of an Information Asset Register and associated roles and responsibilities 	Consequences	<ul style="list-style-type: none"> • Loss or inappropriate use of personal data and information • Damaged reputation • Financial penalty
Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members • Breaches recorded, monitored and followed up 		

Page 131	Risk Assessments			Review Date
	Original Risk Rating	Target Risk Rating	Current Risk Rating	
	 <p style="text-align: center;">6</p>	 <p style="text-align: center;">2</p>	 <p style="text-align: center;">4</p>	December 2021
Notes				
New arrangements for overseeing day to day management of information governance have been agreed with Veritau and the Corporate Information Governance Group has been reconstituted to ensure senior ownership and follow up of actions.				

Status	Risk Score	Risk Title	Description	Risk Owner
	3	Failure in corporate governance arrangements (SDC_CRR_001)	The Council's governance and transparency of decision making is not effective and does not align with the Council's required flexibility to adapt.	Solicitor to the Council
Causes	The changing agenda and drive towards commercialisation requires the council to be 'fleet of foot' which may impact the ability to be accountable and transparent and legally compliant.		Consequences	<ul style="list-style-type: none"> • Councillors and managers may make decisions outside their accountability. • The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage. • Budgets may be overspent and outcomes may not improve.
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Constitution reviewed regularly including rules on decision making, access to information rules, contract procedure rules and financial procedure rules. • Governance training programme delivered for management team 			

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Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	
 <p>12</p>	 <p>3</p>	 <p>3</p>	
Notes			Review Date
There is an additional impact on Corporate Governance as key Senior and Corporate Officers are increasingly involved in Local Government Reorganisation work. It must be recognised at Corporate level that the Council continues as a legal entity until 31st March 2023 and appropriate resourcing of audit and governance work must be maintained.			January 2022



Report Reference Number: A/21/19

To: Audit & Governance Committee
Date: 26 January 2022
Author: Daniel Clubb, Corporate Fraud Manager, Veritau Group
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Counter Fraud Framework Update

Summary:

Veritau review the Council's counter fraud framework on an annual basis to ensure that it remains relevant and is up to date with current legislation and best practice. Following the latest review, it is recommended that the Counter Fraud and Corruption Policy is updated to include specific anti-bribery provisions. This report also provides an update to the committee on progress against the actions set out in the counter fraud strategy and presents an updated counter fraud risk assessment which reflects the current fraud risks facing the council.

Recommendation:

The committee recommend that the Executive approve the updated Counter Fraud and Corruption Policy. In addition the committee is asked to comment on and note the updated fraud risk assessment, and counter fraud strategy action plan.

Reasons for recommendation

To help ensure the council maintains robust counter fraud arrangements.

1 Introduction and Background

- 1.1 Veritau deliver a counter fraud service to the Council. The counter fraud team undertake proactive work to prevent and detect fraud such as raising awareness and providing training to members of staff. The team responds to concerns of fraud raised internally, by the public, from outside agencies, and through data matching exercises.
- 1.2 The team is responsible for making sure the Council's overall framework to counter fraud remains robust. This includes ensuring that

there is a strategy setting out how counter fraud arrangements are developed, and policies that clearly set out how the Council responds to fraud.

2 The report

- 2.1 The counter fraud framework is reviewed annually. The outcomes from the latest review are set out in appendix 1.

3 Legal/Financial Controls and other Policy matters

3.1 Legal issues

- 3.1.1 There are no legal issues relating to this report.

3.2 Financial Issues

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

4 Conclusion

- 4.1 This report and its associated appendix updates the committee on issues relevant to the maintenance and development of counter fraud arrangements at the Council. It provides an updated assessment of fraud risks, and an update to the Counter Fraud and Corruption Policy which the Committee is asked to recommend for approval.

5 Background Documents/Contacts

Contact Officer: *Daniel Clubb; Corporate Fraud Manager; Veritau Group*
Daniel.Clubb@veritau.co.uk

Appendices:

Appendix 1: Counter Fraud Framework Report – January 2022



COUNTER FRAUD FRAMEWORK REPORT

26 January 2022



Appendix 1

Corporate Fraud Manager: Daniel Clubb

Head of Internal Audit: Max Thomas



INTRODUCTION

- 1 Fraud is a significant risk to the UK public sector. Losses to local government due to fraud results in less funding for public services. It is estimated that the cost of fraud against local authorities is as much as £7.8 billion annually.¹ An estimated 40% of all crime committed in the UK is categorised as fraud.²
- 2 To effectively combat fraud the Council needs to have a counter fraud framework that helps prevent, detect and deter fraud. Counter fraud work also needs to develop at least as quickly as the techniques used by fraudsters.



NATIONAL PICTURE

- 3 Local authorities have been responsible for the administration of a number of schemes designed to support businesses and the public during the Covid-19 pandemic. No reports into the level of loss found in local authority administered schemes have been published, but the Department for Business, Economy and Industrial Strategy (BEIS) conclude that as councils deal with fraud on a day to day basis that they will have been more equipped to deal with fraud arising from these schemes.³
- 4 The Covid-19 pandemic has created opportunities for fraudsters to attack public sector organisations, private businesses, and members of the public. In March 2021, the National Audit Office (NAO) reported a significant rise in the risk fraud and error due Covid-19.⁴
- 5 The government has acknowledged the speed with which fraudsters adapt to exploit organisations' weaknesses. To better tackle the evolving threat, an improved national fraud and cybercrime reporting system will be introduced to replace Action Fraud.⁵ Cooperation and intelligence sharing between national and local agencies will help combat fraud.
- 6 Cybercrime remains a significant risk to all organisations, public and private. High profile attacks across the UK and worldwide have continued throughout the pandemic, and cybercriminals have shown disregard for the effects of their actions. An attack in the United States in May 2021 stemmed from a single compromised password and account, and resulted in the company involved paying a ransom of over £3 million.
- 7 Supply chain attacks have also become prevalent in the last 12 months. These attacks occur when a software or IT supplier is targeted and criminals use the knowledge they gain to attack the end users of the company's software. Several high profile attacks in 2020 resulted in governments and businesses in the United States, the UK, and Europe being affected. This included unauthorised access to email accounts and

¹ Annual Fraud Indicator 2017, Crowe Clark Whitehill

² Public Accounts Committee Report – Fraud and Error, June 2021, HM Government

³ Public Accounts Committee Report – Fraud and Error, June 2021, HM Government

⁴ Economic Crime Plan 2019-22, HM Government

⁵ Beating Crime Plan 2021

confidential documents, leading to data breaches. It's essential that oversight of organisational ICT infrastructure is maintained to ensure controls remain up to date and able to reduce the impact of emerging threats.



LOCAL PICTURE

- 8 The Council has been responsible for administering support payments to business and residents during the Covid-19 pandemic. Robust application processes and verification checks were established to minimise the impact of fraudulent attempts to claim funds. Veritau has supported the Council through participation in investigation of suspected fraudulent claims. The counter fraud team also liaises with external agencies such as the National Anti-Fraud Network, and National Investigation Service to help identify potential fraud and contribute to central investigation of organised crime. This work continues in 2021/22.
- 9 Raising fraud awareness with staff is key to identifying and tackling fraud. Veritau continues to engage staff and investigate reported allegations of fraud. Activity this year includes training being delivered to staff about cybersecurity awareness, and a campaign to raise awareness of bribery and corruption.



FRAUD RISK ASSESSMENT

- 10 Veritau completes an annual Fraud Risk Assessment, designed to identify the areas of fraud that present the greatest risk to the Council. The risk assessment is informed by national and regional reports of fraud affecting local authorities as well as the fraud reported to and investigated by the counter fraud team. The results of the assessment are used to:
 - develop or strengthen existing fraud prevention and detection measures
 - revise the counter fraud policy framework
 - focus future audit and counter fraud work.
- 11 The 2021/22 Fraud Risk Assessment is included at annex 1, below.
- 12 Covid-19 related fraud has been downgraded from a high risk to a medium risk as a result of the high value payments seen in 2020/21 coming to an end. In response to the Omicron variant of the virus, a new grant to support hospitality and leisure businesses was announced in December 2021. Resources that have been made available by central government for pre-payment verification checks and the Council's experience gathered from administering previous payments will help mitigate fraud risks. New cases of grant fraud may be identified through the National Fraud Initiative which includes cross boundary data matches which have not been previously available to local authorities. The Council is responsible for attempting to recover incorrectly paid grants.

- 13 Theft of assets has also been downgraded from a high risk to a medium risk. This is a result of the easing of Covid-19 related restrictions and increased staff presence at Council premises. Although we are continuing to review the situation as the Council responds to increasing cases as a result of the Omicron variant of the virus.
- 14 The fraud risk assessment will be kept under review so that any significant new or emerging risks are addressed.



COUNTER FRAUD FRAMEWORK

- 15 The Council has a robust counter fraud framework which includes a counter fraud strategy and associated action plan, a counter fraud policy, a fraud risk assessment, and a number of related policies (e.g. whistleblowing). A review of the framework is conducted annually.
- 16 A new counter fraud and corruption strategy was adopted last year. The strategy sets out the Council's aims for counter fraud work over the next few years. The strategy also includes actions needed to maintain and develop counter fraud arrangements at the Council. The associated strategy action plan is reviewed and updated annually. This year's update is included at annex 2, below. It details progress made against last year's plan and introduces new priorities for the counter fraud team in 2022/23. New objectives include:
 - continuing the good practice developed during Covid-19 grant administration to share intelligence that supports prevention of all types of fraud
 - developing an anti-bribery policy and communicating it to employees.
- 17 The current review identified that the Council does not have a specific anti-bribery policy, although the Employee Code of Conduct and Register of Gifts do cover related areas. The Bribery Act 2010 created a number of offences for people who offer or accept bribes. In addition, organisations that fail to prevent these offences from occurring can be found to have broken the law as well – and could face unlimited fines. One of the criteria that a court would use to assess an organisation's liability is whether it has anti-bribery policies in place which have been communicated to, and understood by, employees.
- 18 A proposed revised version of the Counter Fraud and Corruption Policy is included at annex 3 below. This has been amended to incorporate a separate Anti-Bribery Policy.

ANNEX 1: Fraud Risk Assessment (January 2022)

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
<p>Council Tax & Business Rates Frauds (discounts and exemptions)</p> <p>Page 139</p>	<p>Council Tax fraud is a common occurrence. CIPFA report that 66% of all local government related fraud, recorded as part of their annual survey, involved Council Tax or Business Rates payments. Single Person Discount fraud accounted for £28.9m of loss due to fraud in 2019/20 according to the survey.</p> <p>Depending on the scheme, there are several ways in which fraud can occur. These include applicants providing false information and recipients failing to notify the Council when they no longer qualify.</p> <p>Revenue from Council Tax and Business Rates is a key income stream. Fraud in this area threatens this source of funding.</p>	<p>The Council employs a number of methods to help ensure only valid applications are accepted. This includes requiring relevant information on application forms and visits to properties (where necessary).</p> <p>Controls including separation of duties between collection and administration, restriction of access to records and management oversight of action such as recovery suppressions help prevent internal fraud and error.</p> <p>Messages reminding residents and businesses to update their circumstances when necessary appear on annual bills issued by the Council.</p> <p>The Council routinely takes part in the National Fraud Initiative to identify potentially incorrectly obtain discounts. In addition, the Council conducts Single Person Discount reviews through a specialist provider and is seeking to move to a</p>	<p>High</p>	<p>The counter fraud team delivers periodic fraud awareness training to staff in revenues, and customer services about frauds affecting Council Tax and Business Rates. They also undertake criminal investigations where appropriate.</p> <p>Internal audit work in this area is planned for quarter 4 of 2021/22.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
		continuous monitoring system.		
Council Tax Support Fraud	<p>Council Tax Support is a Council funded reduction in liability introduced in 2013 to replace Council Tax Benefit. Unlike its predecessor, it is resourced entirely through Council funds. CIPFA's latest national fraud tracker showed the estimated total value of Council Tax Support fraud nationally to be £4.9m.</p> <p>Frauds in this area can involve applicants failing to declare their total assets, correct household composition or household income. Those receiving support are also required to notify relevant authorities when they have a change in circumstances that may affect their entitlement to support.</p> <p>The Department for Work and Pensions have reported an increase in fraud within the Universal Credit system during 2020/21 as a result of Covid-19. As Universal Credit claim are generally linked to Council Tax Support claims there is likely to be an associated increase</p>	<p>The Council undertakes eligibility checks on those who apply for support. There are established lines of communication with the Department for Work and Pensions where claims for support are linked to externally funded benefits.</p> <p>The Council is able to report Housing Benefit and other benefit frauds to the Department for Work and Pensions but this does not necessarily allow the Council control over resolving false claims for Council Tax Support.</p>	High	<p>Fraud concerns are reported to the counter fraud team who determine if criminal investigation is required. The counter fraud team can undertake joint working with the Department for Work and Pensions where it is mutually beneficial (e.g. joint claims for benefit).</p> <p>The counter fraud team will continue to raise awareness with relevant staff.</p> <p>A Housing Benefit and Council Tax Support audit was conducted in 2020/21. Good controls were found to be in place and a substantial assurance opinion was given.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>in fraud against the Council.</p> <p>Fraudulently obtained Council Tax Support represents a loss of Council funds.</p>			
<p>Creditor Fraud</p> <p>Page 141</p>	<p>A range of frauds can be committed against the Council as a result of publically available creditor payment data. Criminals undertaking these types of fraud are often found to be operating from overseas.</p> <p>The most common issue is mandate fraud where fraudsters impersonate legitimate suppliers and attempt to divert payments by requesting changes in bank details. Other types of fraud in this area include whaling, where senior members of the Council are targeted and impersonated in order to obtain fraudulent payments.</p> <p>In recent years there have been increased instances nationally of hackers gaining direct access to email accounts of suppliers and then attempting to perpetrate mandate frauds. These attempts</p>	<p>The Council has a number of controls in place to identify fraudulent attempts to divert payments from genuine suppliers and to validate any requests to change supplier details.</p> <p>Segregation of duties exist between the ordering, invoicing and payments processes.</p>	<p>High</p>	<p>Veritau undertake work to raise staff awareness of these types of frauds. Increased awareness provides greater chances of stopping fraudulent attempts before losses occur.</p> <p>All instances of whaling fraud reported to counter fraud team will be reported to the relevant agencies, such as the National Cyber Security Centre, as well as directly to the email provider from where the false emails originated from.</p> <p>The counter fraud team share intelligence on any attempted frauds occurring nationally to ensure the Council can prevent losses.</p> <p>Veritau are reviewing the</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>are much more difficult to detect and prevent.</p> <p>With increased remote working due to Covid-19, there have been increased opportunities for fraudsters to impersonate budget holders or suppliers in electronic communications to divert funds.</p>			<p>process for managing requests to update supplier details to ensure controls could defend against the latest fraud threats.</p> <p>Periodic audits are undertaken in this area to ensure controls are implemented and remain effective.</p>
<p>Cybercrime</p>	<p>Cybercrime is a constantly evolving area where criminals are continually refining their techniques in order to overcome controls put in place to protect organisations, to obtain unauthorised access and information, and to frustrate systems.</p> <p>Types of cybercrime experienced by local authorities in recent years include ransomware, phishing, whaling, hacking, and denial of service attacks. Attacks can lead to loss of funds, systems becoming unavailable to use impacting service delivery, and loss of data.</p>	<p>North Yorkshire County Council provides ICT services for the Council. Working with a larger organisation who have highly skilled ICT professionals helps mitigate the threat of cybercrime.</p> <p>The Council also benefits from North Yorkshire County Council's participation in a regional group with other local authorities to share best practice and information about emerging threats.</p>	<p>High</p>	<p>Raising awareness with staff can be crucial in helping to prevent successful cyberattacks. Any counter fraud training delivered will reinforce cybersecurity messages to members of staff.</p> <p>An awareness campaign for staff took place during cybersecurity awareness month in October.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>There have been a number of high profile cyber-attacks on public and private sector organisations in recent years. Attacks stemming from the hacking of software or IT service providers have become more prevalent. These are known as supply chain attacks and are used by hackers to target the end users of the software created by the organisations targeted.</p>			
<p>Procurement Fraud</p> <p>Page 143</p>	<p>Procurement fraud has been highlighted as a high risk for local authorities in the CIPFA fraud tracker for a number of years.</p> <p>Procurement fraud, by its nature, is difficult to detect but can result in large scale loss of public funds over long periods of time. The Competition and Markets Authority (CMA) estimates that having a cartel within a supply chain can raise prices by 30% or more.</p> <p>CIPFA reported losses of £1.5m in 2019/20 for local authorities, due to procurement fraud. It found that 8% of fraud detected in this area involved 'insider fraud'.</p>	<p>The Council has established Contract Procedure Rules. The rules are reviewed regularly and ensure the requirement for a competitive process (where required) through an e-tender system. A team of procurement professionals provide guidance and advice.</p> <p>A tendering and evaluation framework is in operation to help prevent fraud. It also sets out the requirements for declarations of interest to be made.</p> <p>Contract monitoring is undertaken to help detect and deter fraud.</p>	<p>High</p>	<p>Continued vigilance by relevant staff is key to identifying and tackling procurement fraud. The counter fraud team will continue to provide training to raise awareness of fraud risks in this area.</p> <p>The counter fraud team and internal audit will monitor guidance on fraud detection issued by the Competition and Markets Authority and other relevant bodies.</p> <p>Any suspected procurement fraud is reported to Veritau for further investigation.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 14</p>	<p>The Ministry of Housing, Communities and Local Government (MHCLG) published a report in June 2020 regarding the risks of procurement fraud in local government. It identifies actions required by MHCLG to provide support to local authorities. Areas of good practice for councils are also highlights, many that the Council achieves or continues to develop.</p>			
<p>COVID-19 grant fraud</p>	<p>Throughout the Covid-19 pandemic local authorities have been responsible for providing support to businesses and residents. The Council had to respond quickly to deliver a number of support schemes in 2020/21. New processes for verifying applications had to be implemented very quickly.</p> <p>These schemes have been subject to attempted fraud at a local, national and international level due to the significant amount of funding available.</p>	<p>Over the course of 2020/21 the Council developed robust processes to identify fraudulent applications for support. This included use of national data matching resources. These resources and the Council experience can be applied to administration of any new or ongoing schemes.</p> <p>Government mandated pre- and post-assurance activities have been undertaken to review the success of controls in place.</p>	<p>Medium</p>	<p>Any instances of fraud are investigated by the counter fraud team. Where payments were found to have been fraudulently or incorrectly made a recovery process was instigated.</p> <p>Veritau conducted a post-event assurance exercise at the end of 2020/21 which reviewed payments to businesses made during the first lockdown period. The exercise concluded that the vast majority of payments sampled had been made</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	<p>A new scheme to support hospitality and leisure sectors was announced in December 2021.</p> <p>While funding has been provided by central government, the Council was charged with the responsibility for identifying genuine applicants and investigating and recovering incorrect payments.</p>			<p>correctly and in line with government guidance.</p> <p>The counter fraud team still has a number of investigations ongoing and the results of a National Fraud Initiative data matching exercise are being reviewed. A further National Fraud Initiative exercise is being conducted in early 2022.</p> <p>The counter fraud team shares details of all known frauds occurring regionally and nationally.</p>
Internal Frauds	<p>There are a range of potential employee frauds including falsifying timesheets and expense claims, abusing flexitime or annual leave systems, undertaking alternative work while sick, or working for a third party on Council time. Some staff have access to equipment and material that may be misused for private purposes.</p> <p>With increased staff working</p>	<p>The Council has a whistleblowing policy through which concerns can be raised. An anti-bribery policy that asks staff to report concerns through the whistleblowing policy is being implemented.</p> <p>Controls are in place surrounding flexitime, annual leave and sickness absence.</p> <p>Participation in the National Fraud</p>	Medium	<p>The counter fraud team will investigate any suspicions of corruption while internal audit ensure that appropriate checks and balances are in place to help prevent it.</p> <p>The Council's anti-bribery policy will be promoted to staff in 2022.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
Page 146	<p>remotely, working hours and associated claims may be more difficult to monitor. It is essential that these issues are tackled as they can cause reputational damage and affect staff morale and performance.</p> <p>Payroll related fraud can involve the setting up of 'ghost' employees in order to divert salary payments to others.</p> <p>Corruption and bribery is a significant risk to all public sector organisations, however, only low levels have ever been detected.</p>	<p>Initiative helps the Council identify potential cases of internal fraud. There is currently an exercise underway.</p>		
Recruitment Fraud	<p>Recruitment fraud can affect all organisations. Applicants can provide false or misleading information in order to gain employment such as bogus employment history and qualifications or providing false identification documents to demonstrate the right to work in the UK.</p>	<p>The Council has controls in place which include verification of qualifications and reviewing references to help mitigate against the risk of fraud in this area.</p>	Medium	<p>Where there is a suspicion that someone has provided false information to gain employment, the CFT will be consulted on possible criminal action in tandem with any disciplinary action that may be taken.</p>
Theft of Assets	<p>The theft of assets can cause financial loss and reputational</p>	<p>Specific registers of physical assets (e.g. capital items, property and ICT</p>	Medium	<p>Members of staff should also be vigilant and report all</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
<p style="writing-mode: vertical-rl; transform: rotate(180deg);">Page 14</p>	<p>damage. It can also negatively impact on employee morale and disrupt the delivery of services. The Council owns large numbers of physical items, such as IT equipment, vehicles and tools.</p> <p>The reduction of staff at Council premises during the Covid-19 outbreak increased the risk of theft. This risk has reduced as restrictions have lifted but the situation will remain under review as the Council responds to the Omicron variant of the virus.</p>	<p>equipment) are maintained.</p> <p>The Council's whistleblowing arrangements provide an outlet for reporting concerns of theft.</p>		<p>possible thefts promptly to the Police and counter fraud team.</p>
<p>Blue Badge Fraud</p>	<p>Blue Badge fraud can affect disabled residents' and visitors' ability to access areas easily. The badges are issued by North Yorkshire County Council, but the Council offers free parking to badge holders using its car parks. There is a risk of reputational damage to the Council if abuse of this scheme is not addressed.</p> <p>People using a Blue Badge that does not belong to them and without the badge holder present are acting contrary to the law.</p>	<p>Parking enforcement is undertaken by Harrogate Borough Council.</p>	<p>Low</p>	<p>The counter fraud team will investigate cases where it is suspected that blue badges are being fraudulently used in Council car parks.</p>

Risk Area	Risk Description	Risk Controls	Risk Category	Risk Mitigation
	They may also park in some restricted areas, including on many double yellow lines.			
Fraudulent Insurance Claims	The Council may receive exaggerated or fabricated insurance claims. CIPFA's 2019/20 report estimated that insurance fraud had cost local government £3.9m in the previous year.	The burden of risk is currently transferred to the Council's insurers. They have established detection and investigation processes.	Low	n/a
Treasury Management	The impact of losses in this area could be significant. There have been no recorded frauds within the Council.	Treasury Management services are provided by North Yorkshire County Council. Systems are well controlled and subject to periodic internal audit review.	Low	Internal Audit undertake periodic reviews of the controls in this area.

ANNEX 2: COUNTER FRAUD STRATEGY ACTION PLAN

Veritau has responsibility for maintaining, reviewing, and strengthening counter fraud arrangements at the Council. This includes an annual review of the Council's counter fraud policy framework.

Ongoing counter fraud work is targeted towards the high risk fraud areas (creditors, cybercrime and procurement). This work includes both proactive activities (for example conducting a rolling programme of fraud awareness training for officers, sharing fraud alerts and undertaking data matching exercises) and reactive work (for example, investigations, prosecutions and fraud loss recovery).

A number of new developments and initiatives are also planned as follows:

New one off and developmental activity:

Ref	Action Required	Target Date	Responsibility	Notes
1	Promote the Council's new Anti-Bribery Policy.	June 2022	Veritau / Communications Team	Raise awareness internally of the policy and its implications.
2	Increase sharing of counter fraud intelligence to enhance fraud prevention.	March 2022	Veritau	Veritau to promote sharing of counter fraud intelligence from regional and national forums.
3	Review Council processes for updating supplier details.	January 2022	Veritau / Finance Department	Veritau to review existing controls in place to verify changes to supplier details, and recommend any necessary action to protect the Council from the latest fraud threats.
4	Increase use of the National Anti-Fraud Network (NAFN) services across the Council.	June 2022	Veritau / Service Departments	Veritau to promote use of NAFN services to help Council departments identify fraud and recover losses.

Completed activities:

Ref	Action Required	Responsibility	Update
1	Undertake post assurance checks on grant applicants to the Small Business Grant Fund and Retail, Hospitality and Leisure Grant Fund Schemes.	Veritau / Revenues Department	A post-assurance report finalised in May 2021. A sample of Covid-19 related payments were reviewed for fraud and error. The report found that the Council had paid grants correctly and in line with Government guidance.
2	Develop a communication strategy to publicise counter fraud and corruption news internally.	Veritau / Communications Team	A schedule of regular fraud awareness campaigns was introduced in 2021/22. This work will continue in 2022/23.
3	Ensure that up to date policies are in place to enable the Council to undertake covert surveillance under the Regulation of Investigatory Powers Act and employee monitoring outside of the Act.	Veritau / Legal Department	The Council was inspected by the Investigatory Powers Commissioner in February 2021. The solicitor to the Council presented updates to the Council's RIPA policy in September 2021. This introduced the latest government code of practice.
4	Create a new data protection impact assessment to enable further data matching at the Council.	Veritau / Service departments	A data protection impact assessment template has been developed for use in future data matching activity.

Ref	Action Required	Responsibility	Update
5	Participate in Fighting Fraud and Corruption Locally working groups.	Veritau	Veritau chair a Fighting Fraud and Corruption Locally working group and seek opportunities to make further contributions.



COUNTER FRAUD AND CORRUPTION POLICY

1 Introduction

- 1.1 All organisations are at increasing risk of fraud and corruption. Some commentators estimate that annual fraud losses to local government in the UK could be £7.8 billion. It is therefore a risk that the Council cannot and should not ignore.
- 1.2 Any fraud committed against the Council effectively constitutes a theft of taxpayer's money. It is unlawful and deprives the Council of resources which should be available to provide services to the public. By putting in place effective measures to counter the risk of fraud and corruption the Council can reduce losses which impact on service delivery as a contribution to the achievement of overall Council priorities.
- 1.3 This document sets out the Council's policy in relation to fraud and corruption perpetrated against it, and its overall arrangements for preventing and detecting fraud. It includes the fraud and corruption prosecution policy contained in Annex A. It forms part of the Council's overall policy framework for combating fraud and corruption and should be read in conjunction with the counter fraud strategy, constitution, the financial regulations, contract procedure rules, the whistleblowing policy, anti-money laundering policy, codes of conduct, and disciplinary procedures.

2 Definitions and Scope

- 2.1 For the purpose of this policy, the term fraud is used broadly to encompass:
- acts which would fall under the definition in the Fraud Act (2006)
 - anything which may be deemed fraudulent in accordance with the generally held view of fraud as causing loss or making a gain at the expense of someone by deception and dishonest means
 - any offences which fall under the Social Security Administration Act (1992), Council Tax Reduction Schemes Regulations (2013) and the Prevention of Social Housing Fraud Act (2013)
 - any act of bribery or corruption including specific offences covered by the Bribery Act (2010)
 - acts of theft
 - any other irregularity which is to the detriment of the Council whether financially or otherwise, or by which someone gains benefit they are not entitled to.
- 2.2 This policy does not cover fraud or corruption against third parties, except where there may be an impact on the service provided by the Council. In addition, it does not cover other acts – for example offences involving

violence - which may affect the Council, and which should in most cases be reported directly to the police.

3 Principles

- 3.1 The Council will not tolerate fraud or corruption in the administration of its responsibilities, whether perpetrated by members, officers, customers of its services, third party organisations contracting with it to provide goods and/or services, or other agencies with which it has any business dealings. There is a basic expectation that members, employees, and contractors' staff will act with integrity and with due regard to matters of probity and propriety, the requirement to act lawfully and comply with all rules, procedures and practices set out in legislation, the constitution, the Council's policy framework, and all relevant professional and other codes of practice.
- 3.2 The Council will seek to assess its exposure to risks of fraud and corruption. It will prioritise resources available to prevent and deter fraud in order to minimise this risk.
- 3.3 The Council will consider any allegation or suspicion of fraud seriously, from whatever source, and if appropriate will undertake an investigation to confirm whether fraud has occurred and determine the appropriate outcome. Any investigation will be proportionate. The Council may refer any incident of suspected fraud to the police or other agencies for investigation, if appropriate.
- 3.4 To act as a deterrent, the Council will take action in all cases where fraud (or an attempt to commit fraud) is proved, in proportion to the act committed. This may include prosecution, application of internal disciplinary procedures, or any other action deemed appropriate to the offence (for example referral to a professional body). Prosecution decisions will be made in accordance with the fraud and corruption prosecution policy (Annex A).
- 3.5 As a further deterrent, and to minimise losses, the Council will attempt to recover any losses incurred through civil or legal action. In addition, the Council will seek to apply any appropriate fines or penalties, and recover any costs incurred in investigating and prosecuting cases.
- 3.6 The Council will not tolerate any form of bribery to or by employees, members, or suppliers. Any act of bribery puts the Council at risk of committing a criminal offence. Please see the Council's Anti-Bribery Policy which is contained in Annex B.

4 Responsibilities

- 4.1 Overall responsibility for counter fraud arrangements rests with the Council's Chief Finance Officer (CFO), on behalf of the Council. The CFO has a professional responsibility for ensuring the Council has appropriate measures for the prevention and detection of fraud and corruption, which are reflected in legislation.
- 4.2 The Audit and Governance Committee has responsibility to consider the effectiveness of counter fraud and anti-corruption arrangements at the Council. This includes monitoring of Council policies on raising concerns at work and counter fraud and corruption.
- 4.3 The Extended Leadership Team (ELT) are collectively responsible for ensuring that the Council has effective counter fraud and corruption procedures embedded across the organisation that comply with best practice and good governance standards and requirements.
- 4.4 Veritau (who provide internal audit and counter fraud services to the Council) is responsible for reviewing the Council's counter fraud and corruption policies on a regular basis and recommending any required changes to those policies. In addition, Veritau leads on fraud prevention and detection issues for the Council and is responsible for investigating suspected cases of fraud or corruption. The internal audit team carries out audit work to ensure that systems of control are operating effectively, which contributes to the reduction in opportunities for committing fraud. The Head of Internal Audit is required to report their professional opinion on the Council's control environment to members of the Audit & Governance Committee on an annual basis in accordance with proper practice.
- 4.5 All senior managers have a responsibility for preventing and detecting fraud within their service areas. This includes maintenance of effective systems of internal control and ensuring that any weaknesses identified through the work of internal audit or by other means are addressed promptly.
- 4.6 The Solicitor to the Council is the Council's nominated officer for the purposes of the Money Laundering Regulations (2007), and is responsible for reporting any issues referred to them, in this capacity.
- 4.7 All staff have a general responsibility to be aware of the possibility of fraud and corruption, and to report any suspicions that they may have to Veritau. Where appropriate, staff may use the whistleblowing policy to raise concerns anonymously.

- 4.8 Officers within human resources have a responsibility to support service departments in undertaking any necessary pre-disciplinary investigation and disciplinary process.

5 Overall Counter Fraud Arrangements

Introduction

- 5.1 The purpose of this section is to set out the Council's overall framework for countering the risk of fraud and corruption. While the Council aims to follow best practice in relation to counter fraud activity⁶, it recognises that new and emerging fraud risks will require a dynamic approach to fraud prevention and detection.

Measurement

- 5.2 The Council will assess the potential risks and losses due to fraud and corruption, and will use these to prioritise counter fraud activity, and review the resources available to counter those risks. The review will include an assessment of actual levels of fraud⁷ and the effectiveness of counter fraud activity in reducing losses. The outcome of this review will be reported to the Audit & Governance Committee on an annual basis as part of the audit and fraud planning cycle.

Culture

- 5.3 The Council will promote a culture whereby all staff, members, service users, and contractors are aware that fraud or corruption in any form is unacceptable. To do this, it will:
- ensure that there are clear arrangements in place for reporting suspicions about potential fraud or corruption, whether that be by staff, Council members, partners, stakeholders, contractors or members of the public;
 - investigate reported suspicions and where evidence of fraud or corruption is found will prosecute where appropriate and take any other action necessary in accordance with the financial regulations, contract procedure rules, fraud and corruption prosecution policy, disciplinary procedures, members code of conduct, or any relevant legislation or guidance;

⁶ For example the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

⁷ All suspected fraud should be reported to Veritau. A record of all such information will be maintained on a confidential basis.

- ensure that the consequences of committing fraud and/or partaking in corrupt practices are widely publicised.

Prevention and Detection

Controls

- 5.4 As part of its ongoing operating procedures, the Council seeks to ensure that proper systems of internal control are in place. This includes controls to directly prevent and detect fraud, such as separation of duties and management review, along with other procedures such as vetting as part of recruitment processes and systems for declaration of interests and gifts and hospitality. The effectiveness of systems of control are monitored and a formal report is made as part of the process for preparing the annual governance statement. The Council maintains a system of internal audit to provide independent review of control systems on an ongoing basis, in accordance with a risk assessment.
- 5.5 Services will be encouraged to consider the risk of fraud as part of the Council's risk management process. Any information on risks identified will be used to inform the annual review of counter fraud activity.

Proactive Work

- 5.6 The Council will carry out targeted project work (for example data matching exercises) to identify fraud and corruption in known high risk areas. This work will be carried out by Veritau as part of its annual workplan. Work will be prioritised based on a risk assessment as part of the annual review of counter fraud activity. Work may include joint exercises with other agencies, including other local councils.
- 5.7 The Council will take part in projects led by other agencies such as the Cabinet Office and the DWP to identify potential fraud e.g. the National Fraud Initiative and HBMS Data Matching Service. Resources will be allocated to follow up all data matches, and will include support through the internal audit and counter fraud teams to review potential control issues and suspected fraud. Veritau will work with service departments to ensure that they are aware of the need to include notices to service users stating that any data held may be subject to use for data matching purposes.

Relationships

- 5.8 The Council has established relationships with a number of other agencies. It will continue to develop these relationships and develop new

ones to further the prevention and detection of fraud. Organisations which the Council will work with include:

- the police
- the courts
- the Cabinet Office
- the Department for Communities and Local Government
- the Department for Works and Pensions
- other councils
- community groups

5.9 Veritau will work with Council departments to ensure that systems for reporting and investigating suspected fraud and corruption are robust.

Fraud Awareness Training

5.10 As part of its annual workplan, Veritau will provide targeted fraud awareness training to specific groups of staff, based on its annual risk assessment.

Investigation

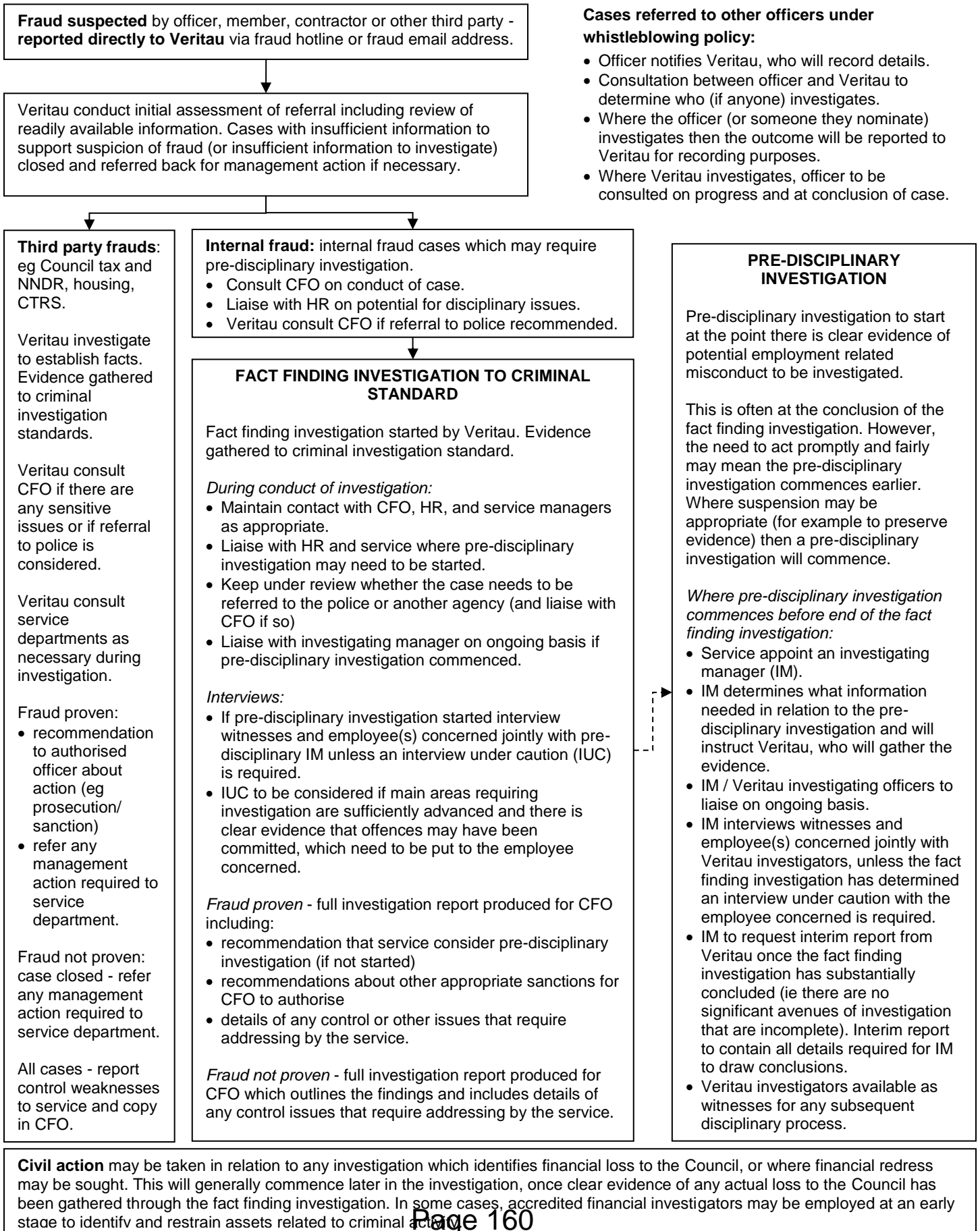
5.11 All suspected cases of fraud, corruption, theft or other irregularity will be investigated. The nature of each investigation will depend on the circumstances of each case. Veritau will act as a first port of call for any suspected fraud and will provide advice on whether other agencies should be notified (eg the police). Veritau will determine the extent of the investigation to be carried out in consultation with the Chief Finance Officer, service departments and human resources. Where necessary, Veritau may refer cases to other agencies (for example the police) at the discretion of the Head of Internal Audit. Figure 1 overleaf outlines the fraud referral and investigation process.

5.12 All staff involved in the investigation of fraud will be appropriately trained. They will be required to comply with any relevant legislation, codes of practice and government guidance. For example the Police and Criminal Evidence Act (PACE), Regulation of Investigatory Powers Act (RIPA), the Data Protection Act, the Criminal Procedures Investigations Act (CPIA) and practitioners' guidance from the Attorney General. Investigators will take into account the individual circumstances of anyone involved in an investigation and adjustments to procedure will be made where necessary to ensure that all parties are treated equitably (where it is appropriate and reasonable to do so).

5.13 As part of the outcome of every investigation, a review of any weaknesses in control will be made and if necessary recommendations will be made to

address any issues identified. These will be set out in a formal report to the managers of the service concerned, and will be followed up to ensure the issues are addressed.

Figure 1: Selby District Council Fraud Referral and Investigation Process



- 5.14 The Head of Internal Audit will ensure that systems for investigating fraud are reviewed on an ongoing basis, to ensure that they remain up to date and comply with good practice.

Publicity

- 5.15 The Council will publicise all successful prosecutions undertaken either by itself or by partner organisations, to act as a deterrent against future fraud.
- 5.16 In addition, where appropriate, targeted publicity will be used to raise the awareness of fraud to staff, members, the public, and other agencies. This will consist of both internal and external publicity and will aim to:
- raise awareness about potential fraud and ensure all stakeholders are alert to the possibilities of fraud;
 - inform all stakeholders of the procedures to be followed if they have suspicions of fraud;
 - ensure that all stakeholders are aware that the Council will not tolerate fraud and the consequences of committing fraud against it.

Recovery of Monies

- 5.17 Where any loss has been incurred by the Council or additional costs have been incurred as a result of fraud or corruption, the Council will seek to recover these from the individual or organisation concerned. This will help to ensure that the financial impact of fraud on the Council is minimised and act as a deterrent. As a further deterrent, the Council will seek to levy any appropriate fines or penalties where it is possible and desirable to do so.
- 5.18 Methods of recovery may include (but are not limited to):
- recovery from assets held by the organisation or individual (using the Proceeds of Crime Act or any other relevant legislation);
 - bankruptcy where appropriate;
 - recovery from future salary payments if an individual remains an employee of the Council;
 - recovery of pension contributions from employees or members who are members of the North Yorkshire Pension Fund.

6 Monitoring & Review Arrangements

- 6.1 The arrangements set out in this policy document will be reviewed on an annual basis as part of the audit and fraud planning cycle and will include the fraud and corruption prosecution policy (Annex A), anti-bribery policy (Annex B), and other related guidance. Veritau will work with other

departments to ensure that other related guidance and policy (such as the whistleblowing policy) are reviewed on a regular basis and any amendments or necessary changes are reported to members for approval.

LAST REVIEWED AND UPDATED: 26 January 2022



FRAUD AND CORRUPTION PROSECUTION POLICY

1 Scope and Purpose

- 1.1 The fraud and corruption prosecution policy forms part of the Council's overall counter fraud and corruption arrangements. The policy covers all acts, and/or attempted acts, of fraud or corruption committed by officers or members of the Council, or committed by members of the public, or other organisations or their employees, against the Council.
- 1.2 The policy sets out the circumstances in which the Council will take legal action against the perpetrators of fraud or corruption. It also sets out the circumstances when it is appropriate to consider alternative courses of action such as offering a caution. The policy does not cover internal disciplinary procedures which are the subject of the Council's separate disciplinary policy and procedures.
- 1.3 This policy should be read in conjunction with the Council's constitution, financial regulations, contract procedure rules, the counter fraud and corruption policy and the strategy, the whistleblowing policy and the Council's disciplinary policy and procedures.
- 1.4 The policy contains specific guidelines for determining the most appropriate course of action when fraud has been identified. Offences other than fraud and corruption (for example those relevant to the enforcement of regulations) are dealt with by the appropriate service departments under other policies and relying on specific legal powers.

2 Principles

- 2.1 The Council is committed to deterring fraud and corruption. As part of its overall strategy to do this the Council will seek to take appropriate action against anyone proven to have attempted and/or committed a fraudulent or corrupt act against it. The Council considers that those guilty of serious fraud or corruption must take responsibility for their actions before the courts.
- 2.2 The policy is designed to ensure that the Council acts fairly and consistently when determining what action to take against the perpetrators of fraud or corruption.
- 2.3 Staff and members who are found to have committed fraud or corruption may be prosecuted in addition to such other action(s) that the Council may decide to take, including disciplinary proceedings in the case of staff and referral to the relevant officer or body in the case of members. Any decision not to prosecute a member of staff for fraud and corruption does not preclude remedial action being taken by the relevant director(s) in accordance with the Council's disciplinary procedures or other

policies.

- 2.4 This Policy is also designed to be consistent with Council policies on equalities. The Council will be sensitive to the circumstances of each case and the nature of the crime when considering whether to prosecute or not.
- 2.5 The consistent application of the policy will provide a means for ensuring that those who have perpetrated fraud and corruption are appropriately penalised. It will also act as a meaningful deterrent to those who are contemplating committing fraud or corruption. The Council recognises the deterrent value of good publicity and therefore information regarding successful prosecutions and sanctions will be made public.
- 2.6 Any decision taken by an authorised officer to prosecute an individual or to offer a formal sanction will be recorded in writing. The reason for the decision being taken will also be recorded.
- 2.7 Irrespective of the action taken to prosecute the perpetrators of fraud and corruption, the Council will take whatever steps necessary to recover any losses incurred, including taking action in the civil courts.

3 Prosecution

- 3.1 The policy is intended to ensure the successful prosecution of offenders in court. However, not every contravention of the law should be considered for prosecution. The Council will weigh the seriousness of the offence (taking into account the harm done or the potential for harm arising from the offence) with other relevant factors, including the financial circumstances of the defendant, mitigating circumstances and other public interest criteria. All cases will be looked at individually and be considered on their own merit.
- 3.2 To consider a case for prosecution the Council must be satisfied that two tests have been passed. Firstly, there must be sufficient evidence of guilt to ensure conviction. This is called the **evidential test**. Secondly, it must be in the public interest to proceed – the **public interest test**.
- 3.3 To pass the evidential test, authorised officers must be satisfied that there is a realistic prospect of conviction based on the available evidence (that is, there must be sufficient admissible, substantial and reliable evidence to secure a conviction).
- 3.4 To pass the public interest test, the authorised officer will balance, carefully and fairly, the public interest criteria against the seriousness of the offence. The public interest criteria include;

- the likely sentence (if convicted);
- any previous convictions and the conduct of the defendant;
- whether there are grounds for believing the offence is likely to be repeated;
- the prevalence of the offence in the area;
- whether the offence was committed as a result of a genuine mistake or misunderstanding;
- any undue delay between the offence taking place and/or being detected and the date of the trial;
- the likely effect that a prosecution will have on the defendant;
- whether the defendant has put right the loss or harm caused.

3.5 It will generally be in the public interest to prosecute if one or more of the following factors applies, subject to any mitigating circumstances;

- the actual or potential loss to the Council was substantial;
- the fraud has continued over a long period of time;
- the fraud was calculated and deliberate;
- the person has previously committed fraud against the Council (even if prosecution did not result) and/or there has been a history of fraudulent activity;
- the person was in a position of trust (for example, a member of staff);
- there has been an abuse of position or privilege;
- the person has declined the offer of a caution or financial penalty;
- the case has involved the use of false identities and/or false or forged documents.

3.6 Investigating officers and prosecutors will review the appropriateness of pre-charge engagement where prosecution is considered⁸. This is likely to occur where such engagement may lead the defendant to volunteer additional information that may identify new lines of inquiry. Pre-charge engagement may be instigated by the investigating officer, the Council prosecutor, the defendant's representative or a defendant themselves (if unrepresented).

⁸ Pre-charge engagement was recommended in the Attorney General's 'Guidance on Disclosure 2020'.

4 Mitigating Factors

- 4.1 The following mitigating factors will be taken into account when determining whether to prosecute;

Voluntary Disclosure

- 4.2 A voluntary disclosure occurs when an offender voluntarily reveals fraud about which the Council is otherwise unaware. If this happens, then the fraud will be investigated but the offender will not be prosecuted unless in exceptional circumstances. However, any person colluding in the crime will still be prosecuted. A disclosure is not voluntary if the:-

- admission is not a complete disclosure of the fraud;
- admission of the fraud is made only because discovery of the fraud is likely, (for example, the offender knows the Council is already undertaking an investigation in this area and/or other counter fraud activity);
- offender only admits the facts when challenged or questioned;
- offender supplies the correct facts when making a claim to Legal Aid.

Ill Health or Disability

- 4.3 Where the perpetrator (and/or their partner) is suffering from prolonged ill health or has a serious disability or other incapacity then the offender will not normally be prosecuted. Evidence from a GP or other doctor will be requested if the condition is claimed to exist, unless it is obvious to the investigator. It is also necessary to prove that the person understood the rules governing the type of fraud committed and was aware that their action is wrong. This may not be possible where, for instance, the offender has serious learning difficulties. However, simple ignorance of the law will not prevent prosecution.

Social Factors

- 4.4 A wide range of social factors may make a prosecution undesirable. The test is whether the court will consider the prosecution undesirable, and go on to reflect that in the sentence.

Exceptional Circumstances

4.5 In certain exceptional circumstances the Council may decide not to prosecute an offender. Such circumstances include;

- the inability to complete the investigation within a reasonable period of time;
- the prosecution would not be in the interests of the Council;
- circumstances beyond the control of the Council make a prosecution unattainable.

5 Alternatives to Prosecution

5.1 If some cases are considered strong enough for prosecution but there are mitigating circumstances which cast a doubt as to whether a prosecution is appropriate then the Council may consider the offer of a sanction instead. The two sanctions available are;

- a caution, or;
- financial penalty.

Simple Cautions

5.2 A simple caution is a warning given in certain circumstances as an alternative to prosecution, to a person who has committed an offence. All cautions are recorded internally and kept for a period of six years. Where a person offends again in the future then any previous cautions will influence the decision on whether to prosecute or not.

5.3 For less serious offences a simple caution will normally be considered where all of the following apply;

- there is sufficient evidence to justify instituting criminal proceedings;
- the person has admitted the offence;
- there is no significant public requirement to prosecute;
- it was a first offence, and;
- a financial penalty is not considered to be appropriate.

Only in very exceptional circumstances will a further caution be offered for a second or subsequent offence of the same nature.

5.4 Cautions will be administered by the Head of Internal Audit (or deputy), Assistant Director – Corporate Fraud, Corporate Fraud Manager, or a Senior Corporate Fraud Investigator, on behalf of the Council. If a

caution is offered but not accepted then the Council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

Financial Penalties

- 5.5 The Council Tax Reduction Schemes (Detection of Fraud and Enforcement) (England) Regulations 2013, permit a financial penalty to be offered to claimants as an alternative to prosecution. The penalty is set at 50% of the amount of the excess reduction, subject to a minimum of £100 and a maximum of £1000. Once a penalty is accepted, the claimant has 14 days to change their mind.
- 5.6 Subject to the criteria set out in the guidelines below, a financial penalty will normally be offered by the Council in the following circumstances;
- the Council believes that there is sufficient evidence to prosecute;
 - it was a first offence or a previous offence was dealt with by way of a caution, and;
 - in the opinion of the Council, the circumstances of the case mean it is not overwhelmingly suitable for prosecution, and;
 - the claimant has the means to repay both the overpayment and the penalty, and;
 - there is a strong likelihood that both the excess reduction and the penalty will be repaid.
- 5.7 It is important to note that the claimant does not need to have admitted the offence for a financial penalty to be offered. Financial penalties will be administered by the Head of Internal Audit (or deputy), Assistant Director – Corporate Fraud, Corporate Fraud Manager or a Senior Corporate Fraud Investigator. If a financial penalty is not accepted or is withdrawn then the Council will usually consider the case for prosecution. In such cases the court will be informed that the defendant was offered a penalty but declined to accept it.

6 Proceeds of Crime Act 2002 (POCA)

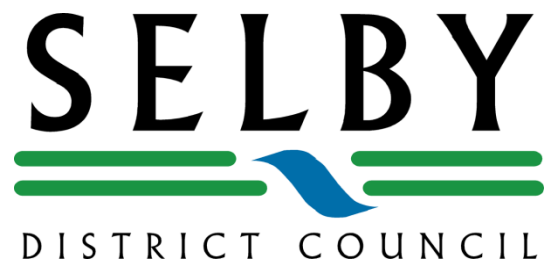
- 6.1 In addition to the actions set out in this policy, the Council reserves the right to refer all suitable cases for financial investigation with a view to applying to the courts for restraint and/or confiscation of identified assets. A restraint order will prevent a person from dealing with specific assets. A confiscation order enables the Council to recover its losses

from assets which are found to be the proceeds of crime.

7 Implementation Date

7.1 This revised policy is effective from 02 February 2017 and covers all decisions relating to prosecutions and sanctions after this date.

POLICY LAST REVIEWED AND UPDATED January 2022



ANTI-BRIBERY POLICY

1 Introduction

- 1.1 The Bribery Act 2010 enables robust action to be taken against all forms of bribery. The Council is committed to protecting the public purse and the services it provides from being abused. The Council will not tolerate bribery and promotes the prevention, detection and deterrence of bribery.
- 1.2 Bribery is defined as the offering, giving, receiving or soliciting of any item of value to influence the actions of an official or other person in charge of a public or legal duty. The act of bribery is the intention to gain a personal, commercial, regulatory or contractual advantage.
- 1.3 Facilitation payments are unofficial payments made to public officials to secure or expedite actions. These are not tolerated and are illegal.
- 1.4 This policy should be read in conjunction with the Employee's Code of Conduct which deals with gifts and hospitality.

2 Principles

- 2.1 The Council is committed to the prevention, deterrence and detection of bribery.
- 2.2 The Council commits to:
 - making all employees and associated people (e.g. agency staff, volunteers, etc) aware of their responsibilities to adhere strictly to this policy at all times
 - training members of staff so that they are aware of the Bribery Act
 - encouraging all employees to be vigilant and to report any suspicions of bribery, providing them with suitable channels of communication and ensuring sensitive information is treated appropriately
 - rigorously investigating instances of alleged bribery and assist the police and other authorities in any investigations or prosecutions they undertake
 - taking strong action against any individual(s) involved in bribery.

3 Scope

- 3.1 This policy applies to all of the Council's activities, members of staff (permanent and temporary), agency staff, volunteers, consultants, and members.
- 3.2 For partners, joint ventures, and suppliers, we will seek to promote the adoption of policies consistent with the principles set out in this policy.

- 3.3 All employees and members are required to:
- raise concerns as soon as possible if it is believed or suspected that this policy has been breached or may be breached in the future
 - comply with the spirit, as well as the letter, of the laws and regulations of all jurisdictions in which the Council operates, in respect of the lawful and responsible conduct of activities.
- 3.4 As well as the possibility of civil and criminal prosecution, employees breaching this policy may face disciplinary action, which could result in dismissal in cases of gross misconduct.

4 Offences

- 4.1 There are four key offences under the Bribery Act 2010.

Section 1 – Offence of bribing another person

- 4.2 This section makes it an offence when a person offers, promises or gives a financial or other advantage to another person and intends the advantage to induce a person to perform improperly a relevant function or activity or to reward a person for the improper performance of such a function or activity.
- 4.3 It is also an offence when a person offers, promises or gives a financial or other advantage to another person and knows or believes that the acceptance of the advantage would itself constitute the improper performance of a relevant function or activity.

Section 2 – Being bribed

- 4.4 This section makes it an offence when a person requests, agrees to receive or accepts a financial or other advantage intending that, in consequence, a relevant function or activity should be performed improperly.
- 4.5 It is an offence when a person requests, agrees to receive or accepts a financial or other advantage and the request, agreement or acceptance itself constitutes the improper performance of the person of a relevant function or activity.
- 4.6 It is an offence if a person requests, agrees to receive or accepts a financial or other advantage as a reward for the improper performance of a relevant function or activity.

- 4.7 It is also an offence if a person in anticipation of or in consequence of the person requesting, agreeing to receive or accepting a financial or other advantage, a relevant function or activity is performed improperly.

Section 6 – Bribery of foreign public officials

- 4.8 Under this section of the Act an offence is committed when a person intends to influence a foreign official in their official capacity and intends to obtain or retain business or an advantage in the conduct of business.
- 4.9 It is also an offence to offer, promise or give any financial or other advantage to a foreign public official.

Section 7 – Failure of a commercial organisation to prevent bribery

- 4.10 A relevant commercial organisation is guilty of an offence if a person associated with the organisation bribes another person intending to obtain or retain business for the organisation or to obtain or retain an advantage in the conduct of business for the organisation and the organisation fails to take reasonable steps to implement adequate procedures to prevent such activity.

Corporate Responsibility

- 4.11 Selby District Council is considered to be a commercial organisation under the Bribery Act. It is therefore important that the Council takes steps to prevent bribery from occurring within the organisation.
- 4.12 If an offence did occur then courts would consider six tests to determine whether the Council was culpable.
- Does the Council have proportionate procedures in place to prevent bribery by persons associated with it? These should be clear, practical and accessible.
 - Is there top level commitment to preventing bribery? This includes members as well as officials.
 - Is the Council's exposure to potential external and internal risks of bribery periodically assessed?
 - Does the Council take a proportionate and risk based approach to mitigate identified bribery risks.
 - Are anti-bribery policies and procedures embedded and understood throughout the organisation? Are they communicated internally and externally?
 - Are procedures monitored and reviewed regularly?

Penalties

- 4.13 A person guilty of an offence under sections 1, 2, or 6 of the Bribery Act may be sentenced to:
- a maximum imprisonment of 12 months and/or a fine not exceeding £5,000 (if convicted in a magistrates court).
 - a maximum imprisonment of 10 years and/or an unlimited fine (if convicted at a crown court).
- 4.14 An organisation found guilty of allowing bribery offences to occur will be subject to an unlimited fine that is in part determined by the gain that was sought to be made through bribery offences and an assessment of an organisation's culpability by the court.

5 How to raise a concern

- 5.1 We all have a responsibility to help detect, prevent and report instances of bribery. If a member of staff or Councillor has a concern regarding a suspected instance of bribery or corruption then please speak up. The sooner you act, the sooner it can be resolved.
- 5.2 Employees who raise concerns or report wrongdoing may be concerned that there may be repercussions. The Council is committed to ensuring nobody suffers detrimental treatment because they report a concern that they believe is true, or by refusing to take part in bribery or corruption. The Council aims to encourage openness and will support anyone who raises concerns under this policy, even if those concerns prove to be incorrect.
- 5.3 Members of staff should consult the Council's Whistleblowing policy which sets out a number of routes for reporting concerns.
- 5.4 Concerns can be raised anonymously and the Council may still take action. However, it is easier and quicker if concerns are not made anonymously. The Council will take all possible precautions to ensure that the identities of people who raise concerns are protected.

6 What to do if someone reports a concern

- 6.1 All reports of potential bribery within the Council should be reported to the Council's Chief Finance Officer, Monitoring Officer, and Veritau.

Policy last reviewed and updated: 26 January 2022

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Report Reference Number: A/21/20

To: Audit and Governance Committee
Date: 26 January 2022
Status: Non Key Decision
Ward(s) Affected: All
Author: Karen Iveson; Chief Finance Officer (s151)
Lead Executive Member: Cllr Cliff Lunn; Lead Member for Finance and Resources
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Annual Governance Statement 2020/21 – Action Plan Review

Summary:

To review progress on the Annual Governance Statement (AGS) 2020/21 Action Plan approved in September 2021.

Recommendations:

It is recommended that progress against the Action Plan for the Annual Governance Statement for 2020/21 be noted.

Reasons for recommendation

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

1. Introduction and background

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

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

2. The Report

2.1 The present Action Plan for review is attached as Appendix A. Some progress against the approved action plan has been made although the actions are on-going due to a variety of circumstances and further revised deadlines have been agreed.

2.2 Actions will be followed up by Leadership Team and Veritau to ensure that they are concluded without further delays.

3. Alternative Options Considered

Not applicable.

4. Implications

4.1 Legal Implications

None as a direct result of this report.

4.2 Financial Implications

None as a direct result of this report.

4.3 Policy and Risk Implications

Significant control weaknesses present risk for the Council and therefore it is important that agreed actions are implemented.

4.4 Corporate Plan Implications

Ensuring an effective governance and control framework supports the Council in delivery of its 'great value' priority.

4.5 Resource Implications

Resources to deliver the agreed actions are within the approved budget and policy framework.

4.6 Other Implications

There are no other notable implications beyond those set out in the report and associated action plan.

4.7 Equalities Impact Assessment

Not applicable.

5. Conclusion

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

6. Background Documents

None.

7. Appendices

Appendix A – AGS 2020/21 Action Plan Progress Update January 2022

Contact Officer:

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

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position (January 2022)
Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS)	Internal Audit report	New software purchased as old system ceased to be supported. Implementation of new software should resolve PCI DSS issues Management responsibility has been defined. Responsibility for completing annual PCI DSS assessment to be assigned.	Head of Business Development and Improvement Further revised date 24 January 2022 (Previously revised to 5 October 2021 from 31 July 2021 and 31 December 2020).	A new income management system has been procured from Civica that will enable PCI DSS compliance. Implementation has been delayed for a number of reasons – the latest due to issues with Civica/Mastercard. Go-live is now on-track to meet the revised date of 24 January 2022.
Performance Management	Internal Audit report	<ul style="list-style-type: none"> • PDR guidance to be reviewed and updated • HR to undertake QA review of sample of PDRs • Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete. • Training plan to be completed promptly following PDR process. 	Head of Business Development and Improvement Further revised date 28 February 2022 (Previously revised to 30 September 2021 from 30 June 2021 and December 2020)	<p>Decision taken to de-prioritise changes to PDR process due to LGR. Managers were reminded to prioritise PDRs in September/October 2021. HR had received around 50% of completed PDRs by Christmas 2021.</p> <p>Final reminder sent to Managers on 7 January with deadline of 24 January. Initial draft Training Plan produced. Discussions held with NYCC on best options for delivery to maximise the benefits for staff.</p> <p>In the meantime, significant corporate learning and development activity delivered in 2021 including: managers skills training programme; management development programme; aspiring managers programme; widened access to adult skills courses; Microsoft Teams/SharePoint training.</p>



Report Reference Number: A/21/21

To: Audit and Governance Committee
Date: 26 January 2022
Status: Key Decision
Ward(s) Affected: All
Author: Karen Iveson; Chief Finance Officer (s151)
Lead Executive Member: Cllr Cliff Lunn; Lead Member for Finance and Resources
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Procurement of External Audit for the period 2023/24 to 2027/28

Summary:

This report sets out proposals for appointing the external auditor to the Council for the accounts for the five-year period from 2023/24. The report is presented in the context of local government re-organisation and with the support of the s151 officer of all 8 councils in North Yorkshire.

In the context of LGR, Public Sector Auditor Appointments (PSAA) has advised that existing councils should, if they choose to do so, opt-in to the arrangements in case there is a delay to LGR. In addition, it should be noted that the County Council's 'continuing authority' status means that the new unitary will not need to opt-in again.

Recommendations:

It is recommended to Council that Council accepts Public Sector Audit Appointments' invitation to opt into the sector-led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Reasons for recommendation

To ensure an external auditor appointment should LGR be delayed for any reason.

1. Introduction and background

1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the 'appointing person' national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23.

1.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in

conjunction with other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

1.3 Given our transition to a new unitary council from 1 April 2023, and with agreement of the section 151 Officers of all 8 councils in North Yorkshire this report concludes that the sector-wide procurement conducted by PSAA will, on balance, produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

- collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;
- if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;
- it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and
- supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

1.4 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022. To opt into the national scheme from 2023/24, the Council needs to return completed opt-in documents to PSAA by 11 March 2022.

2. Procurement of External Audit for the period 2023/24 to 2027/28

2.1 Under the Local Government Audit & Accountability Act 2014 ("the Act"), the Council is required to appoint an auditor to audit its accounts for each financial year. The Council has three options;

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt into the national auditor appointment scheme administered by a body designated by the Secretary of State as the 'appointing person'. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

2.2 In order to opt into the national scheme, a council must make a decision at a meeting of the Full Council.

The Appointed Auditor

- 2.3 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
- 2.4 The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
- 2.5 The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.
- 2.6 Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
- 2.7 Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

Appointment by the Council itself or jointly

- 2.8 The Council may elect to appoint its own external auditor under the Act, which would require the Council to;
- Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
 - Manage the contract for its duration, overseen by the Auditor Panel.
- 2.9 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.

The national auditor appointment scheme

- 2.10 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering

audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

2.11 In summary the national opt-in scheme provides the following:

- the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;
- appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;
- managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;
- ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;
- minimising the scheme management costs and returning any surpluses to scheme members;
- consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and
- ongoing contract and performance management of the contracts once these have been let.

Pressures in the current local audit market and delays in issuing opinions

2.12 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

2.13 During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

2.14 The Kingman review has led to a government drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit

firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

- 2.15 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.
- 2.16 None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

The invitation

- 2.17 PSAA is now inviting the Council to opt in for the second appointing period, for 2023/24 to 2027/28, along with all other eligible authorities. Based on the level of opt-ins it will enter into contracts with appropriately qualified audit firms and appoint a suitable firm to be the Council's/Authority's auditor. Details relating to PSAA's invitation are provided in **Appendix A** to this report.

The next audit procurement

- 2.18 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
 - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
 - continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.

- 2.19 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their

available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.

- 2.20 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office)¹, the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
- 2.21 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.

Assessment of options and officer recommendation

- 2.22 If the Council did not opt in there would be a need to establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council's external audit.
- 2.23 Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement.
- 2.24 These would be more resource-intensive processes to implement for the Council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The Council is unable to influence the scope of the audit and the regulatory regime inhibits the Council's ability to affect quality.
- 2.25 The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.

¹ MHCLG's Spring statement proposes that overarching responsibility for Code will in due course transfer to the system leader, namely ARGA, the new regulator being established to replace the FRC.

- 2.26 The national offer provides the appointment of an independent auditor with limited administrative cost to the Council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
- 2.27 The recommended approach is therefore to opt into the national auditor appointment scheme.

3. Alternative Options Considered

- 3.1.1 The alternative options are set out in paragraphs 2.22 – 2.25 of the report.

4. Implications

4.1 Legal Implications

- 4.1.1 Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.
- 4.1.2 Section 8 governs the procedure for appointment including that the Council must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council is a local Council operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council under those arrangements.
- 4.1.3 Section 12 makes provision for the failure to appoint a local auditor. The Council must immediately inform the Secretary of State, who may direct the Council to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council.
- 4.1.4 Section 17 gives the Secretary of State the power to make regulations in relation to an 'appointing person' specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

4.2 Financial Implications

- 4.2.1 The Council's current audit fees for the year 2021/22 are £34,425 excluding additional charges for supplementary work agreed via PSAA.
- 4.2.2 There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.

4.2.3 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large-scale collective procurement arrangement.

4.2.4 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

4.3 Policy and Risk Implications

4.3.1 The principal risks are that the Council:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

4.3.2 These risks are considered best mitigated by opting into the sector-led approach through PSAA although as we have experienced over the last two years there are challenges within the audit sector which are impacting on timely delivery.

4.4 Corporate Plan Implications

Opting into the national process is considered to provide best value for the Council.

4.5 Resource Implications

There are no additional resource requirements arising from the recommended approach.

4.6 Other Implications

There are no other implications arising from this report.

4.7 Equalities Impact Assessment

There are no equality impacts arising from this report.

5. Conclusion

5.1 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council (meeting as a whole), except where the authority is a corporation sole.

5.2 The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).

5.3 PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

None

7. Appendices

Appendix A – The opt-in invitation information issued by PSAA

Contact Officer:

Karen Iveson
Chief Finance Officer
kiveson@selby.gov.uk
01757 292056

APPENDIX A



22 September 2021

To: Ms Waggott, Chief Executive
Selby District Council

Copied to: Ms Iveson, S151 Officer
Councillor Arthur, Chair of Audit Committee or equivalent

Dear Ms Waggott,

Invitation to opt into the national scheme for auditor appointments from April 2023

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

18 Smith Square, London, SW1P 3HZ

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at ap2@psaa.co.uk. We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to ap2@psaa.co.uk, and we will respond to you.

Yours sincerely

Tony Crawley
Chief Executive

Encl: Summary of the national scheme

Why accepting the national scheme opt-in invitation is the best solution

Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

Opting in

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

Local Government Reorganisation

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

Next Steps

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).