



Meeting: **AUDIT & GOVERNANCE COMMITTEE**  
Date: **WEDNESDAY, 17 JANUARY 2018**  
Time: **5.00 PM**  
Venue: **COMMITTEE ROOM - CIVIC CENTRE, DONCASTER ROAD,  
SELBY, YO8 9FT**  
To: **Councillor M Jordan (Chair), Councillor I Reynolds (Vice-  
Chair), Councillor K Arthur, Councillor J Chilvers,  
Councillor B Marshall, Councillor M McCartney and  
Councillor B Sage**

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

## Agenda

### 1. **Apologies for Absence**

### 2. **Disclosures of Interest**

A copy of the Register of Interest for each Selby District Councillor is available for inspection at [www.selby.gov.uk](http://www.selby.gov.uk).

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

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

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

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

### 3. **Minutes (Pages 1 - 8)**

To confirm as a correct record the minutes of the Audit and Governance Committee held on 27 September 2017.

Audit & Governance Committee  
Wednesday, 17 January 2018

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

To review the Audit Action Log.
- 6. Audit and Governance Work Programme (Pages 11 - 14)**

To note the current Work Programme and consider any amendments.
- 7. Information Governance Annual Report 2017 (A/17/19) (Pages 15 - 28)**

To consider the report from the Solicitor to the Council, which provides an update on information governance issues matters during 2017.
- 8. External Audit Progress Report (A/17/20) (Pages 29 - 42)**

To consider the External Audit Progress Report.
- 9. Review of Risk Management Strategy (A/17/21) (Pages 43 - 62)**

To receive the report from the Audit Manager (Veritau), which presents the reviewed Risk Management Strategy following approval by the Extended Leadership Team, and asks the Committee to endorse the actions of officers in furthering the progress of risk management.
- 10. Review of Corporate Risk Register (A/17/22) (Pages 63 - 86)**

To receive the report from the Audit Manager (Veritau), which provides an update on movements within the Corporate Risk Register, and asks the Committee to note the current status of the Corporate Risk Register and the changes since the last update.
- 11. Internal Audit and Counter Fraud Progress Report (A/17/23) (Pages 87 - 112)**

To receive the report from the Audit Manager (Veritau) and Counter Fraud Manager (Veritau), which asks the Committee to note the update on progress made in delivering the internal audit and counter fraud work for 2017/18.
- 12. Annual Governance Statement 2016/17 - Action Plan Review (A/17/24) (Pages 113 - 120)**

To review the report from the Chief Finance Officer, which presents progress on the Annual Governance Statement (AGS) 2016/17 Action Plan 2016/17, which was approved in July 2017.

**13. Counter Fraud Framework Update (A/17/25) (Pages 121 - 162)**

To receive the report from the Counter Fraud Manager (Veritau), which provides an update in relation to the Council's counter fraud arrangements, and asks the Committee to approve the updated Counter Fraud and Corruption Strategy Action Plan. The Committee is also asked to comment on and note the updated Counter Fraud Risk Assessment.

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

**In accordance with Section 100(A)(4) of the Local Government Act 1972, in view of the nature of the business to be transacted, the meeting be not open to the Press and public during discussion of the following item as there will be disclosure of exempt information as defined in Section 100(1) of the Act as described in paragraph 3 of Part 1 of Schedule 12(A) of the Act.**

**14. Any Other Business**

*G. Marshall*

**Gillian Marshall, Solicitor to the Council**

<p><b>Dates of next meetings (5.00pm)</b> Wednesday, 18 April 2018</p>
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Enquiries relating to this agenda, please contact Alice Courtney on 01757 292176 or [acourtney@selby.gov.uk](mailto:acourtney@selby.gov.uk).

**Recording at Council Meetings**

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

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## Minutes

### Audit and Governance Committee

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Venue:	Committee Room
Date:	Wednesday 27 September 2017
Time:	5.00 pm
Present:	Councillors M Jordan (Chair), K Arthur, Mrs J Chilvers, B Marshall, Mrs M McCartney, D Peart (sub for I Reynolds) and B Sage.
Apologies:	Councillor I Reynolds (substitute D Peart).
Officers present:	Karen Iveson, Chief Finance Officer (s151); Gillian Marshall, Solicitor to the Council (for minute item 21), Gavin Barker, Manager, Mazars LLP; Phil Jeffrey, Audit Manager, Veritau; Jonathan Dodsworth, Counter Fraud Manager, Veritau; and Alice Courtney, Democratic Services Officer.
Others:	Councillor C Lunn.
Public:	0
Press:	0

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#### 15. DISCLOSURES OF INTEREST

There were no disclosures of interest.

#### 16. MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 26 July 2017.

#### RESOLVED:

**To approve the minutes of the Audit and Governance Committee meeting held on 26 July 2017.**

## **17. CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE**

The Chair welcomed members of the Committee, Officers and Executive member Councillor Lunn to the meeting.

The Chair also notified the Committee that, as Chair of the Audit and Governance Committee, he had attended a training session in York. He reported that the training session was very useful and that he learnt a lot and had the opportunity to share ideas with Councillors from other authorities.

## **18. AUDIT ACTION LOG**

The Committee reviewed the Audit Action Log.

The Chair questioned whether the items marked as 'completed' on the Action Log would be removed from the document. The Democratic Services Officer confirmed that these items remained on the Action Log until they had been noted by the Committee at one meeting, to ensure that there was a record of the completed actions. The Democratic Services Officer informed the Committee that the completed actions would be removed from the Action Log after the meeting.

### **RESOLVED:**

**To note the Audit Action Log.**

## **19. AUDIT AND GOVERNANCE WORK PROGRAMME**

The Committee considered the current Committee work programme.

The Chair stated that the Chief Finance Officer had highlighted that it had been some time since the Committee had met with the external auditors without officers. It was suggested that a meeting take place between the Committee and the external auditors prior to the Committee meeting in January, at 4.30pm; this would be instead of the usual training/briefing session prior to the meeting.

### **RESOLVED:**

- i. To note the Work Programme.**
- ii. To add to the Work Programme a meeting between the Committee and the external auditors, without officers, to take place prior to the Committee meeting in January, at 4.30pm.**

## **20. INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT (A/17/14)**

The Audit Manager, Veritau, presented the report and highlighted that an appendix had been added to the report that covered counter fraud, which had

been a separate report in the previous year. The Audit Manager, Veritau also pointed out that bullet point 4.1 on page 18 of the agenda summarised the current progress of the internal audit.

The Audit Manager, Veritau drew the Committee's attention to page 25 of the agenda pack, stating that this section of the report demonstrated progress against key agreed actions in relation to internal audits previously reported on.

In relation to the counter fraud aspect of the report, the Counter Fraud Manager, Veritau highlighted that the table on page 33 of the agenda showed that over £10,000 in Council savings had been achieved through fraud investigation. The Committee was also informed that there had been no serious fraud incidents to date.

The Counter Fraud Manager, Veritau also pointed out that there had been a number of successful prosecutions in relation to fraud within Selby District. It was highlighted that some of the prosecutions related to Housing Fraud, where Council properties that had been illegally sub-let had been raided, and that officers were looking at what further action could be taken.

In relation to internal fraud referrals, the Committee was informed that there had been no referrals for this area however counter fraud officers would continue to look at disabled badge fraud.

The Committee congratulated officers on their work in identifying fraudulent activity, and asked officers if the process of how to report suspected fraud was publicised. In response to this, the Counter Fraud Manager, Veritau stated that a press release had been issued on how to report suspected fraud, and that referrals from the public were received, but that routine updates to the public that related to individual cases did not occur due to confidentiality issues.

It was queried whether Council envelopes still had the contact details to report suspected fraud on them, as this would help raise public awareness of how fraud could be reported. The Chief Finance Officer stated that this could be looked into, and officers from Veritau stated that they could speak to officers in Council Tax to see what could be done.

It was noted that, in relation to a question at the previous Committee meeting about empty Council properties following the death of a tenant, verbal reports from officers highlighted that the death of a tenant was not always reported, which meant that the tenancy continued fraudulently. The Chief Finance Officer suggested that officers could consider how births and deaths information could be shared with officers so that the fraudulent continuation of tenancies could be avoided.

The Committee noted that it was happy with the content of the report.

**RESOLVED:**

- i. **To note the report.**

- ii. **To ask the Chief Finance Officer and officers from Veritau to look into printing details of how to report fraud on Council envelopes.**
- iii. **To ask the Chief Finance Officer to consider how births and deaths information could be shared with officers to prevent the fraudulent continuation of Council tenancies following the death of a tenant.**

## **21. EXTERNAL ANNUAL AUDIT LETTER (A/17/15)**

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

The Committee was notified that the outcome of the external audit of the Council was positive, and that no issues arose from the work of Mazars LLP. The Manager, Mazars LLP informed the Committee that the commentary showed the Council had positive arrangements in place to ensure value for money.

In relation to fees, the Manager, Mazars LLP noted that the fees for the external audit work remained exactly the same this financial year as they were in the 2016/17 financial year.

It was also noted that, for transparency reasons, Mazars LLP reported that it had carried out an independent examination of Selby and District Housing Trust, which is not part of the Council, but the Council is represented on the Board. It was also noted by the Committee that the Council did not pay the fee for Selby and District Housing Trust.

The Manager, Mazars LLP highlighted the future challenges to the Council, and stated that he looked forward to working with the Council over the coming years.

The Chair questioned what the key emerging challenges were for the Council, and the Manager, Mazars LLP stated that key issues would include:

- Growth, in terms of business brought into the District, increased number of homes built and increased influx of residents into the District.
- Brexit, due to the speculation about what Brexit would mean for the Council, and the nation.
- Issues around health and social care, which would remain a key challenge faced by the entire public sector, due to uncertainty over future funding.



The Committee raised questions about the future funding of local authorities, and the Manager, Mazars LLP responded, stating that there was uncertainty at present due to the amount of speculation there was about the emerging key challenges.

The Chair endorsed the work of the external auditors, Mazars LLP, and the Committee noted the report.

**RESOLVED:**

**To note the External Annual Audit Letter.**

**22. EXTERNAL AUDIT PROGRESS REPORT (A/17/16)**

The Manager, Mazars LLP presented the report and explained that the external audit for the 2016/17 financial year had been completed, and that the 2017/18 external audit work had started.

The Manager, Mazars LLP drew the attention of the Committee to point 4 on page 60 of the agenda, which related to the national procurement of audit contracts for local government and related bodies. It was highlighted that Mazars LLP had increased its market share of this work from 6% to 18%, and the Manager, Mazars LLP stated that the key challenge for the company was to continue to deliver high quality standards alongside the fee reduction.

It was pointed out to the Committee that the work of Mazars LLP was monitored by an external body, and that the company had maintained high quality standards while part of the current audit framework. The Manager, Mazars LLP explained that the table on page 62 of the agenda indicated the continued high standards of the company, as Mazars LLP was the only company that had remained on 'Green' across the 3 years.

In response to a query relating to managing the increase in workload, the Manager, Mazars LLP stated that the company would hire more staff to manage the increased amount of work.

The Committee queried whether the auditors had looked at cyber security, as cyber-crime was increasingly common, and often overlooked. The Chair stated that the Chief Finance Officer and officers had been looking at cyber security.

The scale of the homelessness problem in Selby District was questioned by the Committee, and the Manager, Mazars LLP pointed out that this was a national issue. The Chief Finance Officer highlighted that Selby District Council had put a lot of resource into prevention, and informed the Committee that more information on this matter was available in the annual report.

**RESOLVED:**

**To note the report.**

**23. LOCAL GOVERNMENT OMBUDSMAN ANNUAL REVIEW LETTER (A/17/17)**

The Solicitor to the Council presented the report and informed the Committee that the Local Government Ombudsman had changed its name to the Local Government and Social Care Ombudsman.

The Solicitor to the Council highlighted that the Ombudsman formed the third stage of the internal complaints procedure, and an individual could only refer a complaint to the Ombudsman once they had exhausted the internal complaints procedure.

The Committee was informed that 13 complaints/enquiries were received in the year 2016/17, and that 15 decisions were made. It was pointed out that more decisions were made than complaints received as some complaints were held from the previous year.

It was noted that a number of complaints were referred back to the Council as the complainant had not exhausted the Council's internal complaints procedure before writing to the Ombudsman.

The Committee was advised that the letter was for noting, but the Solicitor to the Council pointed out that the Committee could ask the Overview and Scrutiny Committee to look at any issues that the Audit and Governance Committee felt were relevant.

The Solicitor to the Council explained that any complaints submitted to the Ombudsman were taken with the upmost seriousness and that some training sessions for officers would be arranged around the complaints process. It was noted that one of the sessions would be solely for planning officers due to the higher number of complaints that the Planning section received, and that there would be a separate general training session for other officers – both sessions would be delivered by the Ombudsman.

It was highlighted that the complaints received in relation to Planning were received before the recent planning service review, and that a reduction in complaints was expected in the time period that followed.

In response to questions from the Committee, the Solicitor to the Council confirmed that the aim of the Ombudsman was to put the complainant back in their original position before any maladministration had occurred, and that monetary payment was not normally involved.

The Chair questioned how this letter compared to the complaints received in the previous year, and the Solicitor to the Council stated that there had been a slight improvement, in that the number of complaints received had decreased.

The Solicitor to the Council also emphasised that the upheld complaints were considered the most significant type of complaint.

The Solicitor to the Council informed the Committee that she was aware of one ongoing Ombudsman investigation related to planning, and at the request of the Committee, agreed to circulate information on Stage 1 complaints to Committee members.

It was also brought to the Committee's attention that the complaints procedure had been amended, and as a result the timescale for responding to a complaint had been changed. The Committee was assured that the complaints process was operating effectively and that a number of complaints were resolved at Stage 1.

The Chair stated that he wanted there to be improvement on planning complaints, and the Committee noted the report.

**RESOLVED:**

- i. To note the Local Government and Social Care Ombudsman Annual Review Letter.**
- ii. To ask the Solicitor to the Council to circulate further information on Stage 1 complaints to the Committee.**

**24. PRIVATE SESSION**

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

**25. STANDARDS INVESTIGATION (A/17/18)**

The Committee received the report, which was presented by the Solicitor to the Council, who informed the Committee that there was an investigation underway, and under the new standards arrangements, the Committee was required to appoint three Committee members to sit on the Standards Sub-Committee which would deal with the complaint.

The Committee agreed that the Councillors Marshall, Sage and Reynolds would sit on the Standards Sub-Committee.

**RESOLVED:**

- I. **To receive the update report.**
- II. **To appoint Councillors Marshall, Sage and Reynolds to sit on the Standards Sub-Committee.**

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The meeting closed at 5.52pm.



Audit and Governance Committee: Action Log 2017-18

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
28 Sep 2016	22 - Internal Audit Progress Report	Request that future reports included a summary table showing the progress of audits and agreed actions.	Veritau will look at displaying the information in a convenient format.	KI / Veritau	In progress
27 Sep 2017	20 - Internal Audit and Counter Fraud Progress Report	To ask the Chief Finance Officer and officers from Veritau to look into printing details of how to report fraud on Council envelopes.	The Chief Finance Officer is currently looking into whether details about reporting fraud can be printed on Council envelopes.	KI / Veritau	In progress
27 Sep 2017	20 - Internal Audit and Counter Fraud Progress Report	To ask the Chief Finance Officer to consider how births and deaths information could be shared with officers to prevent the fraudulent continuation of Council tenancies following the death of a tenant.	The Chief Finance Officer is currently investigating how births and deaths information can be shared with officers.	KI	In progress
27 Sep 2017	23 - Local Government Ombudsman Annual Review Letter 2016/17	To ask the Solicitor to the Council to circulate further information on Stage 1 complaints to the Committee.	The Solicitor to the Council is currently collating the information, which will be circulated to the Committee in due course.	GM	In progress

**Officers:**

KI - Karen Iveson, Chief Finance Officer

GM - Gillian Marshall, Solicitor to the Council

JR - June Rothwell, Head of Operational Services

SR - Stuart Robinson, Head of Business Improvement and Development





**Audit Committee Work Programme 2017/18**

Date of Meeting	Topic	Action Required
<i>All meetings will be preceded by a training / briefing session for Councillors. These sessions will start 30 minutes before the meeting.</i>		
<b>14 June 2017</b>	Meeting start times	To agree the start time of Audit and Governance Committee meetings for 2017/18
	Review of Action Log	To consider the latest Action Log
	Annual Report of the Head of Internal Audit 2016/17	To consider the Annual Report of the Head of Internal Audit 2016/17
	Internal Audit Charter	To review the Internal Audit Charter
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Annual Report 2016/17	To consider the Risk Management Annual Report for 2016/17
	Corporate Risk Register	To review the Corporate Risk Register
	Consideration of internal audit reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

<b>26 July 2017</b>	Review of Action Log	To consider the latest Action Log
	External Audit Completion Report	To receive the Audit Completion Report from the external auditors
	Statement of Accounts 2016/17	To approve the Statement of Accounts 2016/17
	Internal Audit Report	To review progress against the Internal Audit Plan
	Annual Governance Statement 2016/17	To approve the Annual Governance Statement 2016/17
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

<b>27 September 2017</b>	Review of Action Log	To consider the latest Action Log
	Local Government Ombudsman Annual Review Letter 2016/17	To receive the Local Government Ombudsman Annual Review Letter 2016/17
	Counter Fraud Annual Report	To receive the Counter Fraud Annual Report
	Internal Audit Report	To review progress against the Internal Audit Plan
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'



<b>17 January 2018</b>	Review of Action Log	To consider the latest Action Log
	Information Governance Annual Report 2017	To approve the Information Governance Annual Report
	Annual Audit Letter 2017	To review the Annual Audit Letter 2017
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
	Mid-term review of Annual Governance Statement	To review the Annual Governance Statement
	Member Briefing (4.30pm)	To meet with the External Auditors before the Committee meeting without Officers present
	Counter Fraud Framework Update	To review the Counter Fraud Framework Update

<b>18 April 2018</b>	Review of Action Log	To consider the latest Action Log.
	Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Internal Audit and Counter Fraud Plan 2018/19	To approve the Internal Audit and Counter Fraud Plan 2018/19
	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 2017/18	To approve the 2017/18 Annual Report of the Audit and Governance Committee
	Work Programme 2018/19	To approve the 2018/19 Audit and Governance Committee Work Programme for 2018/19



## Public Session

Report Reference Number: A/17/19

Agenda Item No: 7

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**To:** Audit and Governance Committee  
**Date:** 17 January 2018  
**Author:** Gillian Marshall, Solicitor to the Council  
**Lead Officer:** Karen Iveson, Executive Director (s151)

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## Title: Information Governance Annual Report

### Summary:

In March 2014 the Council's internal auditors (Veritau) published a final report into their review of the Information Governance and Data Protection arrangements at Selby District Council.

A project was established with a view to putting in place systems and controls to address the issues identified during the audit. As part of that Information Governance was added to the Terms of Reference for Audit and Governance Committee and it was agreed that an annual report on the Information Governance arrangements would be provided for the Committee. An action plan was approved to address the identified issues.

This is the annual report for 2017.

### Recommendations:

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

### Reasons for recommendation

To meet the requirement within the Audit and Governance Committee Terms of Reference and the 2014 audit action plan.

## 1. Introduction and background

- 1.1 In March 2014 the Council's internal auditors (Veritau) published a final report into their review of the Information Governance and Data Protection arrangements at Selby District Council. It was found that the arrangements for managing risk were poor with significant control weaknesses in key areas and major improvements required before an effective control environment would be in operation. Their overall opinion of the controls within the system at the time of the audit was that they provided **Limited Assurance**. A project was established with a view to putting in place systems and controls to address the issues identified during the audit and an Action Plan was put in place. This plan was updated as the original actions were completed and following the further Audits outlined below new matters were identified and added to the plan.
- 1.2 In accordance with the Action Plan the Executive Director (s151) (now Chief Finance Officer) was appointed to the post of Senior Information Risk Officer (SIRO) with overall responsibility for information governance (IG). Day to day oversight of the IG arrangements is the responsibility of the Solicitor to the Council.
- 1.3 An Information Governance Framework consisting of an Information Charter, Information Risk Management Policy, ICT Acceptable Usage Policy, Data Protection Breach Policy and a Document Retention Policy was approved in 2014. However, these policies are in the process of being reviewed to reflect changes required by the General Data Protection Regulation (GDPR) which comes into force in May 2018.
- 1.4 All staff received briefings in 2014 on the new IG Framework and further mandatory training was rolled out. IG is now included in induction briefings. Further staff training is proposed as part of the preparations for GDPR.
- 1.5 In 2015 and 2017 Veritau published final reports in relation to Information Security checks. The key finding of the reports is that the Council is reasonably well protected against accidental disclosure of information. Some improvements were recommended to ensure the clear desk policy was reinforced, that lockable cupboards were available and that the archive rooms be secured. These were added to the Action Plan. Regular messages are now provided to staff regarding information security and lockable cupboards are provided.
- 1.6 In October 2016 Veritau reported in relation to Information Governance and Freedom of Information and gave an opinion of reasonable assurance. The key finding of the report in relation to Information Governance is that the Council had made significant progress since the audit of information governance in 2013-14, but that there remained some weaknesses. The resultant actions were added to the Action Plan attached at Appendix A. In relation to information requests the key finding was that the Council has a well defined system in place to administer and respond to information requests, however at that time the Council was not meeting the 86% target for

responding within 20 working days. Resultant actions to address matters were added to the Action Plan.

## **2 The Report**

2.1 This report provides an update on information governance issues matters during 2017.

### **2.2 Information sharing agreements**

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

The Council completed a variation to a data sharing agreement in relation to the settlement of Syrian refugees in the District.

### **2.3 Information Security checks**

Veritau carried out information security checks at the Civic Centre in March 2017. The purpose of the checks were to test the systems in place and assess the extent to which confidential, personal or sensitive data is stored securely and to ensure that data security is being given sufficient priority within council offices.

Overall, the checks established that the Council is reasonably well protected against accidental disclosure of information. However, weaknesses were identified some of which have largely been addressed following the organisational review and the remaining items still on the Action Plan will be addressed this year.

### **2.4 Data Protection Breaches**

Within the Council a number of data security incidents have been investigated since the last report to Committee in January 2017. The incidents included a lost Blackberry, a stolen laptop, the mis-identification of a customer causing details of the wrong debt to be discussed, sensitive e mail and letters sent to incorrect addresses

The incidents were subject to formal breach reviews by the relevant Service Managers. None were at a level that required reporting to the Information Commissioner. Apologies were given to affected customers.

Recommendations arising from the breach investigations were implemented locally.

This represents an increase in incidents from the previous year but this is considered to be the result of increased awareness of both the requirements around data breaches and the correct procedure. The purpose of the

procedure is to document breaches so that lessons can be learned and procedures can be updated.

## 2.5 Freedom of Information

The Key Finding of the report in 2016/7 was that the Council currently has a well defined system in place to administer and respond to FOI requests, however, it was currently not meeting the 86% target for responding within 20 working days. Following the re-introduction of a system for chasing responses from service areas before they are due and also introducing an escalation process to senior management if a response is at imminent risk of being classified late, the Council's response rate for 2017 has increased to 95.45% completed in time

The table below shows the number of FOI requests received and responded to in 2017 which shows a response "in time" of 95.45%.

Month	Received	Outstanding	Completed	% in time	% out of time
Jan-17	63	0	63	100.00%	0.00%
Feb-17	55	0	55	100.00%	0.00%
Mar-17	52	0	50	96.15%	0.00%
Apr-17	42	0	42	100.00%	0.00%
May-17	44	0	44	100.00%	0.00%
Jun-17	60	1	58	96.67%	1.67%
Jul-17	42	0	42	100.00%	0.00%
Aug-17	60	0	60	100.00%	0.00%
Sep-17	39	0	39	100.00%	0.00%
Oct-17	46	0	46	100.00%	0.00%
Nov-17	60	3	57	95.00%	5.00%
Dec-17	33	14	19	57.58%	42.42%
<b>TOTAL</b>	<b>596</b>	<b>18</b>	<b>575</b>	<b>95.45%</b>	<b>4.09%</b>

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

The target being worked to remains 86% as the Information Commissioner will consider formal performance monitoring of an authority where it responds to 85% or fewer requests within the statutory time period. Performance during 2017 has been well above target. Legal Services and Business Support continue to work with service areas to ensure that requests are responded to within statutory time limits.

## 2.6 Information Governance Action Plan

The Action Plan at Appendix A indicates a small number of Actions which require completion. With the exception of physical security measures which are to be completed by March 2018, most of these will be part of the implementation plan for GDPR which must be completed by May 2018.

### **3 Legal/Financial Controls and other Policy matters**

#### **Legal Issues**

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

#### **Financial Issues**

- 3.2 In relation to the resource required for implementing GDPR consideration is being given as to how the resource is to be obtained and at what financial costs.

#### **Impact Assessment**

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

### **4. Conclusion**

- 4.1 The overall levels of control are within reasonable levels and the existing framework operates satisfactorily. Remaining Actions from the Action Plan will be subsumed into the GDPR Implementation Plan.

### **5. Background Documents**

None

*Contact Officer:*

*Gillian Marshall  
Solicitor to the Council  
Selby District Council  
gmarshall@Selby.gov.uk*

#### **Appendices:**

Appendix A - High Level Action Plan as at 03.01.2018

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**SDC HIGH LEVEL ACTION PLAN**

**AS AT 03.01.2018**

Ref	Action	Target Date	Current Position/ Proposed Actions	Responsible Officer
1	<p>Policy Framework</p> <p>To review the Council’s existing information governance policy framework (including data protection, freedom of information and records management) and to amend as necessary to reflect best practice and/or current legislation.</p> <p>Develop a Communications plan to refresh awareness of existing policies and to give regular reminders to staff on information governance issues.</p>	<p>Ongoing</p> <p>Ongoing</p>	<p>Revised policies adopted 2014.</p> <p>Policies are being reviewed in conjunction with NYCC and to reflect changes in legislation brought about by GDPR</p> <p>Periodic reminders given via information screen, posters and intranet updates</p>	

2	<p>Training</p> <p>To provide a series of training sessions for Members and officers on information governance matters, including the updated policy framework, the maintenance of information asset registers and the application of the council's data sharing agreements.</p>	30 April 2018	<p>Previously delivered</p> <p>Further all Member briefing to be held in May 2018 to coincide with introduction of GDPR</p>	Dem Services
	<p>Review information governance induction requirements include this and refresher training in the organisational development plan.</p>	completed	Senior Managers Data Protection training held December 2017	
	<p>Ensure employees complete mandatory training</p>	30 April 2018	<p>Previously completed in 2015 – Staff to undergo refresher training for GDPR</p> <p>Reports to be provided to Heads of Service of employees still to complete mandatory training</p>	
3	<p>Appoint Information Asset Owners (IAOs) for each key group of information assets</p>	30 April 2018	<p>Consider amendment of appointed Officers as IAOs following organisation review in preparation for GDPR</p>	GDPR Working Group
		30 April	<p>Support IAOs to update Information Asset Registers -</p>	

	Departments to review and maintain their information asset registers.	2018		
4	<p>Carry out annual risk awareness training for those with access to personal data</p> <ul style="list-style-type: none"> <li>• Identify groups of staff and their training needs</li> <li>• Develop training packs for different groups</li> <li>• Deliver selected training</li> <li>• Monitor delivery of training</li> <li>• Carry out awareness campaign</li> </ul>		Further training to be rolled out as part of the organisation development strategy	Business Dev & Improvement
5	<p>Develop data sharing protocols with 3<sup>rd</sup> party suppliers &amp; delivery partners</p> <ul style="list-style-type: none"> <li>• Identify groups, exposure and needs</li> <li>• Prepare required data sharing agreements with partner organisations</li> <li>• Check decisions to share are recorded and that data sharing arrangements are in place</li> <li>• Develop appropriate awareness information packs</li> <li>• Ensure requirement is included in contracts</li> </ul>	Ongoing	SDC is signed up to the overarching Info Sharing Arrangements county wide	

	<ul style="list-style-type: none"> <li>• Deliver training where appropriate</li> </ul>			
6	<p>Information Risk Policy</p> <p>Review policy further to NYCC taking on IT support</p> <p>Information risks will be considered by all services and significant risks identified through this process will be included in the service bases risk registers.</p>		To be considered as part of GDPR implementation	GDPR Working Group
7	<p>Develop Information Risk Register</p> <ul style="list-style-type: none"> <li>• Register monitored regularly</li> <li>• Highest risks fed into corporate risk register</li> <li>• IAOs identified in Information Risk Registers</li> </ul>		To be reconsidered alongside work on corporate and service based risk registers	Heads of Service
8	<p>Information Security</p> <ul style="list-style-type: none"> <li>• Develop Information Security Policy covering both IT and non IT based data</li> <li>• Communicate current system for IT Security to staff</li> <li>• Access to and use of sensitive data monitored</li> <li>• Member's ICT Acceptable Use policy</li> </ul>		<p>Agree monitoring process</p> <p>Ensure that Members IT provision is included as part of the IT Security Policy</p>	Business Dev & Improvement

	<ul style="list-style-type: none"> <li>Managers to cascade messages to staff regarding the need to lock personal and confidential information away at the end of the day.</li> <li>Arrangements to address any issues with availability of storage, broken locks or absence of keys and places to store keys that may prevent information being locked away.</li> <li>Assigning responsibility for ensuring that shared archive rooms are locked at the end of the day and/or when not being used.</li> <li>Whether to schedule further information security checks on a regular basis.</li> <li>Checking on action taken to raise awareness of data security amongst staff and reporting of data breaches.</li> </ul>	completed	<p>completed</p> <p>key storage boxes to be fitted</p> <p>Final arrangements for securing archive rooms to be agreed</p>	Assets
		completed	<p>Next sweep will take place between January and March 2018</p> <p>Noted increase in breach reporting indicating awareness</p>	Veritau/Solicitor to Council
9	<p>Privacy Notices</p> <p>To review the Council's existing privacy notices to reflect best practice and/or legislation.</p>	30 April 2018	Action to review in relation to GDPR	GDPR Working Group

	Prepare a privacy notice that applies to information collected across a range of Council functions and make available on the Council website			
10	<p>FOI</p> <p>Consider responsibility for the administration of requests to pass to the Customer Contact Centre and processes will be clearly defined and timescales agreed. This will include:</p> <p>Logging of requests immediately Differentiation of requests, FOI, EIR and SAR Process and agreed timescales for chasing requests and escalating them if they are delayed</p>		<p>Review completed – arrangements remain with Business Support. Significant improvement made.</p> <p>Will be reviewed again for GDPR compliance</p>	GDPR Working Group
11	<p>Corporate records retention and disposal schedule</p> <p>Prepare a consolidated corporate records retention and disposal</p>	30 April 2018	To be completed as part of GDPR preparations	GDPR Working Group

	<p>schedule in line with the document retention policy (this will apply to all records held and in all formats and will be made available throughout the organisation).</p> <p>Communicate to staff</p>			
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## Public Session

Report Reference Number: A/17/20

Agenda Item No: 8

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**To:** Audit and Governance Committee  
**Date:** 17 January 2018  
**Author:** Alice Courtney, Democratic Services Officer  
**Lead Officer:** Karen Iveson, Chief Finance Officer (s151)

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**Title:** External Audit Progress Report

### Summary:

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

### Recommendations:

**To consider the External Audit Progress Report.**

### Reasons for recommendation

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

#### 1. Introduction and background

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

#### 2. The Report

2.1 The report is attached at Appendix A, which sets out a summary of external audit work completed to date and highlights that the planning work in relation to the 2017/18 external audit is now underway.

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

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

**3. Legal/Financial Controls and other Policy matters**

3.1 None.

**4. Conclusion**

4.1 The Committee is asked to consider the report.

**5. Background Documents**

None.

**Contact Officer:**

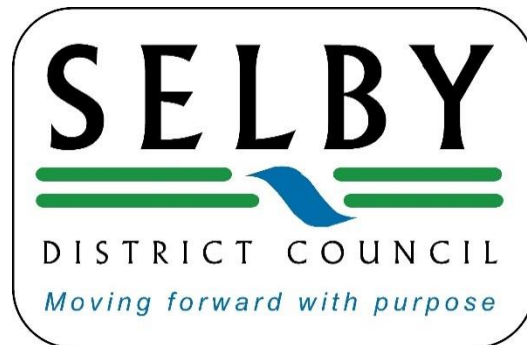
Alice Courtney, Democratic Services Officer  
Ext: 42176  
acourtney@selby.gov.uk

**Appendices:**

*A – External Audit Progress Report*

# Audit Progress Report

Selby District Council



January 2018



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Our reports are prepared in the context of the Public Sector Audit Appointment Limited’s ‘Statement of responsibilities of auditors and audited bodies’. Reports and letters prepared by appointed auditors and addressed to Members or officers are prepared for the sole use of the Council and we take no responsibility to any Member or officer in their individual capacity or to any third party.

Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

# Audit progress

## **Purpose of this report**

The purpose of this paper is to provide the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address [www.mazars.co.uk](http://www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the existing work Mazars does in the public sector.

## **2016/17 audit**

In our September Audit Progress Report, we confirmed that the main audit, including the Annual Audit Letter had been completed.

## **Certification of claims and returns**

Work on the 2016/17 Housing Benefits Subsidy Claim is complete, and we certified the claim before the Department of Work and Pensions deadline of 30 November 2017.

This is now the only claim remaining part of the national arrangements managed by Public Sector Audit Appointments Ltd (PSAA), successor to the Audit Commission. As the Council's appointed auditor, we acted as an agent of PSAA. Each year auditors must report the results of our

certification work to those charged with governance. For 2016/17 the only claim or return within this regime was the Housing benefit subsidy return.

## **Housing Benefits Subsidy return 2016/17**

In 2016/17 the prescribed tests for our Housing Benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing Benefit Subsidy Return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either: without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

The Council's 2016/17 Return was submitted with a qualification letter (and with amendment) as set out in the following table.

Claim or return	Value of claim	Amended	Qualified
Housing Benefit Subsidy Return 2016/17	£15.6m	Reduction of £5k arising from reconciliation adjustments identified by officers which had not been completed when the original claim was submitted.	There was one reporting issue. We identified two errors in a sample of 60 rent allowance cases where the claimant's income had been incorrectly assessed. In one of these cases there had been an overpayment of subsidy of £82. If extrapolated to the population subsidy of just under £2k would have been over claimed.

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

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

### Fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. We confirm that the final fee payable for this work as outlined in the following table below is in line with the indicative fee. The following fee was charged for the 2016/17 work.

Claim or return	2016/17 indicative fee	2016/17 final fee	2015/16 final fee
Housing Benefit Subsidy Return 2016/17	£10,628 + VAT	£10,628 + VAT	£13,450 + VAT

### Clarification of certification fees for the 2017/18 Audit

In April 2017 we wrote to the Council setting out the proposed scale fees for 2017/18 as published by PSAA. At that date, PSAA had not yet published indicative fees for the housing benefit certification work for 2017/18. PSAA have subsequently clarified the scale fee for 2017/18 as £13,450 + VAT, a return to the fee level set for 2015/16.

### 2017/18 Audit

Our planning work in relation to the 2017/18 audit is now underway.

We plan to bring our Audit Strategy Memorandum for the 2017/18 audit to the April 2018 meeting of the Audit and Governance Committee.

### Countdown to GDPR Seminar

We have decided to restructure our North Yorkshire Governance Forum which has run successfully for the last couple of years. Rather than have two events a year and consider agenda items at the time of each meeting, we are going to run events when there are important topics to discuss.

Our first events under these new arrangements will be in January and February 2018 and will focus on the countdown to the new General Data Protection Regulations (GDPR), and will also include a session on balancing the use of IT as an enabler whilst also managing the risks it poses:

- Wednesday 31 January 2018 at the Mercure York Fairfield Manor Hotel, just outside of York; and
- Wednesday 7 February 2018 at Durham County Cricket Club, Chester-le-Street.

The events are free of charge, although we may have to limit numbers to two or three people per authority depending on take up.

Invitations have been sent out in December. If any other officers or Members wish to attend, please e-mail [Durham.Admin@mazars.co.uk](mailto:Durham.Admin@mazars.co.uk) with your request.

### **Financial Reporting Workshops**

We are also running Local Government Financial Reporting workshops for officers involved in the production of the financial statements. These workshops provide an update on the latest developments as well as a forum for our clients to discuss emerging issues. Agenda items will include a revisit of 2016/17 issues, early close implications, changes in the 2017/18 Code and a forward look to future regulatory and policy changes. The Leeds event is on Wednesday 7 February 2018 and we have invited relevant officers from the Council.

# National publications and other updates

## National publications and other updates

1. **A short guide to Local Authorities, National Audit Office, October 2017**
2. **Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017 – Further Update December 2017**
3. **Care Quality Commission regulating health and social care, National Audit Office, October 2017**
4. **NAO publication: WannaCry Cyber Attack and the NHS, October 2017**
5. **CIPFA Fraud and Corruption Tracker, November 2017**
6. **PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017**
7. **PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017**
8. **Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017**

### 1. A short guide to Local Authorities, National Audit Office, October 2017

The NAO is publishing a suite of short guides for the new Parliament, one for each government department and a selection of cross-government issues. The guide gives an overview of how local government is funded, the pressures local authorities face, staffing, major recent developments and what to look out for in the main local authority services.

For example, the guide highlights 39% of the 2015/16 local authorities budgeted non-schools expenditure (£16.8 billion) was allocated to adult social care. The guide also highlights key challenges to accountability in local government.

<https://www.nao.org.uk/report/short-guide-to-local-authorities/>



## **2. Update on Auditor Appointments from 2018/19, Public Sector Audit Appointments, October 2017**

The consultation on the proposed auditor appointments from 2018/19 closed on 22 September. PSAA received 442 responses from opted-in bodies confirming acceptance of the proposed appointment. A response was not received from 34 bodies and PSAA has written to those bodies to say that they have assumed they accept the firm proposed. PSAA received 7 representations to proposed appointments for reasons of joint working relevant to the auditor's responsibilities, independence issues with the proposed auditor, or concerns about service from the proposed firm. In these cases, PSAA are now consulting on alternative proposed appointments where appropriate.

<https://www.psa.co.uk/2017/10/news-release-update-on-auditor-appointments-from-201819/>

### **Further Update December 2017**

PSAA has now confirmed the auditor appointments from 2018/19 to the opted-in bodies by the statutory deadline of 31 December 2017.

<https://www.psa.co.uk/2017/12/news-release-confirmation-of-auditor-appointments-from-2018-19/>

## **3. Care Quality Commission regulating health and social care, National Audit Office, October 2017**

The Care Quality Commission has improved as an organisation, but now needs to overcome some persistent issues with the timeliness of some of its regulation activities if it is to sustain further improvement, the National Audit Office (NAO) has found.

The report found that the Commission has completed its inspection and rating programme comprising more than 28,000 provider locations, which provides a benchmark of the quality of health and social care services. It has significantly reduced staff vacancies and is increasing its focus on cost savings. In addition, the Commission has improved how it measures its performance, and takes action to correct poor performance.

Inspection staff, however, highlighted concerns to the NAO about how well the broader information systems currently supported them. The NAO also found that Commission does not meet its timeliness targets for some of its regulation activities, such as registration and publication of inspection reports.

According to the NAO, although most providers and inspectors think that the Commission's judgements are fair, stakeholders have concerns about consistency. The Commission is seeking to address consistency issues through its quality assurance processes and training.

The Commission is taking more enforcement action when care falls below fundamental standards, and there is evidence that it influences providers to improve quality, with most of the providers rated either inadequate or requires improvement having improved their rating on re-inspection. The number of completed enforcement actions increased over 2015/16 and 2016/17, while the number of providers entering special measures remained steady. The Commission links the increase with a focus on improving its inspectors' skills and knowledge about enforcement. Poor recording, however, means the Commission cannot be assured that enforcement action is always completed.

The Commission made progress in implementing its new strategy during 2016/17 although it missed early milestones on rolling out use of resources assessments and designing its approach to the next phase of inspection.

<https://www.nao.org.uk/report/care-quality-commission-regulating-health-and-social-care/>

#### 4. NAO publication: WannaCry Cyber Attack and the NHS, October 2017

In October, the NAO published its report on the NHS's response to the cyber attack that affected health bodies and other organisations in May 2017. According to NHS England, the WannaCry ransomware affected at least 81 out of the 236 trusts across England, because they were either infected by the ransomware or turned off their devices or systems as a precaution. A further 603 primary care and other NHS organisations were also infected, including 595 GP practices.

The investigation focused on the events immediately before 12 May 2017 and up to 30 September 2017 and the ransomware attack's impact on the NHS and its patients; why some parts of the NHS were affected; and how the Department and NHS national bodies responded to the attack.

The key findings are:

- The Department was warned about the risks of cyber attacks on the NHS a year before WannaCry and although it had work underway it did not formally respond with a written report until July 2017.
- The attack led to disruption in at least 34% of trusts in England although the Department and NHS England do not know the full extent of the disruption.
- Thousands of appointments and operations were cancelled and in five areas patients had to travel further to accident and emergency departments.
- The cyber attack could have caused more disruption if it had not been stopped by a cyber researcher activating a 'kill switch' so that WannaCry stopped locking devices.
- The Department had developed a plan, which included roles and responsibilities of national and local organisations for responding to an attack, but had not tested the plan at a local level.
- NHS England initially focused on maintaining emergency care. Since the attack occurred on a Friday it caused minimal disruption to primary care services, which tend to be closed over the weekend.  
NHS Digital stated that all organisations infected by WannaCry shared the same vulnerability and could have taken relatively simple action to protect themselves. Infected organisations had unpatched, or unsupported Windows operating systems so were susceptible to the ransomware.
- The NHS has accepted that there are lessons to learn from WannaCry and is taking action. NHS England and NHS Improvement have written to every major health body asking boards to ensure that they have implemented all alerts issued by NHS Digital between March and May 2017 and taken essential action taken to secure local firewalls.

The Report is available at the NAO website at the following link: <https://www.nao.org.uk/report/investigation-wannacry-cyber-attack-and-the-nhs/>

## 5. CIPFA Fraud and Corruption Tracker, November 2017

CIPFA has published its third annual fraud and corruption tracker, which provides an overview of fraud, bribery and corruption issues identified across local government. The tracker summarises trends in the number, value and type of identified frauds, and highlights areas and services that are perceived to be at greatest risk.

<http://www.cipfa.org/services/counter-fraud-centre/fraud-and-corruption-tracker>

## 6. PSAA is consulting on the fee scale for 2018/19 audits of opted-in bodies, December 2017

The consultation sets out the proposed scale of fees for the work to be undertaken by appointed auditors in respect of the 2018/19 financial statement at bodies that have opted into PSAA's national auditor appointment scheme.

PSAA propose that scale audit fees for 2018/19 should reduce by 23 per cent, compared to the fees applicable for 2017/18. This reduction is possible as a result of the favourable prices secured from audit firms in the recent audit services procurement. It follows a period from 2012/13 to 2017/18 in which scale fees reduced significantly by an aggregate of 55 per cent.

The proposed audit fee for Selby District Council for the 2018/19 audit is £34,425 (compared to £44,708 for the 2017/18 audit).

<https://www.psa.co.uk/audit-fees/201819-work-programme-and-scales-of-fees/>

## 7. PSAA's Report on the results of auditors' work 2016/17: Local government bodies, December 2017

In December 2017 Public Sector Audit Appointments published its *Report on the results of auditors' work 2016/17: Local government bodies*. This is the third report on the results of auditors' work at local government bodies published by PSAA. It summarises the results of auditors' work at 497 principal bodies and 9,752 small bodies for 2016/17. The report covers the timeliness and quality of financial reporting, auditors' local value for money work, and the extent to which auditors used their statutory reporting powers.

Selby District Council is named in the report as one of 83 principal bodies where audit opinions were issued before 31 July 2017, reflecting the Council's work to bring forward the accounts and audit timetable a year earlier than formally required.

<https://www.psa.co.uk/audit-quality/reports-on-the-results-of-auditors-work/>

## **8. Secretary of State for Communities and Local Government announces shake-up of the funding formula for local authorities, December 2017**

As reported by Public Finance, on Tuesday 19 December 2017, within the local government settlement to the House of Commons, Communities secretary Sajid Javid announced a shake-up of the formula for distributing funding to local authorities in England. He also set out plans to allow councils to retain 75% of their business rates and a 1% increase in council tax raising powers.

The Communities secretary confirmed plans to end the revenue support grant and allow councils to retain 100% of local business rates by 2020 would be put on hold, over concerns that some councils could be left out of pocket. Instead, he said there needed to be an “updated and more responsive distribution methodology”, and that councils would be allowed to retain 75% of business rates by 2020/21. He said: “I am today publishing a formal consultation on a review of relative needs and resources. I aim to implement a new system based on its findings in 2020/21.”

He also announced that councils would be allowed to increase their Council Tax requirement by an additional 1% without a local referendum, bringing it in line with inflation.

[http://www.publicfinance.co.uk/news/2017/12/javid-announces-overhaul-local-authority-funding?utm\\_source=Adestra&utm\\_medium=email&utm\\_term=](http://www.publicfinance.co.uk/news/2017/12/javid-announces-overhaul-local-authority-funding?utm_source=Adestra&utm_medium=email&utm_term=)

# Contact details

Please let us know if you would like further information on any items in this report.

[www.mazars.co.uk](http://www.mazars.co.uk)

Mark Kirkham  
Partner  
0191 383 6300

[mark.kirkham@mazars.co.uk](mailto:mark.kirkham@mazars.co.uk)

Gavin Barker  
Senior Manager  
0191 383 6300

[gavin.barker@mazars.co.uk](mailto:gavin.barker@mazars.co.uk)

Mazars LLP  
Salvus House  
Aykley Heads  
Durham  
DH1 5TS

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## Public Session

Report Reference Number: A/17/21

Agenda Item No: 9

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**To:** Audit and Governance Committee  
**Date:** 17 January 2018  
**Author:** Phil Jeffrey, Audit Manager (Veritau)  
**Lead Officer:** Karen Iveson – Executive Director (S151)

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**Title:** Review of the Risk Management Strategy

### Summary:

The report presents to Councillors the reviewed Risk Management Strategy following approval by the Extended Leadership Team. It was last brought to the Audit and Governance committee in January 2017.

### Recommendation:

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

### Reasons for recommendation

The Audit and Governance Committee has responsibility for overseeing the implementation and management of risks that the Council, as a whole, faces.

#### 1. Introduction and background

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

#### 2. The Report

2.1 The primary objectives of the strategy are to:-

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

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

2.2 One amendment has been made to the strategy following the review. This is the introduction of monitoring of risk trends (page 9, section 13). Some other small changes have been made to dates and references. The changes have been highlighted in yellow in the attached Appendix 1.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1 Legal Issues**

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

#### **3.2 Financial Issues**

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

### **4. Conclusion**

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

### **5. Background Documents**

Risk Management Strategy – January 2017.

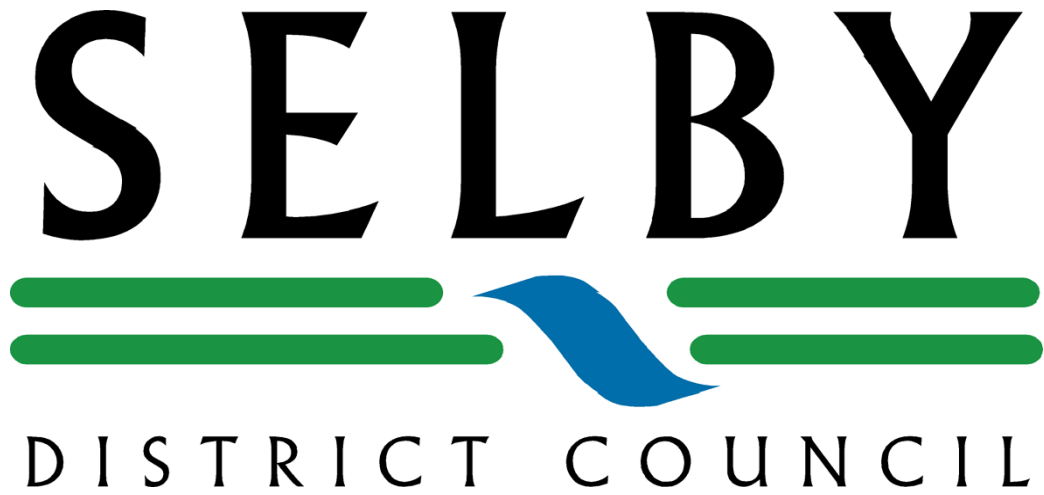
**Contact Officer:** Phil Jeffrey; Audit Manager - Veritau  
[phil.jeffrey@veritau.co.uk](mailto:phil.jeffrey@veritau.co.uk)  
01904 552926 / 01757 292281

Richard Smith; Deputy Head of Internal Audit -  
Veritau  
[richard.smith@veritau.co.uk](mailto:richard.smith@veritau.co.uk)

#### **Appendices:**

Appendix 1 - Risk Management Strategy – January 2018.





## **Risk Management Strategy**

**2018**

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## 1. Introduction

This document sets out a strategy for managing risk within Selby District Council. To ensure that the strategy remains focused and in keeping with the overall aims and objectives of the Council, there is a need to review it on an annual basis. As such this document has been reviewed in **December 2017**.

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

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

The objectives of the strategy are to:-

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

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

## 2. What is risk management?

Risk management can be defined as:

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

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

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

There are two types of risk:-

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

## 3. Why do we need a Risk Management Strategy?

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

Firstly, risk management is about identifying those issues that will prevent organisations from being successful in achieving their corporate and service-based objectives, as well as successfully completing projects. If these issues 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 is 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. The strategy underpins the approach to risk management in the Council.

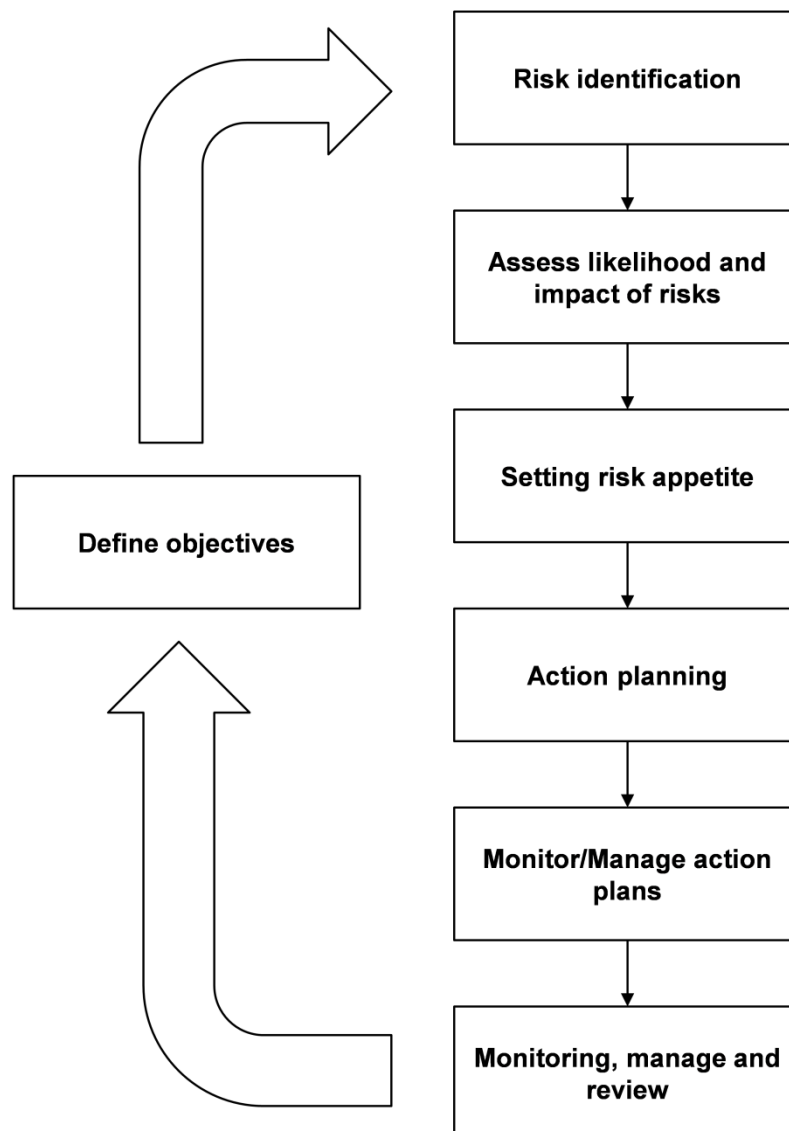
#### **4. What are the benefits of risk management?**

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

## 5. What is the Risk Management Process?

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

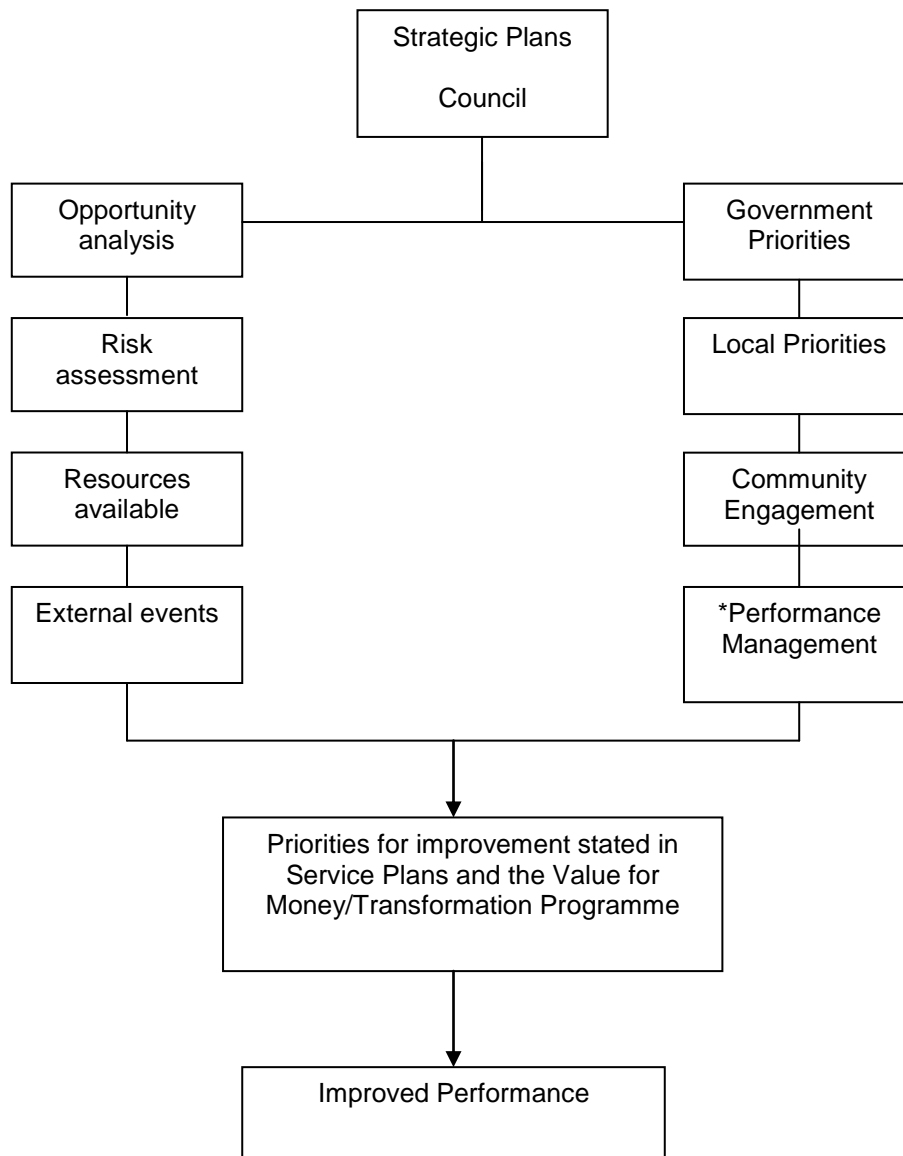
Figure 1: The Risk Management Process



## 6. Risk Management linking into Corporate Planning

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

Figure 2: Risk Management linking into priority setting



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

## 7. Risk Strategy for Selby

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

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

## 8. Risk Culture

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

## 9. Business Culture (Commercial Development)

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



The objectives will be achieved by:-

Ref	Action	Lead
1	Maintaining an up to date Risk Strategy.	Internal Audit/s151 officer (Officer Risk Champion)
2	Providing practical guidance to staff and Councillors.	Internal Audit
3	Including risk arrangement issues within Service Plans.	Directors/ Head of Service
4	Including risk management assessments in Committee reports.	Directors/ Head of Service
5	Including risk management within financial procedure rules.	s151 officer (Officer Risk Champion)
6	Allocating specific responsibilities for risk to officers throughout the organisation.	Directors/-Head of Service
7	Appointing a Councillor Risk 'Champion'.	Audit & Governance Committee - Chair
8	Supporting the work of the Councillor Risk Champion.	Internal Audit/ s151 officer (Officer Risk Champion)
9	Review of risk management arrangements as part of the review of internal controls.	Internal Audit
10	Annual report to the Audit & Governance Committee reviewing the risk management process. Bi-Annually to the Audit & Governance Committee on review of the Risk Registers	Internal Audit
11	Maintaining contingency plans in areas where there is potential for risk to the business capability.	Directors/ Head of Service
12	Improving the integration between performance management and risk management.	Directors/ Head of Service
13	Providing risk management awareness training for Councillors and officers.	Internal Audit
14	Statement on risk management to be included in the Annual Governance Statement which forms part of the Statement of Accounts of the Council.	Internal Audit
15	Challenging the progress being made on the action plans relating to risk.	Audit & Governance Committee

## 10. Partnership Working

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

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

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

## 12. Risk Management in our Decision Making

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

## 13. Monitoring of Risk Trends

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

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

#### **14. Annual review of Risk Management Strategy**

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

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

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

**Risk management methodology****Appendix 1**

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

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

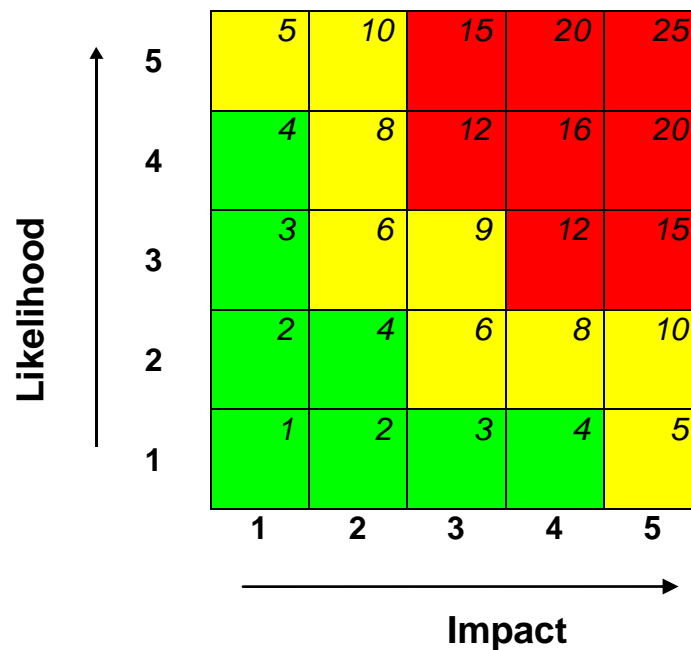
There are different methods to identify risks. Workshops and drop in sessions have been facilitated for managers which encourage officers to share their concerns, problems and potential risks that they foresee. It is also recommended that a review of published information such as service plans, strategies,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

When identifying risks it is suggested that the categories of possible risk areas presented in Appendix 2 are 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 (Covalent) 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 group'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 Covalent 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 Covalent. The plans should be appropriate to the level of risk identified.

When prioritising risks, those located in the top right hand side box 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 (Covalent) 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 (s151 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/shared services to be undertaken. However, it is essential that accountabilities are adequately determined 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.



## Public Session

Report Reference Number: *A/17/22*

Agenda Item No: 10

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**To:** Audit and Governance Committee  
**Date:** 17 January 2018  
**Author:** Phil Jeffrey, Audit Manager (Veritau)  
**Lead Officer:** Karen Iveson – Chief Finance Officer (S151)

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## Title: Review of the Corporate Risk Register 2017-18

### Summary:

The report updates Councillors on movements within the Corporate Risk Register (**Appendix 1**) for the Council, which was last reported to this committee in June 2017.

### Recommendation:

**Councillors note the current status of the Corporate Risk Register and the changes since the last update.**

### Reasons for recommendation

The Audit and Governance Committee has responsibility for overseeing the implementation and management of risks that the Council, as a whole, faces.

#### 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 Covalent system. Appendix 1 shows details of current corporate risks included in the system. It includes the following information:

- Code and title of the risk.
- Individual risk score.

- Risk description.
- Previous reported risk rating (June 2017).
- Consequence of the risk identified.
- 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.
- Risk owner – identifies the officer responsible for monitoring the risk.
- 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 score of 12 or over require a formal action plan.
- Latest update – identifies the most recent update on managing the risk. This highlights any significant changes.

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

2.3 The risks were reviewed and updated by officers in November 2017.

2.4 There are a total of 17 risks on the Council's corporate risk register. This includes 2 risks with a score of 12 or more (high risk). One risk has ceased to be considered high risk since the June 2017 report to this committee. The score for Strategic Partnerships has reduced due to the appointment of officers to key posts within the team. Further details can be found at Appendix 1.

2.5 Three other risk scores have changed since the last update; Organisational Capacity, Performance, and Governance - which have all decreased.

### **3. Legal/Financial Controls and other Policy matters**

#### **3.1 Legal Issues**

3.1.1 There are no legal implications.

#### **3.2 Financial Issues**

3.2.1 There are no financial implications.

### **4. Conclusion**

4.1 The Corporate Risk Register has been reviewed and a number of risk scores have been amended as a result. The Corporate Risk Register should now reflect the key corporate risks to the Council.

**5. Background Documents**

Risk Management Strategy.

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

*Richard Smith; Deputy Head of Internal Audit - Veritau*  
[richard.smith@veritau.co.uk](mailto:richard.smith@veritau.co.uk)

**Appendices:**

Appendix 1 – Corporate Risk Register

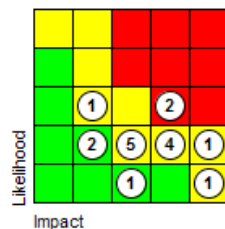
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# Selby District Council Corporate Risk Register 2017 - 2018























Overview: November 2017 Update





Risk Status	
	High
	Medium
	Low



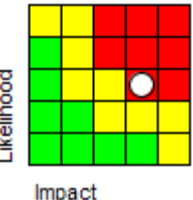
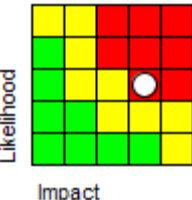
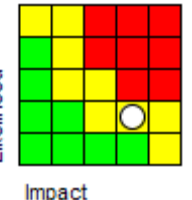
Status	Code	Previous Risk Score (June 2017)	Current Risk Score	Trend	Title
	SDC_CRR_003	12	12		Financial Risk
	SDC_CRR_008	12	12		Economy
	SDC_CRR_002	10	10		Health and Safety
	SDC_CRR_006	8	8		Managing Customer Expectations
	SDC_CRR_007	8	8		Fraud & Corruption

Status	Code	Previous Risk Score (June 2017)	Current Risk Score	Trend	Title
	SDC_CRR_010	8	8		Partnership Outcomes
	SDC_CRR_014	8	8		Technology
	SDC_CRR_004	9	6		Organisational Capacity
	SDC_CRR_005	9	6		Performance
	SDC_CRR_009	6	6		Business Continuity
	SDC_CRR_013	6	6		Information Governance/Data Protection
	SDC_CRR_015	6	6		Assets
	SDC_CRR_017	12	6		Strategic Partnerships
	SDC_CRR_016	5	5		Failure to adequately respond to Civil Emergencies
	SDC_CRR_011	4	4		Communications
	SDC_CRR_012	4	4		Policy Change

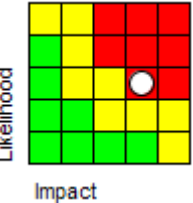
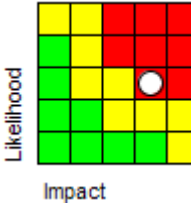
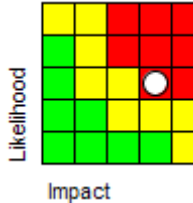


Status	Code	Previous Risk Score (June 2017)	Current Risk Score	Trend	Title
	SDC_CRR_001	8	3		Governance

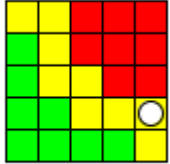
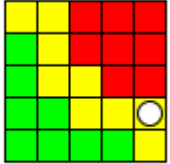
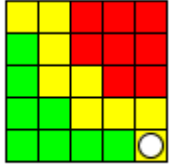
**Risk Score 12**  
**Risk Code & Title SDC\_CRR\_003 Financial Risk**

Risk Description	Previous Rating May 2017	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>The Council's financial position is not sustainable.</p> <p>0/70</p>	 <p>Likelihood</p> <p>Impact</p>	<p>The Council is unable to deliver its corporate plan.</p> <p>The Council is unable to meet its financial commitments (long/medium/short term).</p> <p>Unplanned service cuts.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Karen Iveson</p>	<p>Long term financial strategies (GF &amp; HRA) setting out high level resources and commitments.</p> <p>3 year budget underpinned by reasonable assumptions (inflation, interest rates etc).</p> <p>Effective in year budget management arrangements in place.</p> <p>Savings plan approved with supporting delivery plans for each saving.</p> <p>Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases.</p>	<p>A refreshed MTFs was approved by Council in September 2017.</p> <p>The draft budget report has been prepared taking account of rising cost pressures (such as pay and price inflation and demand led cost rises in street scene contract) and mitigating savings (largely salary vacancy factor and new insurance contract). Overall the General Fund savings requirement is expected to increase by £450k by 2020/21 - taking our 2017/18 to 2020/21 savings target to £2.2m. The HRA is on track.</p> <p>In year budget management at Quarter2 shows relatively modest underspends are forecast for 2017/18 which will help to offset future cost pressures.</p> <p>The approved savings plan is broadly on track. Some slippage is expected but the in-year underspends will mitigate this.</p> <p>Progress against the Programme for Growth has been reported to Executive and further work to review the programme is underway.</p>

**Risk Score 12**  
**Risk Code & Title SDC\_CRR\_008 Economy**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Poor net economic growth.</p> <p>Page 71</p>		<p>Potential negative impact on income.</p> <p>Increased demand for services.</p> <p>Increased demand for interventions to stimulate economic growth.</p>			<p>James Cokeham</p>	<p>Proactive engagement with LEPs to influence economic growth programmes.</p> <p>Engagement with key businesses to understand future challenges and opportunities to identify where the Council can provide additional support.</p> <p>Engagement with key partners to influence investment programmes and decisions.</p>	<p>Risk level maintained due to current national economic uncertainty linked to ongoing Brexit negotiations, unknown impacts and revised downward growth forecasts in Government's recent Autumn Budget Statement.</p> <p>Lack of ongoing devolution deal(s) for Yorkshire potentially putting regional access to future government funding at risk.</p> <p>Locally, significant progress has been made to proactively engage with the local business community, and bring forward a range of new employment sites that will provide significant commercial development opportunities. This will increase the District's economic resilience by providing new job opportunities for local residents and diversifying our sector profile.</p>

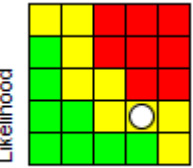
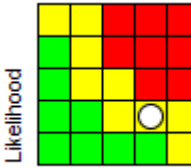
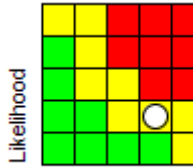
**Risk Score 10**  
**Risk Code & Title SDC\_CRR\_002 Health and Safety**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Page 2</p> <p>Failure to comply with Health and safety legislation.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Actual or potential injury or loss of life.</p> <p>Environmental degradation.</p> <p>Financial loss / impact on value of assets.</p> <p>Reputational damage.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Likelihood</p>  <p>Impact</p>	<p>June Rothwell</p>	<p>Health and Safety Policy and Plan for 2017/18 has been reviewed and is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous.</p> <p>Health and safety due diligence assessment on service areas and contractors.</p> <p>Public liability and property insurance.</p> <p>Risk management system in place to manage equipment, contractors, property and environmental and health and safety risks.</p> <p>Health and safety performance monitoring of Delivery Partners to ensure HS&amp;E compliance.</p> <p>Risk assessing, and then managing accordingly, every property and asset.</p> <p>Statutory checks to ensure regulatory HS&amp;E Compliance.</p> <p>Event Safety Plan for all events managed by external consultants.</p>	<p>Annual work plan in place and reviewed on a regular basis supports the view that existing controls are mitigating the risk to maintain the existing score with a proactive approach to managing health and safety in the workplace.</p>

**Risk Score 8**  
**Risk Code & Title SDC\_CRR\_006 Managing Customer Expectations**

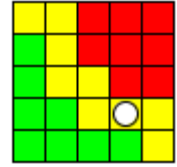
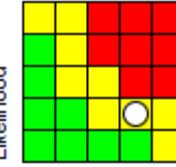
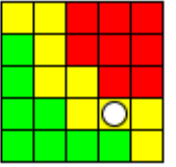
Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p><b>Inability to meet customers' demand for services.</b></p>	<p>Likelihood</p> <p>Impact</p>	<p>Poor customer satisfaction.</p> <p>Quality and timeliness of service suffers.</p> <p>Sustainability of service.</p> <p>Increased customer complaints.</p> <p>Impact on Elected Members.</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>Keith Cadman</p>	<p>Increase community delivery.</p> <p>Channel shift to self-service.</p> <p>Re-design services using quality data.</p> <p>Develop structured multi-agency partnerships.</p> <p>Right first time services to remove avoidable work.</p>	<p>Risk score remains the same. Customer facing services are managed to ensure customer expectations are met.</p>

**Risk Score 8**  
**Risk Code & Title SDC\_CRR\_007 Fraud & Corruption**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<b>Incident of fraud and/or corruption occurs within the Council.</b>	 <p>Likelihood</p> <p>Impact</p>	Financial and reputational loss.	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	Karen Iveson	Counter fraud arrangements reviewed through annual self-assessment.  Counter Fraud and Corruption Strategy and Policy to be reviewed in 2016/17.	Although counter fraud activity is higher than anticipated additional resources have been committed and this risk rating remains unchanged.

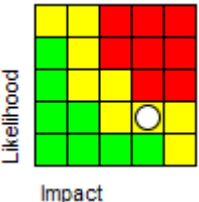
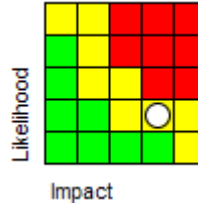
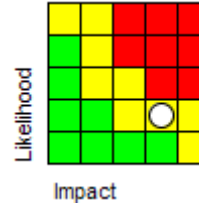
**Risk Score 8**

**Risk Code & Title SDC\_CRR\_010 Partnership Outcomes**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p><b>Service delivery partnerships do not deliver outcomes to support the Council's strategic objectives.</b></p> <p>Page 75</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Service performance falls short of expectations.</p> <p>Resources wasted due to requirement of additional management input.</p> <p>Strategic drift.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Keith Cadman</p>	<p>Identify all key partnerships.</p> <p>Clear objectives and outcomes specified and agreed for all key partnerships.</p> <p>Delivery plans in place and monitored.</p> <p>Remedial action taken promptly if there are signs of under performance.</p> <p>Arrangements reviewed at appropriate intervals to ensure partnerships continue to support the Council's strategic objectives.</p>	<p>Risk score remains the same. Partnerships are managed and where necessary supported.</p>

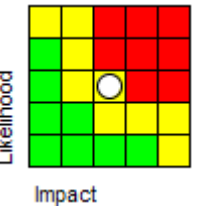
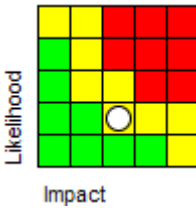
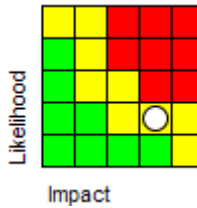
Risk Score 8

Risk Code & Title SDC\_CRR\_014 Technology

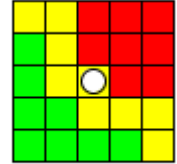

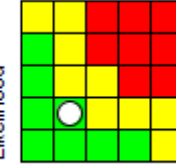
Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Page 10 not fit for purpose.</p>		<p>Missed opportunities for driving the business forward.</p> <p>Missed opportunities for efficiencies and innovation.</p> <p>Value from investment not maximised.</p>			<p>Stuart Robinson</p>	<p>ICT Strategy is fit for purpose (including move to self-service) - allowing appropriate investment and prioritisation of business needs.</p> <p>Align IT investment to business needs and requirements.</p> <p>Clear business cases and benefit realisation reports drive ICT investment.</p> <p>Seizing opportunities for partnership working which will deliver on shared ICT resources.</p> <p>ICT functionality maximised and organisational skills developed.</p>	<p>Project underway November 2017 to develop detailed roadmap to deliver draft Digital Strategy</p> <p>Additional online capability added in October/November to support customers to access Taxation &amp; Benefits services digitally.</p> <p>Public Services Network compliance certificate in place.</p> <p>Implementation underway for new Housing Management System which will provide much greater resilience, ability for customers to self serve on line and provide better management information to support service improvement.</p> <p>ICT DR Plan in place. Where risks have been identified in our DR capacity - actions have been identified to address these.</p> <p>Wifi improved in Civic Centre</p> <p>Much more still to do around customer self service and giving staff the tools to work more flexibly</p>



**Risk Score 6**  
**Risk Code & Title SDC\_CRR\_004 Organisational Capacity**

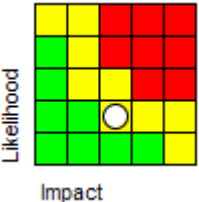
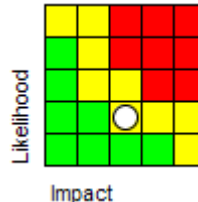
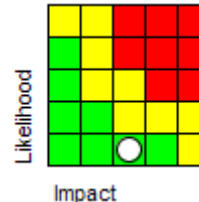
Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Back of Organisational capacity and resilience to deliver Corporate Plan objectives.</p>		<p>Detrimental impact on performance and delivery of Corporate objectives.</p> <p>Missed opportunities.</p> <p>Detrimental impact on the reputation of the Council.</p> <p>Poor staff morale.</p> <p>Detrimental impact on retention and recruitment.</p>			<p>Stuart Robinson</p>	<p>Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing.</p> <p>Work with partners to lever capacity and expertise.</p> <p>Utilise Programme for Growth to secure short/medium term capacity to deliver Council priorities.</p> <p>Organisational Development Strategy in place and aligned to Council priorities.</p> <p>Organisational Development work programme being delivered.</p>	<p>Restructuring now complete and significant recruitment has taken place in the first six months of 2017/18</p> <p>Some gaps remain - for example where recruitment has proved difficult - but those challenges are being managed.</p> <p>Development of Organisational &amp; Workforce Development Strategy delayed until early 2018/19. To be informed by:</p> <ul style="list-style-type: none"> <li>• Investors in People (IIP) assessment scheduled for March/April 2018.</li> <li>• IIP Staff Survey undertaken in October 2017.</li> <li>• LGA Peer Challenge undertaken November 2017</li> </ul> <p>Personal Development Reviews re-launched November 2017 - along with processes to support learning and development planning.</p> <p>Monthly staff briefings have taken place since July 2017 to support improved staff engagement.</p>

**Risk Score 6**  
**Risk Code & Title SDC\_CRR\_005 Performance**

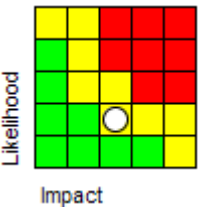
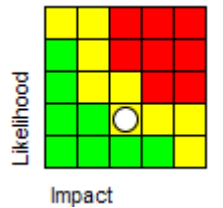
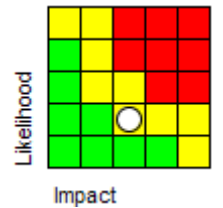
Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Ineffective performance management.</p> <p>Page 78</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Council priorities are not delivered.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Stuart Robinson</p>	<p>Performance management framework in place, embedded and well understood, including:</p> <ul style="list-style-type: none"> <li>. Corporate plan/agreed corporate priorities</li> <li>. KPIs</li> <li>. Performance reporting</li> <li>. Performance system</li> <li>. Business planning</li> <li>. Appraisals</li> </ul> <p>Sufficient resources to support effective implementation.</p>	<p>Service plans now in place for each service - to be reviewed for 2018/19.</p> <p>Corporate Performance Report reviewed and improved for 2017/18. Q2 Performance to be considered by the Executive on 7 December.</p> <p>Annual Report for 2016/17 published in September 2017.</p> <p>LGA Peer Challenge took place in November 2017.</p> <p>Still more to do to monitor performance at a service level and to improve business intelligence.</p>

**Risk Score 6**

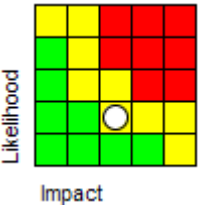
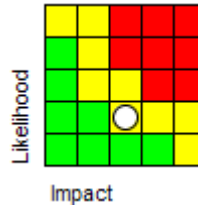
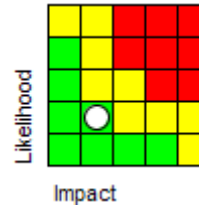
**Risk Code & Title SDC\_CRR\_009 Business Continuity**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p><b>Capacity &amp; resilience of our limited resources to maintain service delivery.</b></p>		<p>Delivery of services not owned by those responsible for leadership and management.</p> <p>Failure to deliver services in exceptional circumstances.</p>			<p>Stuart Robinson</p>	<p>Draft corporate Business Continuity Plan complete.</p> <p>Corporate service prioritisation schedule complete.</p> <p>Business Impact Assessments for all Business Areas.</p> <p>ICT DR Plan in place.</p>	<p>Leadership Team will consider revised Business Continuity Policy in December 2017.</p> <p>Workshops scheduled for January 2018 to facilitate the development of revised Plans.</p>

**Risk Score 6**  
**Risk Code & Title SDC\_CRR\_013 Information Governance/Data Protection**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<b>Non-compliance with the Freedom of Information and Data Protection acts.</b>		Loss or inappropriate use of personal data and information.  Damaged reputation.  Financial penalty.			Karen Iveson	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.	Impending changes to legislation require additional systems and processes to be in place. Action planning currently progressing.

**Risk Score 6**  
**Risk Code & Title SDC\_CRR\_015 Assets**

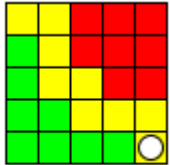
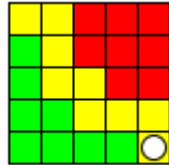
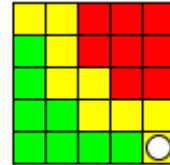
Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p><b>Lack of a strategic use of assets.</b></p>		<p>Assets not used to implement Council's vision.</p>			<p>Dave Caulfield; Julie Slatter</p>	<p>Develop clear Council vision.  Align asset management strategy to Council's vision.  Joint Strategic Asset review being undertaken with NYCC as part of the Better Together Collaboration.</p>	<p>GIS software is now in place and jointly mapped SDC, NYCC and other public assets.  Joint workshop being planned with NYCC to review our approach to strategic assets. Capacity has been increased in the regeneration team to lead this agenda.</p>

**Risk Score 6**  
**Risk Code & Title SDC\_CRR\_017 Strategic Partnerships**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<b>Inability to influence strategic partnerships (e.g. health/LEP/NYCC etc).</b>		<p>Opportunities to lever investment/capacity missed.</p> <p>Value from partnerships not achieved.</p> <p>Selby's profile not raised.</p> <p>Selby's asks not reflected in a devolution deal.</p> <p>Corporate Plan objectives not delivered.</p>			<p>Dave Caulfield</p>	<p>Targeted work with key developers and investors.</p> <p>Close working with the LEP's to identify potential investment opportunities.</p> <p>Close involvement in shaping the asks within any Devolution deal.</p> <p>Re-structure to increase capacity in economic development, regeneration and partnerships.</p>	<p>Appointed to key posts within the team, with responsibility for developing our key partnerships.</p> <p>A number of high profile partnership events recently including Economic Development conference and Major Health workshop.</p>

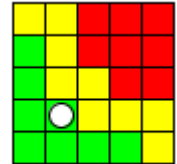

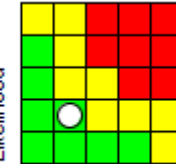
Page 82

**Risk Score 5**  
**Risk Code & Title SDC\_CRR\_016 Failure to adequately respond to Civil Emergencies.**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Failure to fulfil statutory duties under civil contingencies legislation.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Failure to fulfil statutory duties under civil contingencies legislation.</p>	<p>Likelihood</p>  <p>Impact</p>	<p>Likelihood</p>  <p>Impact</p>	<p>June Rothwell</p>	<p>Established partnership with NYLRF - North Yorkshire Local Resilience Forum) &amp; sub regional arrangements.</p> <p>Service Level Agreement in place with North Yorkshire County Council specialist Emergency Planning service.</p> <p>Plans embedded and successfully implemented for a number of civil emergencies and supported by regular review (formal review every 3 years).</p> <p>Training and testing of key elements of the plans is in place.</p> <p>Training and testing of staff response regally reviewed.</p> <p>SDC Command / response protocol structure reviewed quarterly providing a 24 hour, 7 day callout service.</p>	<p>No change to score.</p>

Risk Score 4

Risk Code & Title SDC\_CRR\_011 Communications

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Ineffective Communications internally and externally.</p> <p>Page 84</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Lack of understanding of/buy in to corporate priorities.</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	<p>Stuart Robinson</p>	<p>Resources in place – with the right skills.</p> <p>Agreed approach.</p> <p>Alignment to corporate priorities and decision making.</p>	<p>Annual Report published September 2017.</p> <p>Recent reductions in social media engagement are being explored and actions developed to address.</p> <p>Support provided to Ryedale DC continues - including rolling out Don't be a Waster in Ryedale.</p> <p>Excellent approach to branding supported the recent Economic Growth Conference - and the Peer Challenge.</p> <p>Team shortlisted for national award.</p>

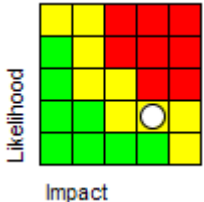
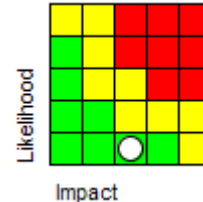
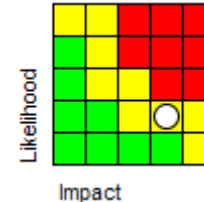


**Risk Score 4**  
**Risk Code & Title SDC\_CRR\_012 Policy Change**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p>Inability to respond to policy change from a national and/or local level.</p> <p>85</p>	<p>Likelihood</p> <p>Impact</p>	<p>Mismatch emerges between statutory obligations and service delivery.</p> <p>Non-compliance with law or national policy.</p> <p>Inability to react quickly to changing local strategy, objectives or priorities.</p> <p>Inability to adequately resource changing local strategy, objectives or priorities.</p> <p>Impact of Brexit not fully understood.</p> <p>Impact on community cohesion.</p> <p>Opportunity of devolution deal not maximised.</p>	<p>Likelihood</p> <p>Impact</p>	<p>Likelihood</p> <p>Impact</p>	<p>James Cokeham; Stuart Robinson</p>	<p>Regular horizon scanning reports are considered by Leadership Team and dialogue is maintained with political groups to understand political aspirations and intentions.</p> <p>Corporate Plans are refreshed annually (and/or as the need arises) to enable flexibility to cope with national and local political change.</p>	<p>Arrangements in place and working effectively.</p> <p>Car Park Policy and Equality Objectives recently approved.</p> <p>Leadership Team continue to receive relevant briefings - e.g. recent Budget Briefing.</p> <p>Monthly horizon scanning has been replaced by improved access to Local Government Information Unit (LGIU) policy briefings.</p> <p>Regular staff briefings are now providing opportunities to ensure staff are kept up to date.</p>

**Risk Score 3**

**Risk Code & Title SDC\_CRR\_001 Governance**

Risk Description	Previous Rating (May 2017)	Consequence	Current Risk Rating	Target Risk Rating	Risk Owner	Controls or Mitigating Actions In Place	November 2017 Update
<p><b>The Council's governance and transparency of decision making is not effective.</b></p>		<p>Councillors and managers may make decisions outside their accountability.</p> <p>The Council will be vulnerable to legal challenges and ombudsman complaints with attendant costs, consequences and reputational damage.</p> <p>Budgets may be overspent and outcomes may not improve.</p>			<p>Gillian Marshall</p>	<p>Constitution reviewed and updated in 2015 including rules on decision making, access to information rules, contract procedure rules and financial procedure rules.</p> <p>Governance training programme underway for new management team</p>	<p>Risk score lowered as training rolled out and proper sign off processes start to embed.</p>



## Public Session

Report Reference Number: A/17/23

Agenda Item No: 11

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**To:** Audit and Governance Committee  
**Date:** 17 January 2018  
**Author:** Phil Jeffrey; Audit Manager (Veritau)  
Jonathan Dodsworth; Counter Fraud Manager (Veritau)  
**Lead Officer:** Karen Iveson; Chief Finance Officer (s151 Officer)

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**Title:** Internal Audit and Counter Fraud Progress Report 2017/18

### Summary:

The purpose of the report is to provide an update on progress made in delivering the internal audit workplan for 2017/18, and to summarise the findings of recent internal audit work. The report also updates the committee on counter fraud work undertaken in the current financial year.

### Recommendations:

**It is recommended that the Committee note the report.**

### Reasons for recommendation

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

#### 1. Introduction and background

- 1.1 The provision of Internal Audit is a statutory requirement (Accounts & Audit Regulations 2015).
- 1.2 The Audit and Governance Committee approved the Internal Audit and Counter Fraud plan for 2017/18 at its meeting held on 19 April 2017. The purpose of this report is to inform Members of the progress made to date in delivering the 2017/18 plan and to summarise the outcomes of internal audit reviews.

## **2. The Report**

- 2.1 Details of internal audit and counter fraud work undertaken in 2017/18 are included in the report attached at Appendix 1.
- 2.2 Veritau carries out its work in accordance with the Public Sector Internal Audit Standards (PSIAS).
- 2.3 There is no direct linkage to any of the Council's Priorities, as internal audit and counter fraud are support services, providing assurance on corporate governance arrangements, internal control and risk management to the Council's managers in respect of their services, and specifically to the Council's S151 Officer on financial systems. And support and advice on counter fraud arrangements and investigations services.

## **3. Legal/Financial Controls and other Policy matters**

- 3.1 Legal Issues
  - 3.1.1 There are no legal issues as a direct result of this report.
- 3.2 Financial Issues
  - 3.2.1 There are no financial issues as a direct result of this report.

## **4. Conclusion**

- 4.1 At the time of drafting this report, there are eighteen 2017/18 audits in progress. Three reports are currently at draft report stage. Five reports have been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2018 (the cut off point for 2017/18 audits).
- 4.2 Up to 30 November, the fraud team has identified £17k in loss to the council and achieved £15.8k in savings for the Council as a result of investigative work. There are currently 13 ongoing investigations.

## **5. Background Documents**

SDC Internal Audit and Counter Fraud Plan 2017/18

**Contact Officer:** *Phil Jeffrey; Audit Manager; Veritau*  
[Phil.jeffrey@veritau.co.uk](mailto:Phil.jeffrey@veritau.co.uk)  
01904 552926/01757 292281

*Jonathan Dodsworth; Counter Fraud Manager;  
Veritau*  
[Jonathan.Dodsworth@veritau.co.uk](mailto:Jonathan.Dodsworth@veritau.co.uk)

**01904 552947**

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

**[Richard.smith@veritau.co.uk](mailto:Richard.smith@veritau.co.uk)**

**Appendices: - Appendix 1 – Internal Audit & Counter Fraud  
Progress Report 2017/18**

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## Selby District Council

### Internal Audit and Counter Fraud Progress Report 2017/18



<b>Audit Manager:</b>	Phil Jeffrey
<b>Counter Fraud Manager:</b>	Jonathan Dodsworth
<b>Deputy Head of Internal Audit:</b>	Richard Smith
<b>Head of Internal Audit:</b>	Max Thomas
<b>Date:</b>	17 <sup>th</sup> January 2018

## Background

- 1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). The Head of Internal Audit is required to regularly report progress on the delivery of the internal audit plan to the Audit and Governance Committee and to identify any emerging issues which need to be brought to the attention of the Committee.
- 2 Members approved the 2017/18 Internal Audit and Counter Fraud Plan at their meeting on the 19th April 2017. The total number of planned days for 2017/18 is 480. The performance target for Veritau is to deliver 93% of the agreed Audit Plan by the end of the year. This report summarises the progress made in delivering the agreed plan.

## Internal Audit Work Carried Out 2017/18

- 3 A summary of the audit work completed in the year to date is attached at Annex A.
- 4 Veritau officers are involved in a number of other areas relevant to corporate matters:
  - **Support to the Audit and Governance Committee;** this is mainly ongoing through our support and advice to Members. We also facilitate the attendance at Committee of managers to respond directly to Members' questions and concerns arising from audit reports and the actions that managers are taking to implement agreed actions.
  - **Contractor Assessment;** this work involves supporting the assurance process by using financial reports obtained from Experian (Credit Agency) in order to confirm the financial suitability of potential contractors.
  - **Risk Management;** Veritau facilitate the Council's risk management process and provide support, advice and training in relation to risk management.
  - **Systems Development;** Veritau attend development group meetings in order to ensure that where there are proposed changes to processes or new ways of delivering services, that the control implications are properly considered.
- 5 An overall opinion is given for each of the specific systems under review.
- 6 The opinions used by Veritau are provided below:

<b>High Assurance</b>	Overall, very good management of risk. An effective control environment appears to be in operation.
<b>Substantial Assurance</b>	Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified.
<b>Reasonable Assurance</b>	Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control



environment is in operation but there are a number of improvements that could be made.

**Limited Assurance**

Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation.

**No Assurance**

Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse.

7 The following priorities are applied to individual actions agreed with management:

**Priority 1 (P1)** – A fundamental system weakness, which represents unacceptable risk to the system objectives and requires urgent attention by management.

**Priority 2 (P2)** – A significant system weakness, whose impact or frequency presents risk to the system objectives, which needs to be addressed by management.

**Priority 3 (P3)** – The system objectives are not exposed to significant risk, but the issue merits attention by management.

8 All 77 agreed actions from 2015/16 audits have been followed up with the responsible officer. Of these, 71 had been satisfactorily implemented. In a further 6 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date. A summary of this follow up work is included below:

**2015/16 Follow-up status**

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	71	0	37	34
Revised date agreed	6	0	6	0
Follow up in progress	0	0	0	0
Not yet followed up	0	0	0	0
<b>Total agreed actions</b>	<b>77</b>	<b>0</b>	<b>43</b>	<b>34</b>

9 A total of 39 agreed actions from 2016/17 audits have been followed up with the responsible officers. 32 had been satisfactorily implemented. In a further 7 cases, the actions had not been implemented by the target date but a revised date was agreed and will be followed-up after the revised target date. The remaining 18 actions agreed in 2016/17 audits have not yet been followed up either because the target dates have not yet passed or because follow up work is still in progress. A summary of this follow up work is included below:

### 2016/17 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	32	1	12	19
Revised date agreed	7	0	4	3
Follow up in progress	8	0	4	4
Not yet followed up	10	0	6	4
<b>Total agreed actions</b>	<b>57</b>	<b>1</b>	<b>26</b>	<b>30</b>

- 10 At the time of drafting this report there are eighteen 2017/18 audits in progress. Three reports are currently at draft report stage. Five reports have been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2018 (the cut off point for 2017/18 audits).

### Counter Fraud Work

- 11 Veritau provides the Council's counter fraud service. The counter fraud team investigate a range of fraud against the authority, including housing fraud, council tax fraud, council tax support fraud, and internal fraud issues.
- 12 Up to 30 November, the fraud team has identified £17k in loss to the council and achieved £15.8k in savings for the Council as a result of investigative work. There are currently 13 ongoing investigations.
- 13 A full summary of counter fraud activity is included in Annex B.

## Annex A

### 2017/18 audit assignments status

Audit	Status	Audit Committee
<b><u>Corporate Risk Register</u></b>		
ICT Governance	In progress	
Organisational Development	Deferred <sup>1</sup>	
Programme for Growth	Ongoing support	
Savings Delivery	In progress <sup>2</sup>	
<b><u>Financial Systems</u></b>		
Benefits	In progress	
Council Tax/NNDR	Draft report issued	
Creditors	In progress	
Debtors	In progress	
Housing Rents	Draft report issued	
Income and Receipting	In progress	
Payroll	In progress	
<b><u>Regularity / Operational Audits</u></b>		
Agency Staff	In progress	
Governance Arrangements	In progress	
Housing Development	Not started	
Insurance	In progress	
Performance Management	Not started	
Planning	Not started	
Section 106 Agreements / CIL	Draft report issued	
<b><u>Technical / Project Audits</u></b>		
Business Transformation	In progress	
Contract Management and Procurement	In progress	
Information Security	In progress	
PCI DSS	Not started	

<sup>1</sup> Deferred until 2018/19. The time has been used to finalise outstanding 2016/17 audits.

<sup>2</sup> Additional testing has been carried out during 2017/18 to continue work started in 2016/17.

Project Management

Ongoing support<sup>3</sup>**Summary of reports finalised since the last committee**

<b>Title</b>	<b>Finalised</b>	<b>Opinion</b>	<b>P1</b>	<b>P2</b>	<b>P3</b>
Income Generation (1617)	8 <sup>th</sup> December 2017	No Opinion Given	0	0	2
Development Management (1617)	13 <sup>th</sup> December 2017	Reasonable Assurance	0	5	4
Council Tax & NNDR	15 <sup>th</sup> December 2017	Substantial Assurance	0	2	3
Savings Delivery (1617)	18 <sup>th</sup> December 2017	Reasonable Assurance	0	1	1
Data Quality (1617)	19 <sup>th</sup> December 2017	Reasonable Assurance	0	0	1

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<sup>3</sup> Support has been provided to the Annual Billing project and the new Housing System project

Summary of audits completed to 18 December 2017; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>4</sup>	Progress against key actions
				1	2	3		
Income Generation (1617)	No Opinion Given	This was a follow-up audit to review whether The Council's new Corporate Charging policy was embedded. It now provides a basis for applying charges; however there is no comprehensive, published list of charges.	8 <sup>th</sup> December 2017	0	0	2	There were no key agreed actions. Actions to address the priority 3 issues identified have been agreed by officers.	
Development Management	Reasonable Assurance	The council's constitution was found to allow its own applications to be determined by officers	13 Dec 17	0	5	4	The Specific Officer Delegations for Non Executive (council) functions with respect to Planning and Development Management will be amended. They will require	Due 30 April 2018

<sup>4</sup> Priority 2 or above

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>4</sup>	Progress against key actions
				1	2	3		
		<p>rather than the Planning Committee under the scheme of delegation. This could lead to potential conflicts of interest.</p> <p>A number of complaints were received by the service which suggested areas of potential weakness. These included pre-application advice. It was also noted that complaints were not always handled in line with expected procedures.</p>					<p>that applications submitted by or on behalf of the authority for its own developments or on its owned land are also presented to Planning Committee unless they are 'minor' and no objections have been received.</p> <p>Compliance with the recently adopted Working Protocol for Development Management Officers will be expected and enforced. This sets out expectations relating to communication (e.g. time for return of phone calls, contacting applicants and agents etc.).</p> <p>The Planning Service Review action in respect of a revised pre-application Duty advice service will be progressed. This action sets out to reconsider the</p>	<p>Action completed</p> <p>Due 31 January 2018</p>

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>4</sup>	Progress against key actions
				1	2	3		
		Some information governance issues were also observed relating to the council's online planning register.					<p>provision of the Duty Service and to ensure that the advice offered is first reviewed by a Principal Planning Officer following the appointment. Steps will also be taken to ensure that the Duty Service is used to provide advice only in relation to householder permitted development inquiries or householder proposals and the council's website will be updated to reflect this.</p> <p>The service will enquire with Data and Systems about the potential to introduce the IDOX document management system to replace Anite. This will provide greater functionality, including the automatic removal of third party comments from Public Access following determination of an</p>	Action completed

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>4</sup>	Progress against key actions
				1	2	3		
							<p>application.</p> <p>Development Management will introduce a process to ensure that all documents which the ICO recommends are removed from the public planning register are removed once the application has been determined.</p>	Due 30 April 2018
Council Tax & NNDR	Substantial Assurance	The annual billing process was reviewed in depth, and whilst processes were found to be sound, roles and responsibilities could be clearer and training needs to be provided to staff new to their roles.	15 <sup>th</sup> December 2017	0	2	3	<p>Training and support will be provided to the staff members who have taken over new roles and this will be put into practice during the test billing run in January.</p> <p>Data &amp; Systems are unable to set up appropriate access to export reports on new builds. They will liaise with the software suppliers and the Planning department to find a solution.</p>	<p>Due 31 January 2018</p> <p>Due 31 March 2018</p>



Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>4</sup>	Progress against key actions
				1	2	3		
Savings Delivery (1617)	Reasonable Assurance	<p>Three savings were reviewed in detail with some additional follow-up work being carried out in 2017/18.</p> <p>The Planning Service review saving had not fully assessed the risks of delivering the saving and the initial planned saving was unlikely to be achieved.</p>	18 <sup>th</sup> December 2017	0	1	1	Monitoring of Planning savings and progress will be allocated to a dedicated team member. Future proposals and actions to be undertaken will be subject to comprehensive risk assessments.	Due 31 January 2018
Data Quality (1617)	Reasonable Assurance	<p>Three performance indicators were reviewed in detail.</p> <p>Issues were initially identified with the</p>	19 <sup>th</sup> December 2017	0	0	1	There were no key agreed actions. Action to address the priority 3 issue identified has been agreed by officers.	

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions <sup>4</sup>	Progress against key actions
				1	2	3		
		Processing of Major Planning Applications indicator, however subsequent re-testing found that the service had improved their processes for calculating the indicator.						

### Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Security Checks (2015/16)	An action plan will be produced to address the information security weaknesses identified in the report. This will include reminders to staff on maintaining information security and arrangements to ensure sufficient secure storage is available where needed within the Civic Centre.	2	Solicitor to the Council	31 Jan 2016	Completed – this action has been superseded by an agreed action raised in the 2016/17 Information Security Checks audit.
Information Governance (2015/16)	<p>A policy review schedule will be drawn up for all information governance policies to be reviewed and, where required, updated.</p> <p>The data protection policy will be reviewed as a priority.</p>	2	Solicitor to the Council	30 Nov 2016	<p>Preparations are now underway for implementing GDPR. A review of all policies and procedures (including DP breach policy) against GDPR requirements will be undertaken between 01 Jan 18 and 31 Mar 18.</p> <p>Revised date of 31 Mar 18.</p>
Information Governance (2015/16)	The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure.	2	Solicitor to the Council	30 Nov 2016	Preparation for the GDPR will require an Information Audit which will replace and update the register.

	Job descriptions will be reviewed and responsibilities will be included for all roles who act as IAOs, as well as the Senior Information Risk Owner (SIRO) and Solicitor to the Council.				Staff training for the GDPR will inform and embed roles of officers.  Revised date of 31 Mar 18.
Information Governance (2015/16)	In reviewing and refreshing the information asset register IAOs will refer to the information risk management policy.  Information risks will be considered by all services and significant risks identified through this process will be included in the service based risk registers.	2	Solicitor to the Council	30 Nov 2016	Information risk management policy to be updated as part of GDPR preparation.  Revised date of 31 Mar 18.
Information Governance (2015/16)	A privacy notice will be written that applies to information collected across a range of council functions and this will be made available on the Council website. The review of the information asset register will identify the types of information held and how it is used. This will be used to determine which areas need specific privacy notices covering the information they hold and in which areas it is sufficient to refer to the privacy notice available on the website.	2	Solicitor to the Council	30 Nov 2016	Updated privacy notices to be drafted as part of GDPR preparations.  Revised date of 31 Mar 18.
Information Governance (2015/16)	The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all	2	Solicitor to the Council	30 Nov 2016	Information Sharing will be mapped as part of the Information Audit in GDPR

	<p>decisions to share information are recorded and that data sharing agreements are in place.</p> <p>Data sharing agreements will be drawn up under the Multi Agency Information Sharing Protocol (MAISP) where required.</p>				<p>preparations.</p> <p>Revised date of 31 Mar 18.</p>
Information Governance (2015/16)	<p>A consolidated corporate records retention and disposal schedule will be drawn up in line with the document retention policy.</p> <p>This will apply to all records held and in all formats and will be made available throughout the organisation.</p>	2	Solicitor to the Council	30 Nov 2016	<p>This will be reconsidered as part of the review of policies and the Information Audit.</p> <p>Revised date of 31 Mar 18.</p>
Sundry Debtors (2016/17)	<p>Management will look to review and renegotiate the server hosting SLA between Richmondshire District Council and Selby District Council, taking into account the matters raised in this audit.</p>	2	Chief Finance Officer	30 Sep 2017	<p>Both parties are in agreement over the content of the revised SLA and it is currently with the Legal teams for review prior to being adopted.</p> <p>A revised date will be required for completion of this action.</p>
Council House Repairs (2016/17)	<p>Procurement of the new housing management system is in progress. Once implemented, automated processes will</p>	2	Head of Operational Services	30 Nov 2018	<p>Due 30 November 2018</p>

	replace the manual workaround (due to the housing management system not being linked to the finance system) and will enable all materials and jobs to be checked.				
Council House Repairs (2016/17)	A new housing management system will be procured which includes the capacity to cost jobs and will be linked to the finance system.	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Council House Repairs (2016/17)	Included in the specification for the new housing management system is the requirement for there to be job scheduling functionality. This functionality will be made available when the system is implemented.	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Project Management (2016/17)	Develop corporate project and programme management framework to be used for all high risk, corporate projects. Framework to include governance arrangements.	2	Extended Leadership Team	30 Sep 2017	Completed – the revised project governance framework was approved by Leadership Team in November 2017.
Project Management (2016/17)	Update project management guidance to be used for all projects across the Council – to cover all aspects of project management including, initiation, scoping, planning, resourcing, communicating, monitoring, management of risk and review.	2	Head of Business Development & Improvement	30 Sep 2017	Project management guidance will be updated to reflect the recently approved project governance framework.  Revised date of 31 Mar 18.
Project	Rollout of training on the revised project	2	Head of Business	31 Dec	Training will be

Management (2016/17)	management framework and guidance – commencing October 2017.		Development & Improvement	2017	delivered that reflects the recently approved project governance framework.  Revised date of 31 Mar 18.
Information Security Checks (2016/17)	Any issues with availability of storage, broken locks or absence of keys and places to store keys to be identified and addressed so that all information is capable of being locked away.	2	Solicitor to the Council	30 Jun 2017	A key safe is in the process of being purchased. Further planned Information Security checks will be carried out after this.  A revised date is required for this action – it will be before 31 Mar 18.
Information Security Checks (2016/17)	Responsibility for shared storage and rooms (e.g. archive room) to be made clear to ensure they are locked when not in use / at the end of the day.	2	Solicitor to the Council	30 Jun 2017	The council is currently working with its system provider to update the access control system to include the archive rooms. Work is being undertaken jointly with NYCC to secure the necessary IT equipment to host the system.  Revised date of 31

					Dec 2017.
PCI DSS (2016/17)	A compliance procedure document will be produced as an appendix to the Data Protection Policy. This will clearly identify the responsible officers for PCI DSS at the Council.	2	Data & Systems Team Leader	30 Sep 2017	This document is currently being produced.  Revised date of 31 Dec 2017.
PCI DSS (2016/17)	Data & Systems will investigate the opportunity to introduce a 'hosted payment page' on the website from a payment provider. This would eliminate card processing and storage on the Council's network.	2	Data & Systems Team Leader	31 Aug 2017	Discussions are ongoing with the service provided based around costs and changes to the firewall.  Revised date of 31 Mar 18.
PCI DSS (2016/17)	Once the network has been reconfigured in line with the recommendations of the external consultant's report, the relevant self-assessment questionnaire will be completed and any remedial actions captured.	2	Data & Systems Team Leader	30 Sep 2017	Once the changes have been made to the network then the self-assessment questionnaire will be completed.  Revised date of 31 Mar 18.



## ANNEX B - COUNTER FRAUD ACTIVITY 2017/18

The table below shows the total numbers of fraud referrals received and summarises the outcomes of investigations completed during the year.

	<b>2017/18 (As at 30/11/17)</b>	<b>2016/17 (Full Year)</b>
% of investigations completed which result in a successful outcome (for example benefit stopped or amended, sanctions, prosecutions, properties recovered, and housing allocations blocked).	47%	44%
Amount of actual savings (quantifiable savings - e.g. CTS) identified through fraud investigation.	£15,810	£39,858
Amount of notional savings (estimated savings - e.g. housing tenancy fraud) identified through fraud investigation.	£18,400	£18,000

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**Caseload figures for the period are:**

	<b>2017/18 (As at 30/11/17)</b>	<b>2016/17<sup>5</sup> (Full Year)</b>
Referrals received	71	187
Referrals rejected	38	30
Number of cases under investigation	13	38 <sup>6</sup>
Number of investigations completed	32	81

<sup>5</sup> Work currently undertaken by the counter fraud team has changed from 2016/17. Debt recovery checks are no longer undertaken which can make comparison between the two years misleading. The number of referrals received and cases completed to date in 2017/18 represents an increase on the previous year.

<sup>6</sup> As at 31/3/17

**Summary of counter fraud activity:**

<b>Activity</b>	<b>Work completed or in progress</b>
Data matching	<p>Council data required by the Cabinet Office for the 2016/17 National Fraud Initiative (NFI) was gathered in October 2016 and securely transmitted via the NFI web application. A total of 268 matches have been released as part of that exercise. No fraud of note has been uncovered to date however 34 matches are still being reviewed.</p> <p>As part of the annual NFI single person discount data matching exercise, electoral roll and council tax data is currently being gathered ahead of submission in January.</p>
Fraud detection and investigation	<p>The service continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity to date includes the following:</p> <ul style="list-style-type: none"> <li>• <b>Council Tax Support fraud</b> – To date the team has received 46 referrals for possible CTS fraud. Over £11,000 in falsely obtained discounts have been detected in the current financial year. Two people have been cautioned for CTS offences. There are currently 7 cases under investigation. The Council successfully prosecuted its first CTS fraud in September.</li> <li>• <b>Council Tax/Non Domestic Rates fraud</b> – 15 referrals for council tax or business rates fraud have been received in 2017/18. Over £6,000 in falsely obtained discounts have been detected this year. There are currently 2 cases under investigation. The Council successfully prosecuted its first Council Tax discount fraud in September.</li> <li>• <b>Housing fraud</b> – The team has received 9 referrals for investigation in the year. There are</li> </ul>

Activity	Work completed or in progress
	<p>currently 3 ongoing investigations in this area. The council recovered its first sublet property through criminal investigation this year and the former tenant was cautioned for their offence.</p> <ul style="list-style-type: none"> <li>• <b>Internal fraud</b> – No internal fraud referrals have been received in 2017/18.</li> <li>• <b>Parking fraud</b> – The team continues to work with the Council’s outsourced parking enforcement provider, Harrogate Borough Council, to detect and deter disabled blue badge fraud.</li> </ul>
Fraud liaison	<p>In 2016 the Council’s remit to investigate and prosecute housing benefit fraud transferred to the Department for Work and Pensions (DWP). The counter fraud team now acts as a single point of contact for the DWP and is responsible for providing data to support their housing benefit investigations. The team has dealt with 117 requests to date in 2017/18.</p>

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**Report Reference Number: A/17/24**

**Agenda Item No: 12**

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**To:** Audit and Governance Committee  
**Date:** 19 April 2017  
**Author:** Karen Iveson; Chief Finance Officer (s151)  
**Lead Officer:** Karen Iveson; Chief Finance Officer (s151)

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**Title:** Annual Governance Statement 2016/17 – Action Plan Review

**Summary:** To review progress on the Annual Governance Statement (AGS) 2016/17 Action Plan approved in July 2017.

**Recommendation:**

**It is recommended that progress against the Action Plan for the Annual Governance Statement for 2016/17 be noted.**

**Reasons for recommendation:**

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

**1. Introduction and background**

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

## **2. The Report**

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

## **3. Legal/Financial Controls and other Policy matters**

### 3.1. Legal Issues

- (a.) None.

### 3.2. Financial Issues

- (a.) None.

## **4. Conclusion**

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

## **5. Background Documents**

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

**Appendices:** **Appendix A – AGS 2015/16 Action Plan**

AGS 2016/17 Action Plan Review

<i>Issue Identified</i>	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
<p><b><i>Information Governance and breaches in Data Protection are not adequately managed.</i></b></p>	<p>Internal Audit Report</p>	<p>Plans are now in place to:</p> <ul style="list-style-type: none"> <li>• Assign clear roles and responsibilities;</li> <li>• Approve and implement the necessary policies and procedures;</li> <li>• Deliver a targeted training programme;</li> <li>• Ensure adequate reporting arrangements; and</li> <li>• Consider appropriate disciplinary procedures for data breaches.</li> </ul> <p>Internal Audit to assist/advise.</p>	<p>Solicitor to the Council</p> <p>31 December 2017 Amended deadline</p>	<p>Actions implemented - A high level action plan was included as part of the Information Governance Annual Report 2015/16 presented to Audit and Governance Committee in January 2016.</p> <p>In October 2016 Veritau reported in relation to Information Governance and Freedom of Information and gave an opinion of reasonable assurance, finding that the Council has made significant progress since previous audit but some weaknesses remain. On-going actions are monitored by the Audit and Governance Committee through the Annual Information Governance report.</p>

AGS 2016/17 Action Plan Review

<i>Issue Identified</i>	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
<p><b>Non-compliance with the Payment Card Industry Data Security Standard (PCI DSS)</b></p>	<p>Internal Audit report</p>	<p>Agreed actions:</p> <ul style="list-style-type: none"> <li>• Management responsibility has been defined</li> <li>• The cardholder data environment will be mapped and documented</li> <li>• Policies and procedures will be developed in relation to PCI DSS</li> <li>• Dependencies on third parties will be explored and assessed</li> <li>• Responsibility for completing annual self-assessment questionnaires will be assigned</li> </ul> <p>Internal Audit to assist/advise.</p> <p>Regular updates will be brought to the Audit and Governance Committee during 2017/18.</p>	<p>Lead Officer Data and Systems</p> <p>31 March 2018 Amended deadline</p>	<p>Discussions ongoing with the service provider re: the financial and technical viability of setting up a 'hosted payment page' on the website – to eliminate card processing and storage on the Council's network.</p> <p>Contact Centre computers updated to support PCI DSS compliance for payments made by customers in the CCC.</p> <p>Operational/compliance procedure notes drafted for internal payment processing. This will be appended to the revised Data Protection Policy (being revised to account for GDPR).</p>
<p>A further review of ICT disaster recovery arrangements has been</p>	<p>Internal Audit report</p>	<p>Arrangements for Disaster Recovery transferred from Craven</p>	<p>Head of Business Development.</p>	<p>Action plan in place to address the issues identified, e.g. arrangement with NYCC</p>



AGS 2016/17 Action Plan Review

<i>Issue Identified</i>	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
<p>undertaken in 2015/16 – further actions have been identified:</p> <p>A new ICT Disaster recovery Plan will be developed which will include responsibilities (and responsible officers), invocation procedures and responsibilities for actions The new ICT Disaster Recovery Plan will include provision for a number of system restoration tests over the period of agreement.</p> <p>A programme of back-up tests will be put in place and encryption of tapes will be investigated. New arrangements for data and systems replication will be put in</p>		<p>DC to North Yorkshire CC at the end of April 2017.</p> <p>An overarching disaster recovery plan has been approved. The plan details roles and responsibilities across SDC, NYCC and other partners.</p> <p>A plan to secure even greater resilience is being developed in conjunction with NYCC. Implementation of this will run through 2017/18 and beyond.</p> <p>Plans are in place to test DR arrangements throughout the year. A framework for prioritising which systems are restored first has been developed. A review of Business Continuity Planning in late summer/early autumn will re-</p>	<p>All actions will be completed by 31 Dec 2017. Amended deadline</p>	<p>has allowed rationalisation of back-up contracts.</p> <p>£50k bid to support work on addressing DR risks included in draft budget for 2018/19. If approved, priorities will include updating remote access and modernising our back-up solution.</p> <p>Working with NYCC to sign up to GovRoam which will support staff to access SDC networks via NYCC and other public sector wifi networks.</p> <p>Revised Business Continuity Policy agreed by Leadership Team December 2017. Workshop with all Heads of Service to update BCPs scheduled for 11 January 2018 – this will re-affirm details of replacement premises, equipment etc. and</p>

AGS 2016/17 Action Plan Review

<i>Issue Identified</i>	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
place with NYCC.		affirm details of replacement premises, equipment etc. this will then support more detailed testing.		support detailed testing of DR arrangements. Note: DR work is ongoing – and will continue to be so but for the purposes of this update the actions have been completed.
Creditors (Raised 2016/17)	Internal Audit report	<p>A number of duplicate invoices and payments were identified during the audit. In addition, a high number of orders were found to be raised outside of the e-procurement system.</p> <p>An action plan was agreed and good progress has been made towards this with an update provided to the Audit and Governance Committee in April 2017.</p>	<p>Head of Operational Services</p> <p>30 June 2017</p>	<p>Actions have been implemented.</p> <p>Creditors has been included in the audit plan for 2017/18 and a follow-up of the issues identified will be carried out.</p>

AGS 2016/17 Action Plan Review

<i>Issue Identified</i>	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
Payroll reconciliation (Raised 2016/17)	Internal and External Audit reports	Delays to and errors within with the payroll costing file	Head of Finance 30 June 2017	Ongoing issues have been escalated within NYCC and the issues have now been fully resolved.

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## Public Session

Report Reference Number: A/17/25

Agenda Item No: 13

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**To:** Audit & Governance Committee  
**Date:** 17 January 2018  
**Author:** Jonathan Dodsworth, Counter Fraud Manager, Veritau Ltd  
**Lead Officer:** Karen Iveson; Executive Director (s151 Officer)

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**APPENDIX C IS NOT FOR PUBLICATION.** This Report contains exempt information under paragraph 3 in Part 1 of Schedule 12A to the Local Government Act 1972 as amended.

**Title:** Counter Fraud Framework Update

### Summary:

The council approved a new counter fraud and corruption strategy and associated action plan in January 2017. This report provides an update on progress against the actions set out in the strategy and new actions for the current and next financial year. In addition the council's counter fraud risk assessment, first introduced in September 2016, has been updated to reflect current fraud risks.

### Recommendation:

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

### Reasons for recommendation

To help ensure the council maintains robust counter fraud arrangements.

## 1 Introduction

1.1 In 2017/18 fraud continues to be seen as a significant risk to the UK public sector. The National Audit Office as part of its annual central

government review<sup>1</sup> noted the importance of detecting and preventing fraud within the public sector as a duty to the tax payer and also as an opportunity to produce significant savings. While concerned with central government this is equally applicable to local authorities. Based on their last annual survey of councils and similar bodies (CFaCT 2017)<sup>2</sup>, Cipfa estimates that 75,000 cases of fraud were investigated across the UK in 2016/17 with a total value of £336 million.

- 1.2 This report includes the results of a review of the council's counter fraud strategy and risk assessment and informs the committee of recent national counter fraud guidance and developments.

## 2 Recent guidance and developments

- 2.1 The CFaCT survey, **Appendix A**, highlights council tax as the biggest area of fraud detected by local authorities by volume (76% of cases) - for example single person discounts and CTRS fraud. It also highlights housing fraud as the largest area of loss amongst councils who own housing stock. While there continues to be a need to focus counter fraud resources in these areas, the report also highlights growing levels of detected fraud in other areas. For example there were 197 identified occurrences of procurement fraud reported during the 2017 survey with a value of £6.2m. A report by the Home Office<sup>3</sup> in 2016 highlighted procurement fraud as an area for focus. The findings pointed towards serious and organised crime involvement in local government procurement processes with particular emphasis on waste, taxi and transport services.
- 2.2 Recent years have also seen a rise in cyber attacks on the public sector - recent high profile examples include WannaCry, which affected the NHS and Parliament (WannaCry is a form of ransomware that encrypts system data and demands payment to unlock it). Attacks on local government can result in an inability to provide key services as well as the theft of sensitive data. The National Cyber Security Centre (NCSC) was established in 2016 to provide guidance and expertise in this area. As part of its response to the cyber attacks experienced in May 2017 the NCSC is promoting its CyberAware campaign to help avoid these types of attacks. The campaign encourages organisations to adopt good cyber security habits such as ensuring that operating systems and software are regularly updated.
- 2.3 The Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations (MLR 2017) came into force in June 2017. The new regulations put greater responsibility on organisations to mitigate the risks associated with money laundering by ensuring appropriate policies and risk assessments are in place. While

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<sup>1</sup> Fraud Landscape Review, 2016

<sup>2</sup> Cipfa Fraud and Corruption Tracker 2017 (CFaCT 2017)

<sup>3</sup> Home Office – Organised Crime Procurement Pilots 2016

not specifically covered by the regulations, local authorities have a broad responsibility to be aware of the potential for money laundering and criminality in their management of public funds. New standards of due diligence in the regulations to verify the true beneficiaries of financial transactions should therefore be considered. For example in right to buy or other high risk transactions.

### **3 Review of Counter Fraud Strategy and Risk Assessment**

- 3.1 The council's Counter Fraud and Corruption Strategy 2017-19 was approved by the committee in January 2017. The strategy takes into account the national collaborative counter fraud strategy for local government in the UK (Fighting Fraud & Corruption Locally). It also takes into account the principles set out in Cipfa's Code of Practice on Managing the Risks of Fraud and Corruption (2014). No changes are required to the main body of the strategy, however the associated action plan, in **Appendix B**, has been updated to indicate progress on tasks as well as new objectives for 2017/18 and 2018/19.
- 3.2 It is recognised good practice for council's to assess their risk of fraud on a regular basis. A counter fraud risk assessment was first produced for the council in September 2016. The risk assessment included in restricted **Appendix C** is an update of that document. A number of specific actions are included in the risk assessment. These include work to be undertaken by both the internal audit and the counter fraud teams as part of their 2017/18 and 2018/19 plan of work for the council.
- 3.3 As part of this review the Council's Counter Fraud Policy has also been reviewed but no changes are required.

### **4 Legal/Financial Controls and other Policy matters**

#### **4.1 Legal issues**

- 4.1.1 Appendix C to the report is exempt from disclosure under the provisions of paragraph 3 in Part 1 of Schedule 12A to the Local Government Act 1972 (as amended) as it contains information relating to the financial or business affairs of any person including the authority itself. The appendix contains detailed information relating to the systems and processes that the Council has in place to manage fraud risk. The information, if published, could put the Council at increased risk of fraud. Councillors will need to resolve to meet in private session if they wish to discuss any issues arising from Appendix C.

#### **4.2 Financial Issues**

- 4.2.1 There are no direct financial implications as a result of this report. Funding for counter fraud work is based on an estimate of 105 days work per year, and is provided for within the Council's budget. In 2017/18 the service has experienced unexpected levels of demand due

to volume and nature of fraud referrals received. This has necessitated an additional allocation of funding from Operational Contingency for a further 60 days in the current year. In order to ensure that the service can be delivered within budget going forward, limitations on active fraud case holdings have been discussed with services, and thresholds for triggering investigations increased. The arrangements will continue to be monitored to ensure that appropriate levels of investigation are maintained and assess ongoing budget requirements. And as with other risks the Council is managing, Operational Contingency remains available should demand require.

## **5 Conclusion**

- 5.1 This report presents the outcomes of the annual review of counter fraud arrangements which helps to ensure that the Council maintains a robust counter fraud policy framework and has an up to date fraud risk assessment in place.

## **6 Background Documents/Contacts**

**Contact Officer:** *Jonathan Dodsworth; Counter Fraud Manager; Veritau*  
[Jonathan.Dodsworth@veritau.co.uk](mailto:Jonathan.Dodsworth@veritau.co.uk)

*Richard Smith; Deputy Head of Internal Audit; Veritau*  
[Richard.Smith@veritau.co.uk](mailto:Richard.Smith@veritau.co.uk)

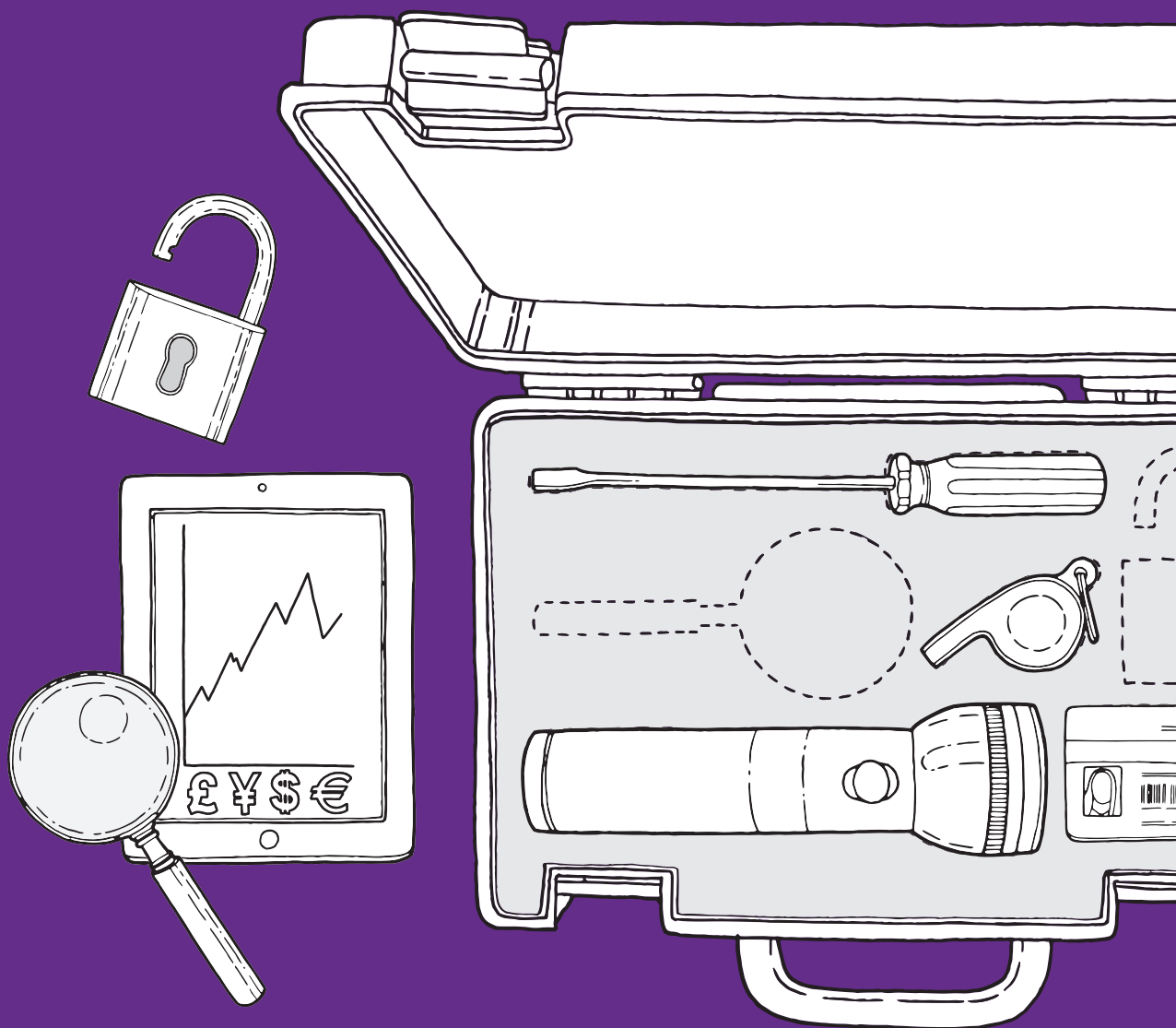
### **Appendices:**

- Appendix A:** CIPFA Fraud and Corruption Tracker 2017
- Appendix B:** Counter Fraud and Corruption Strategy Action Plan
- Appendix C:** Fraud Risk Assessment (NOT FOR PUBLICATION. This Appendix contains exempt information under paragraph 3 in Part 1 of Schedule 12A to the Local Government Act 1972 as amended)



# fraud and corruption tracker

Summary Report 2017



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## Foreword

Public sector organisations around the UK are clearly committed to fighting fraud and corruption. Through the implementation of initiatives and collaboration with new partners, the public sector understands the importance of counter fraud activity and the contribution it makes to organisations' resilience. The success of counter fraud activities is more than about saving money but covers both the reputational and moral risk for an organisation.

The CIPFA Fraud and Corruption Tracker (CFaCT) survey is part of that story and provides a picture of fraudulent activity in local government and identifies actions that are being taken to combat it.

Supported by organisations such as the National Audit Office (NAO), the National Crime Agency (NCA) and the Local Government Association (LGA), CIPFA draws on the expertise of those within the profession to deliver this annual survey which enables practitioners to focus on trends and emerging risks.

Understanding emerging risks allows authorities to develop appropriate strategies and deploy adequate resources to support the fight against fraud and corruption. This year's survey has shown that adult social care fraud has evolved from an emerging risk to one with which many local authorities are now actively engaged.

This report, which summarises the findings of the most recent CFaCT, not only raises awareness of fraud prevention, detection and deterrence across local government, but will also enable organisations from across the wider public sector to benchmark their responsiveness against others facing similar risks.

This report will:

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

The survey was supported by:



## The CIPFA Counter Fraud Centre

The CIPFA Counter Fraud Centre (CCFC), launched in July 2014, was created to fill the gap in the UK counter fraud arena following the closure of the National Fraud Authority (NFA) and the Audit Commission, and the subsequent transfer of benefit investigations to the Single Fraud Investigation Service (SFIS), run by the Department for Work and Pensions (DWP). The CCFC leads and co-ordinates the fight against fraud and corruption across public services by providing a one-stop-shop for thought leadership, counter fraud tools, resources and training.



## Introduction

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

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

The third CFaCT was carried out in May 2017 and provides a national picture of fraud, bribery and corruption in local government. It also shows how the sector is dealing with the challenges and helps identify the actions that the sector needs to take to reduce the threat posed by fraudulent activity.

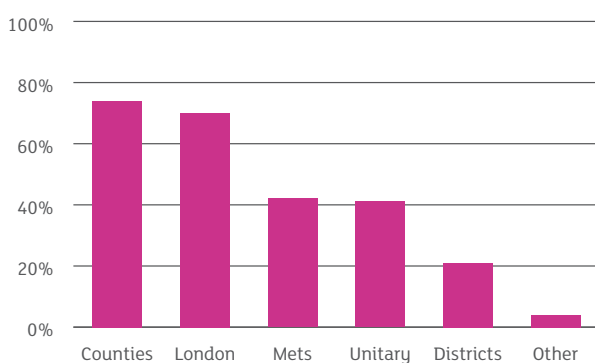
The CFaCT draws on the experience of practitioners and the support and expertise of key stakeholders to show the changing shape of the fraud landscape. It received a spread of results from across all regions and local authorities, enabling us to estimate the total figures for fraud across English, Welsh and Scottish local authorities.

CIPFA estimates that across local authorities more than 75,000 frauds have been detected or prevented in 2016/17 with a total value of £336.2m. The number of fraud cases investigated or prevented dropped in 2017, but the average value per fraud increased from £3,400 to £4,500; the reason for this could be that local authorities are focusing on cases with a higher financial value.

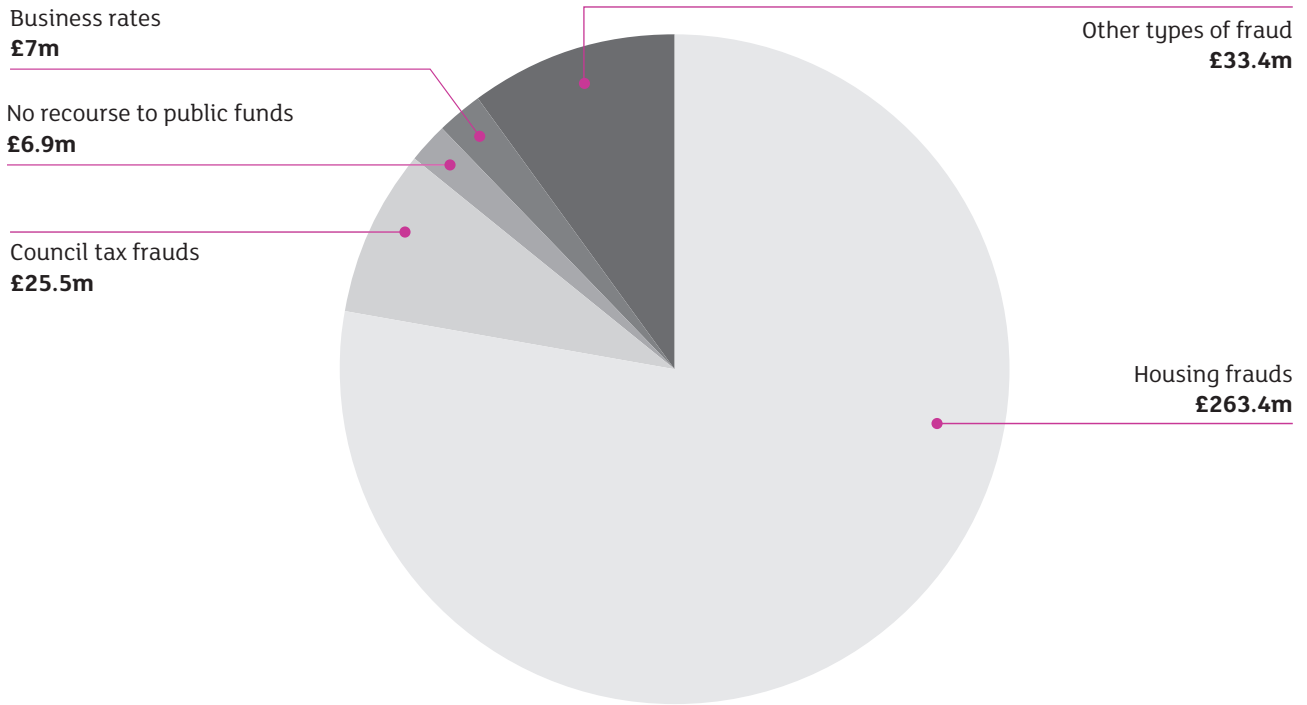
The CFaCT also revealed the following:

- procurement, adult social care and council tax single person discount are perceived as the three greatest fraud risk areas
- adult social care fraud has shown the largest growth in the past year, with an estimated £5.6m investigated compared with £3.0m in 2016
- the highest number of investigations related to council tax fraud (76%) with a value of £25.5m
- the highest value area of fraud is housing with an estimated total of £263.4m
- 38% of organisations who responded have a dedicated counter fraud service.

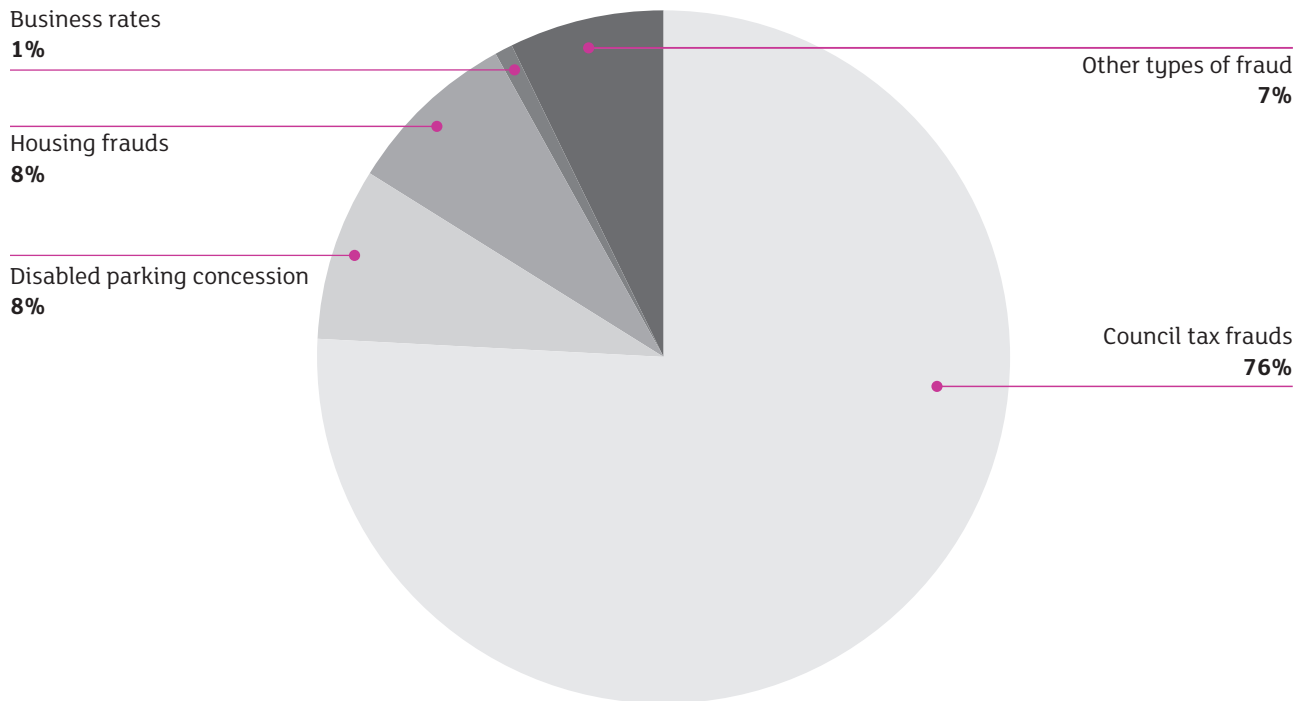
### Response Rate



### Estimated value of fraud detected



### Detected fraud by estimated volume



Cyber crime has a high profile in the media and poses a growing challenge to a sector becoming more digital in terms of service delivery. The threat calls on the shared expertise of fraud and IT teams and it is often unclear who holds responsibility. Respondents to the CFaCT 2017 reported that only three fraud teams (2.3%) were responsible for cyber risk, whereas 106 (80%) reported that IT or the chief information officer held responsibility.

When we started the survey in 2014, three quarters of respondents told us that cyber risk was not included in the corporate plan. This year we see that over half the respondents had carried out a cyber risk assessment in the previous 12 months.

A number of themes and challenges have emerged over the three years that CIPFA has carried out this survey, and these include the following:

- housing has the highest value of all fraud types
- council tax fraud has seen the highest volume of cases
- local authorities benefit from looking forward, preparing for and understanding emerging risks in order to find effective solutions

- barriers to effective data sharing have consistently been stated as impacting on fraud prevention and investigation
- insufficient capacity and a lack of effective fraud risk assessment have proved to be challenges.

In the past three years fraud teams have operated within increasingly restricted budgets while the frauds they look to uncover become more sophisticated. From the figures and responses in the report, fraud teams are responding with positivity and a professional commitment to these challenges. The CFaCT shows that the sector is focusing on certain fraud areas, combining skills and resources and developing shared services.

This report highlights:

- the types of fraud as identified in the CFaCT 2017
- how the fraud and corruption landscape is changing
- what monetary value is lost through fraudulent activity
- how counter fraud activity and prevention improves the public sector budget
- what threats and risks are emerging
- what is being done to prevent fraud.

## Recommendations

CIPFA recommends that organisations:

- ensure that cyber security is integral to any new strategy or policy decision, reflecting the [National Cyber Security Strategy 2016 to 2021](#)
- continue to be vigilant and raise awareness of fraud within adult social care
- have a strong counter fraud leadership that understands the importance of involving counter fraud practitioners when devising policy and strategy
- continue to maximise opportunities to share data and to explore innovative use of data within the law
- communicate clearly both internally and externally the role of the fraud team and the importance of the role for both financial and reputational benefit.



## Main Types of Fraud

CIPFA has identified the main types of fraud based on the volume of investigations or the value of the financial loss. According to the survey results there are four main areas:

1. council tax
2. housing
3. disabled parking (Blue Badge)
4. adult social care.

### Council tax

Council tax fraud has always been the largest reported issue and this is the same in 2017. Council tax is levied on domestic properties and collected by district and unitary authorities in England and Wales and levying authorities in Scotland. As the revenue forms part of the income for local authorities, there is a clear correlation between council tax fraud and a reduction in the available budget.

Council tax fraud is split into three areas:

1. council tax single person discount (SPD) – eg where the council tax payer falsely claims to be an eligible single occupier
2. council tax reduction (CTR) support – eg where the council tax payer falsifies household income to qualify for support
3. other types of council tax fraud – eg claims for exemptions or discounts to which the council tax payer has no entitlement.

Traditionally an area of high volume/low value, council tax represents the highest number of fraud cases reported by local authorities (76%). However, the total value of the fraud, estimated at £25.5m, only accounts for 7.6% of the estimated value of all detected fraud.

#### Estimated council tax fraud

	Volume	Value
SPD	50,136	£19.5m
CTR	6,326	£4.8m
Other	674	£1.1m
<b>Total</b>	<b>57,136</b>	<b>£25.5m</b>

When asked about the perceived highest fraud risk areas, SPD was third behind procurement and adult social care.

### Perceived highest risk areas



**3**

Single person discount



**2**

Procurement



**1**

Adult social care

## Housing and tenancy fraud

Housing and tenancy fraud takes a number of forms including:

- illegal subletting for profit
- providing false information to gain a tenancy
- wrongful tenancy assignment and succession
- failing to use the property as the principal home
- right to buy fraud, for example where circumstances have been misrepresented to qualify for a discount.

Housing is expensive in many parts of the country, the South East in particular, and therefore a low number of cases produces a high value in terms of fraud. However, councils record the income lost to housing fraud according to different values, ranging from a notional cost of replacing a property to the average cost for keeping a family in bed and breakfast accommodation for a year. The National Fraud Initiative (NFI) has historically used a figure of £18,000 to reflect the cost of homeless accommodation over one year, however, this year the NFI has increased that notional figure to £93,000.

The lack of a standard approach makes valuing housing fraud difficult and the approaches vary not only between regions but also between councils. To give some idea of the growth in this area this report has taken the cases reported over the last two years and estimated a figure for all local authorities. Using this methodology, the estimated total value of housing fraud is £263.4m. The number of cases of right to buy fraud has fallen since the 2016 survey but the value has risen to £112m.

Right to buy is the scheme that allows tenants who have lived in their properties for a qualifying period the right to purchase the property at a discount. As housing has become increasingly expensive, especially in London, the value of this type of fraud has seen a rapid increase. The loss is higher in London than in other parts of the country, with an average value per case of £97,000 against £81,000 for the rest of the UK.

### Estimated housing fraud

Type of fraud	Volume	Value
Right to buy	1,284	£111.6m
Illegal subletting	1,829	£78.5m
Other*	2,825	£73.3m
<b>Total</b>	<b>5,938</b>	<b>£263.4m</b>

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

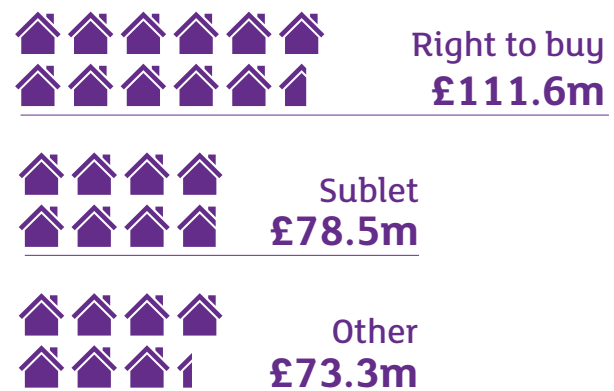
# 1,284

the estimated number of right to buy cases investigated or prevented during 2016/17

# £263.4m

the estimated total value of housing fraud investigated during 2016/17

### Estimated housing fraud



## Disabled parking (Blue Badge)

The Blue Badge is a Europe-wide permit scheme that gives parking concessions to people with sight impairments or severe walking difficulties. It is locally administered and allows permit holders to park nearer to their destination. Fraud from the misuse of the Blue Badge has decreased since we started the survey. In 2015/16 the estimated number of cases was 7,078, and in 2016/17 this decreased dramatically to 5,751.

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

The cost of parking in London results in a higher value to case ratio. From the survey responses we estimate a total of 1,396 cases for London authorities with a total loss value of £3.0m, whereas the estimate for the rest of the

UK is 4,355 cases with a total value less than half that of London at £1.4m.

In the event that Blue Badge misuse is identified, it is often prosecuted and the individual is fined (which is paid to the court). Costs are awarded to the prosecuting authority but these may not meet the full cost of the investigation and prosecution. It is possible that because costs may not be fully redeemed, authorities have little incentive to focus attention on this fraud type. Prosecution, where successful, may serve as a warning and a reflection of public interest.

### Estimated Blue Badge fraud

Volume	Value
5,751	£4.3m

### Blue Badge prosecution

After an investigation by Warrington Borough Council's counter fraud team, the council prosecuted a resident for using a Blue Badge which did not belong to him, and had in fact expired, to park in designated disabled parking spaces.

The court fined the man £69 in respect of four offences, charged him a victim surcharge of £30, £120 in penalty charge notices and ordered him to pay £100 in court costs.

This case illustrates that any money returned to the council would not be sufficient to cover the investigation and prosecution costs, but taking the case to court would serve to raise awareness and potentially deter others.

### Value of Blue Badge fraud in London v rest of UK



**£3m**  
London



**£1.4m**  
rest of the UK

## Adult social care

There has been a rise in the number of fraud cases identified in adult social care and the value of the loss has started to increase. This is a trend that we have seen emerging over the last few surveys. In 2015/16 the average value of loss specifically for adult social care was below £10,000 but in 2016/17 we see a rise in value to around £13,000.

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

Investigations cover cases where:

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

Over the past few years many local authorities have funded training and introduced robust controls to mitigate the risk of fraud within personal budgets.

This year's survey also highlighted the links between adult social care fraud and insider fraud. Five percent of adult social care frauds investigated by respondents involved an authority employee.

### Estimated adult social care fraud

Type of fraud	Volume	Value
Adult social care personal budget	264	£2.8m
Adult social care (other)*	182	£2.8m
<b>Total</b>	<b>446</b>	<b>£5.6m</b>

\*Other includes internal fraud or identity fraud.

### Fraud by abuse of position

The counter fraud team at Essex County Council was contacted by a social worker who, after conducting a routine monitoring review, considered that the service user (Ms B) may be paying a relative living at the same address to provide support for her care needs. This had not been agreed by the service area, and was contrary to council policy on employment of personal assistants.

The team identified that Ms B, who was also a social worker employed by the council, had not been paying a carer for many years. Ms B had been receiving direct payments to cover care needs since 2002 and had submitted quarterly returns to evidence spend but this had stopped in 2007, despite being chased. At interview, Ms B advised that she had not spent the direct payment since 2007 but would not provide bank statements to evidence this. Payments from Essex County Council from April 2007 to the date of the suspension amounted to nearly £47,000.

Ms B had just sold her house and was in the process of buying another property. A cheque was returned to the council for £46,887.90.

Ms B was dismissed from the council following disciplinary procedures and the case was referred to the Health Care and Professions Council (HCPC). An HCPC hearing resulted in a caution being placed on her registration for three years.

The case was also referred to Essex Police, who confirmed that Ms B had regularly used the direct payment as her personal monies. As a result Ms B was charged with theft of £46,887.90 and pleaded guilty to the charge. She received a suspended 16 month sentence, costs of £340 and a six month curfew.

## Other Types of Fraud

Fraud covers a substantial number of areas and within organisations these vary in importance. This part of the report looks at the responses to some of these that did not appear as major types of fraud within the national picture but are important to individual organisations. Our results looked at the following fraud types in this category:

- business rates
- insurance
- procurement
- welfare assistance and no recourse to public funds
- payroll, expenses, recruitment and pensions
- economic and voluntary sector (grant fraud)
- manipulation of data (financial or non-financial) and mandate fraud.

### Business rates

Business rates have received considerable publicity and are a key cost for those who have to pay the tax. There is also the political sensitivity felt by politicians wanting to maximise an environment for economic growth and business development.

Business rate fraud is not a transparent landscape for the fraud investigator, with legislation making it difficult to differentiate between evasion and avoidance. Business rate fraud can include the falsification of circumstances to gain exemptions and discounts.

Business rates represented 0.5% of the total number of frauds reported in 2015/16 and had risen to 0.9% in 2016/17. The estimated total value of the fraud loss has increased from £4.8m in 2015/16 to £7.0m in 2016/17.

#### Estimated business rate fraud

Volume	Value
662	£7.0m

### Insurance fraud

This fraud includes any false insurance claim made against an organisation or an organisation's insurers. Within the insurance fraud category, there were six cases of organised crime.

Authorities should ensure that counter fraud measures within their own insurance claims processes are fit for purpose and that there is a clear route for investigation into alleged frauds.

The total estimated value of loss in 2016/17 is £5.1m – a decrease from £7.0m in 2015/16. The number of frauds detected or prevented fell but the average value increased to £13,800.

Considerable work has been done in the area of insurance fraud and insurance companies are working with organisations to develop new ways to identify fraud and abuse within the system.

#### Estimated insurance claim fraud

Volume	Value
371	£5.1m

## Procurement fraud

Procurement fraud can occur throughout the procurement cycle, from purchasing through to the service delivered and payments. In last year's survey procurement was perceived as one of the greatest fraud risks, with housing procurement being of particular concern. The number of procurement fraud cases reported in 2015/16 was five times more than in 2014/15.

In 2016/17 there were an estimated 197 prevented or detected frauds with an estimated value of £6.2m, compared with 427 cases in 2015/16 with a total value of £5.7m; this drop in the number of cases but increase in value could indicate that higher level frauds are being discovered. However, procurement fraud takes place in a constantly changing environment and can occur anywhere throughout the procurement cycle. There can be sizeable difficulties in measuring the value of procurement fraud since it is seldom the total value of the contract but an element of the contract involved. The value of the loss, especially post award, can be as hard to measure but equally significant.

Estimates suggest that nearly 40% of all fraud committed against local authorities concerns abuse of the procurement cycle.<sup>1</sup> The London Borough of Hackney's innovative approach to this problem was to create a multifaceted and specialist procurement team within the audit and anti-fraud division. This has allowed the authority to carry out complex and often lengthy investigations which have resulted in cost savings as well as greater assurance across the organisation.

The [Fighting Fraud and Corruption Locally Strategy 2016–2019](#) recommends that organisations create a procurement fraud map and define the stages at which procurement fraud can happen in a local authority. This would highlight low, medium and high potential risks and inform risk awareness training for the future.

The Competition and Markets Authority (CMA) is working with the public sector to identify areas of higher risk within procurement. The CMA has produced a free online tool that studies the data fed in against bidder behaviour and price patterns. It then flags areas where fraud **could** be a possibility and should be investigated.

## No recourse to public funds

 **342**  
Number of cases

 **£20,000**  
Average value

## Estimated procurement fraud

Volume	Value
197	£6.2m

For more information see also [Managing the Risk of Procurement Fraud](#) (CIPFA/LGA, 2015).

## Welfare assistance and no recourse to public funds

Local welfare assistance was set up to help the poorest residents to deal with short-term costs caused by fire, flood or injury. The assistance is not a statutory duty and with money being limited many authorities have cut the service dramatically or dropped it completely. Awards are discretionary and may come as either a crisis payment or some form of support payment.

In 2016, the estimated number of cases was 610 but this has declined in the past year to an estimated 103.

While 'no recourse to public funds' fraud presents a significant fraud risk to local authorities, it is primarily to be found in London, southeast England and larger metropolitan boroughs. London had 90% of reported cases in this year's survey. This type of fraud includes claimants using false documents to obtain benefits.

Over the past 12 months the number of cases in this area has increased, rising from 255 in 2015/16 to 342 in 2016/17. However, the average value of the fraud has fallen to £20,000, resulting in an overall decrease in total loss from £8.2m to £6.9m.

## Estimated fraud in welfare assistance and no recourse to public funds

Type of fraud	Volume	Value
Welfare assistance	103	£0.3m
No recourse to public funds	342	£6.9m

<sup>1</sup> [www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf](http://www.local.gov.uk/sites/default/files/documents/managing-risk-procurement-13a.pdf)

## Economic and voluntary sector (grant fraud)

This type of fraud relates to the false application or payment of grants or financial support to any person and any type of agency or organisation. As funds become more limited for this type of support it is even more important for fraud teams to be aware of the risks within this area.

Although only 17 actual cases of grant fraud were reported in the 2017 survey, the average value of loss was £39,000 per fraud.

## Payroll, expenses, recruitment and pensions

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

It can be very difficult, however, to measure the cost of these frauds because the implications for some do not necessarily carry a monetary value, such as reputational damage or investigating the motives behind the fraud. As a result some organisations can be less keen to investigate or report investigations in these areas.

Employees and those working inside an authority can abuse council processes for financial gain. Respondents reported that 40% of payroll fraud cases investigated or prevented during the year involved insider fraud.

Recruitment fraud is an interesting area and often one where it is difficult to establish a value of fraud loss. It would be impossible to put a price on the damage that could be inflicted on an organisation if it were to employ a member of staff who had falsified their qualifications. Without a strong risk assessment and additional investigation, an appointment may be made that would have considerable adverse implications.

## Estimated payroll, expenses, recruitment and pension fraud

Type of fraud	Volume	Value
Payroll	248	£1.0m
Expenses	75	£0.1m
Recruitment	46	£0.2m
Pension	228	£0.8m
<b>Total</b>	<b>597</b>	<b>£2.1m</b>

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

The fraud most commonly carried out within the manipulation of data category relates to employees changing data in order to show a better performance than actually occurred or staff taking data from the organisation.

[Action Fraud](#) states that:

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

CIPFA estimates that across the UK manipulation of data fraud has more than doubled from 24 in 2015/16 to 57 in 2016/17. Mandate fraud has also increased from 188 in 2015/16 to 325 in 2016/17.

Procedures must be in place to ensure that staff are aware of this type of fraud and act accordingly by checking information. Advice from organisations such as Action Fraud can help to ensure that the risk is reduced, but from the results of our survey organisations are clearly still experiencing loss. Removing data may not result in financial loss but can result in reputational damage. Mandate fraud may also not be reported because of reputational repercussions.

# 40%

of payroll cases involved insider fraud

# 90%

the percentage of respondents who have a counter fraud plan in place

## Serious and organised crime

This year's survey again included a question (requested by the Home Office) on serious and organised crime in order to help establish how it is being tackled by local authorities.

Organised crime groups are often involved in complicated and large-scale fraudulent activities which cross more than one boundary. Such activities demand considerable resources to investigate and require organisations to co-operate in order to successfully bring criminals to justice.

The CFaCT 2017 identified 26 cases of serious and organised crime, and the responses indicate that organisations share a great deal of data both internally and externally. In addition, of the organisations that responded, 23% identified serious and organised crime risks within their organisation's risk register.

# 91%

the percentage of respondents who share data externally

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## Whistleblowing

Whistleblowing was strongly evidenced again this year, with 60% of organisations surveyed saying that they annually reviewed their whistleblowing arrangements in line with the [PAS 1998:2008 Whistleblowing Arrangements Code of Practice](#).

Of those questioned 85% confirmed that staff and the public had access to a helpdesk and 72% said that the helpline conformed to the PAS 1998:2008.

Respondents reported a total of 686 whistleblowing cases, made in line with PAS 1998:2008. This represents disclosures in all areas, not just with regard to suspected fraudulent behaviours. Effective whistleblowing allows

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



## Counter Fraud Resources

Increased delivery with reduced resources is the context in which fraud teams are operating. It is therefore unsurprising that the proportion using a shared service has increased from 10% to 14%. This approach has gained popularity in some areas as a method of allowing smaller organisations to provide a service that is both resilient and cost effective.

For those organisations that are not opting to run shared services, the CFaCT 2017 showed a flatlining of counter fraud staff resources until 2019. This position would appear to be a change of intention from 2015, when some respondents had hoped to increase their staff numbers. We did however see a slight increase in the number of organisations which have qualified financial investigators available in-house, from 27% in 2016 to 34% in 2017, but fraud services continue to be stretched.

While it is not essential for all organisations to have a dedicated counter fraud function, CIPFA continues to reinforce the importance of organisations having a fraud response plan that enables allegations of fraud to be investigated effectively by skilled and professional investigators.

### Hertfordshire shared counter fraud service

In 2015, six councils in Hertfordshire, including the county council, established a shared service to improve the prevention of fraud and corruption. At the centre of the plan was the requirement to have a more robust and resilient service where data was exchanged and best practice shared. The commercial nature of the service also required a return on investment and the opportunity to create new income streams.

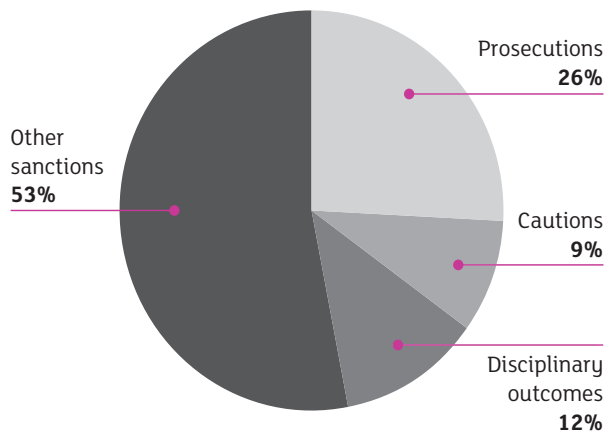
The combined service has provided flexibility and a significant return on investment for those involved, and the reduction in duplication across common policy approaches has resulted in a more efficient use of resources.

## Sanctions

The CFaCT 2017 allows us to explore the sanctions being used and indicates the following:

- 614 prosecutions were completed in 2016/17, and of the prosecutions, 22 involved insider fraud – all 22 cases were found guilty
- there was an average of four prosecutions per survey respondent
- the share of other sanctions used increased from 45% to 53% from 2016 to 2017
- the share of cautions as a proportion of all sanctions dropped from 22% to 9% between 2016 and 2017.

### Outcome of sanctions



The chart indicates that:

- prosecutions include both in-house and CPS prosecutions
- cautions relate to a verbal warning given in circumstances where there is enough evidence to prosecute, but it is felt that it is not in the public interest to do so in that instance
- disciplinary outcomes relate to the number of instances where as a result of an investigation by a fraud team disciplinary action is undertaken, or where a subject resigns during the disciplinary process
- other sanctions include the imposition of fines or other penalties by the organisation.

## Fighting Fraud and Corruption Locally

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

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

As in previous surveys, the FFCL Board put forward specific statements to be included to help measure the effectiveness of the initiatives in the strategy and the responses are reflected in the diagram below. The more confident respondents are about the way fraud is dealt with in their organisation the higher they marked the statement, low scores are at the centre of the diagram.

### Counter fraud controls by country



Over the past three years, local authorities have identified capacity, data sharing and fraud risk management as issues that need to be addressed in order to effectively tackle fraud and corruption. The FFCL's 34-point checklist is a good starting point as it provides a comprehensive framework to address these concerns.

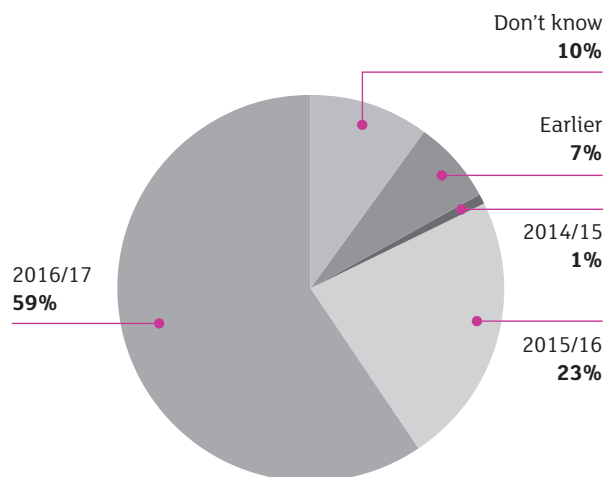
The FFCL Strategy recommends that:

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

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

In fact, an area of improvement has been the rise in organisations that have a counter fraud and corruption plan. Last year, 11% did not have a plan or did not know if they had one, and only 62% had the plan approved in the last 12 months. Of those who responded to this year's survey, 90% have a counter fraud and corruption plan in place (10% did not know) and 74% had carried out a corporate fraud assessment in the last 12 months. Some respondents reported that an assessment was pending.

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



## Acknowledgements

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

- Association of Local Authority Treasurers
- FFCL board
- Gary Coote, London Borough of Hillingdon
- Home Office
- Kate Bridge, Competition and Markets Authority
- Luan Quirke, Wirral Council
- Local Government Association
- Nick Jennings, Hertfordshire County Council
- Patrick Saunders-Wright, London Borough of Hackney
- Peter Tanton, Essex County Council
- Public Concern at Work
- Solace

## Appendix 1: Estimates and Fraud Types

The table below shows the types of fraud reported in the survey, the estimated number of cases reported during 2016/17 and an estimate of the total value of these fraud cases. The methodology used in the estimation is described in Appendix 2.

Types of fraud	Fraud cases	Value	Average
Council tax	57,136	£25.5m	£400
Housing	5,939	£263.4m	£44,300
Disabled parking concession (Blue Badge)	5,751	£4.3m	£800
Business rates	662	£7.0m	£10,600
Adult social care	446	£5.6m	£12,500
Insurance claims	371	£5.1m	£13,800
No recourse to public funds	342	£6.9m	£20,200
Mandate	325	£1.7m	£5,200
Schools (excluding transport)	258	£0.5m	£2,000
Payroll	248	£1.0m	£4,100
Pensions	228	£0.8m	£3,400
Procurement	197	£6.2m	£31,300
Debt	142	£0.3m	£2,400
Welfare assistance	103	£0.3m	£3,000
Expenses	75	£0.1m	£1,900
Children's social care	59	£0.8m	£13,800
Manipulation of data	57	na	na
Recruitment	46	£0.2m	£3,700
Economic and voluntary sector support	39	£1.5m	£38,800
School transport	19	£0.2m	£12,300
Investments	0	£0.0m	na
Other	2,768	£4.7m	£1,700
<b>Total</b>	<b>75,212</b>	<b>£336.2m</b>	<b>£4,500</b>

## Appendix 2: Research Methodology

This year's CFaCT results are based on responses from 133 English, Welsh and Scottish local authorities. With this response rate, we are able to calculate an estimated total volume and value of fraud for all local authorities in England, Wales and Scotland.

For all non-responding authorities, missing values are calculated according to the size of the authority. For each type of fraud, an appropriate measure of authority size applicable to that authority has been selected. For example, local authority housing stock is used as the basis for the estimation of housing frauds. From the responses, the number of cases per unit of the size measure is calculated and used to estimate the missing values. Then, for each missing authority, the estimated number of cases is multiplied by the average value per case provided by respondents to give an estimated total value.

As an illustration, if the number of housing frauds per house is 0.01 and a missing authority has 1,000 houses in its housing stock, we estimate the number of frauds as 10. If the average value per case is £100,000, then the total estimated value of fraud for that authority is £1.0m. The figures that are presented in this report are estimated according to this methodology. The 2015/16 estimates have also been restated for the purpose of comparison.



Registered office:

77 Mansell Street, London E1 8AN

T: +44 (0)20 7543 5600 F: +44 (0)20 7543 5700

[www.cipfa.org](http://www.cipfa.org)

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## Appendix B: Counter Fraud and Corruption Strategy Action Plan

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Ref	Action Required	Original Target Date	Responsibility	Update	Revised Target date
1	Prepare a counter fraud strategy which acknowledges fraud risks facing the council and sets overall counter fraud aims. The strategy should link together existing counter fraud related policies and set out actions required for developing counter fraud arrangements.	February 2017	Chief Finance Officer / Veritau	<p>A new Counter Fraud Strategy was presented to the Audit Committee in January 2017 for comment and subsequently approved by the Executive in April 2017.</p> <p>To be reviewed annually. The current report reflects the first annual review in January 2018.</p>	Annual Review
2	Prepare an updated counter fraud policy to take account of the latest national guidance, and reflecting changes to the councils counter fraud arrangements following the transfer of benefit fraud investigation to the DWP.	February 2017	Chief Finance Officer / Veritau	<p>An updated policy was presented to the Audit Committee in January 2017 for comment. The policy was subsequently approved by the Executive in April 2017.</p> <p>The policy has been reviewed in January 2018 - no updates are required at this time.</p>	Annual Review
3	<p>Review and update counter fraud risk assessment.</p> <p>(Note that separate actions are included within the risk assessment to address specific issues identified.)</p>	September 2016	Chief Finance Officer / Veritau	<p>A risk assessment was presented to the Audit Committee in September 2016. This will be updated annually (see appendix C for January 2018 update).</p>	Annual Review

Ref	Action Required	Original Target Date	Responsibility	Update	Revised Target date
4	Participate in regional data matching and counter fraud exercises.	February 2016	Veritau	<p>Cross boundary data matching with regional partners is underway. A match of Council Tax data has been completed and the results are being reviewed jointly with the council tax team. Further work is planned around council tax and business rates discounts.</p> <p>This is an ongoing project - periodic matching exercises will be undertaken on a rolling basis.</p>	Ongoing
5	Regularly report to the Audit and Governance Committee on counter fraud activity.	January 2017	Veritau	A summary of counter fraud investigation work undertaken in 2016/17 was included in the Annual Head of Internal Audit Report which was considered by the committee in June 2017 (see appendix B of that report). All future internal audit progress reports will include an update on investigation work.	Ongoing
6	Undertake specific fraud awareness training for priority service areas identified through the fraud risk assessment.	October 2017	Veritau	<p>The CFT provides ongoing updates on fraud and corruption through the distribution of periodic fraud bulletins and alerts.</p> <p>In addition specific campaigns surrounding whistleblowing and the</p>	Ongoing

Ref	Action Required	Original Target Date	Responsibility	Update	Revised Target date
				reporting of theft have been undertaken in 2017/18.	
7	Liaise with HR officers to incorporate general counter fraud awareness training into induction training for all new employees.	September 2016	Veritau	Work has not yet started. This action will be rolled forward into the 2018/19 CFT workplan.	Ongoing
8	Review wider governance and other policies (eg employee related policies, gifts, interests, financial regulations) to ensure they: <ul style="list-style-type: none"> <li>cover all required areas</li> <li>are consistent with the counter fraud strategy and policy.</li> </ul>	March 2017	Veritau	Work has not yet started. This action has been rolled forward into the 2018/19 CFT workplan.	Ongoing
9	Launch and promote regional fraud hotline.	NA	Veritau	A new 0800 regional fraud hotline number has been introduced by Veritau. The hotline is already active. Further publicity is planned to promote the new number.	September 2017
10	Review council recruitment processes.	NA	Veritau / Head of HR	Review to consider the robustness of counter fraud checks made on prospective employees.	September 2018
11	Raise awareness of cyber security issues and promote good practice.	NA	Veritau	Make staff aware of national cyber security guidance, through emailed alerts, posters etc.	March 2019

Ref	Action Required	Original Target Date	Responsibility	Update	Revised Target date
12	Increase ability to detect procurement fraud.	NA	Veritau	Explore datamatching and tools (e.g. CMA tool) to detect procurement fraud.	March 2019

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

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