



Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 18 APRIL 2018**
Time: **5.00 PM**
Venue: **COMMITTEE ROOM - CIVIC CENTRE, DONCASTER ROAD,
SELBY, YO8 9FT**
To: **Councillor M Jordan (Chairman), Councillor I Reynolds
(Vice-Chair), Councillor K Arthur, Councillor J Chilvers,
Councillor B Marshall, Councillor M McCartney and
Councillor B Sage**

Agenda

1. Apologies for Absence

2. Disclosures of Interest

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

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

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

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

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

3. Minutes (Pages 1 - 8)

To confirm as a correct record the minutes of the Audit and Governance Committee held on 17 January 2018.

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

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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.

7. Consultation on Local Government Ethical Standards (A/17/26) (Pages 15 - 28)

To consider the report from the Solicitor to the Council, which asks the Committee to express a view as to whether the Council should take part in the consultation exercise.

8. Preparations for the General Data Protection Regulation (A/17/27) (Pages 29 - 36)

To receive an update from the Solicitor to the Council in relation to preparations for the new General Data Protection Regulation (GDPR), which comes into force on 25 May 2018.

9. External Audit Progress Report (A/17/28) (Pages 37 - 48)

To consider the External Audit Progress Report.

10. Audit Strategy Memorandum (A/17/29) (Pages 49 - 68)

To consider the Audit Strategy Memorandum, which sets out the external audit plan for the year ending 31 March 2018.

11. Internal Audit and Counter Fraud Progress Report (A/17/30) (Pages 69 - 92)

To receive the report from the Audit Manager (Veritau) and the Counter Fraud Manager (Veritau), which asks the Committee to note the update on progress made in delivering the internal audit and counter fraud work 2017/18.

12. Internal Audit, Counter Fraud and Information Governance Plan 2018/19 (A/17/31) (Pages 93 - 108)

To approve the Internal Audit, Counter Fraud and Information Governance
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Plan for the 2018/19 municipal year.

13. Audit and Governance Committee Annual Report (A/17/32) (Pages 109 - 120)

To consider and approve the draft Audit and Governance Committee Annual Report for 2017/18.

14. Audit and Governance Committee Work Programme 2018/19 (Pages 121 - 124)

To consider and approve the Audit and Governance Committee Work Programme for the 2018/19 municipal year.

15. Private Session

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

16. Data Breach Report (A/17/33) (Pages 125 - 136)

To consider the report from the Solicitor to the Council, and to note the actions undertaken.

G. Marshall

Gillian Marshall, Solicitor to the Council

<p>Dates of next meetings (5.00pm) Wednesday, 25 July 2018</p>

Enquiries relating to this agenda, please contact Alice Courtney on 01757 292176 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

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Services Officer on the above details prior to the start of the meeting. Any recording must be conducted openly and not in secret.



Minutes

Audit and Governance Committee

Venue:	Committee Room
Date:	Wednesday 17 January 2018
Time:	5.00 pm
Present:	Councillors M Jordan (Chair), K Arthur, Mrs J Chilvers, B Marshall, I Reynolds and B Sage.
Officers present:	Karen Iveson, Chief Finance Officer (s151); Gillian Marshall, Solicitor to the Council, Gavin Barker, Manager, Mazars LLP; Phil Jeffrey, Audit Manager, Veritau; Jonathan Dodsworth, Counter Fraud Manager, Veritau; Caroline Fleming, Senior Solicitor; and Alice Courtney, Democratic Services Officer.
Others:	Councillor Mrs D White.
Public:	0
Press:	0

26. APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillor Mrs M McCartney.

27. DISCLOSURES OF INTEREST

There were no disclosures of interest.

28. MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 27 September 2017.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 27 September 2017.

Audit and Governance Committee – Minutes

17 January 2018

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29. CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

The Chair wished the Committee and officers all the best for the New Year, and informed Councillors that he was attending the upcoming General Data Protection Regulation (GDPR) seminar hosted by Mazars. The Manager, Mazars LLP noted that the seminar would also include a session on how IT could be used as an enabler to improve Councils' service delivery.

The Chair further informed the Committee that he was attending 'Notwestminster 2018' in February, which was a two day event in Huddersfield that focussed on facilitating stronger local democracy. The Chair stated that he would also attend a Councillor event in February, also in Huddersfield, which explored the recent 'Voice of the Councillor' report. Councillors were encouraged to attend these free events if they were able to.

30. AUDIT ACTION LOG

The Committee reviewed the Audit Action Log.

In response to questions, the Chief Finance Officer and the Audit Manager, Veritau explained that the action related to amending the format of internal audit progress reports, dated 28 September 2016, had been implemented and, subject to positive feedback from the Committee, it was expected that the action would be removed from the action log by the end of the municipal year.

Officers provided updates on the remaining actions, which were noted by the Committee.

RESOLVED:

- i. To note the Audit Action Log.**
- ii. To ask the Democratic Services Officer to update the Audit Action Log accordingly.**

31. AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

The Chair asked the Committee to consider issues that they wanted to be included in the 2018/19 Work Programme, which would be included in the agenda for the next meeting in April.

The Chief Finance Officer reminded the Committee that there would be four meetings of the Committee in 2018/19, rather than the five held in 2017/18, and that the accounts would be considered in July as per the revised timescales.

RESOLVED:

To note the Work Programme.

32. INFORMATION GOVERNANCE ANNUAL REPORT (A/17/19)

The Solicitor to the Council presented the report, which provided the annual update on information governance within the Council for 2017. The Committee was informed that the recommendation to provide an annual report on information governance came from the 2014 internal audit.

It was explained that an information security check would be carried out at the Civic Centre by Veritau in the near future, to check that information was stored appropriately, particularly when staff had left the office. The Committee noted that information governance was of even higher importance due to partners such as the Police moving into the Civic Centre.

The Solicitor to the Council highlighted that there had been a reported increase in data protection breaches, but stated that this was largely attributed to increased staff awareness of what constituted a data breach and the correct procedure that needed to be followed in the event of a breach. The Committee was informed that breaches did not attract a 'blame culture', but that they allowed the Council to learn, so that more robust procedures could be developed.

The Solicitor to the Council further informed the Committee that since the publication of the agenda, there had been a data protection breach which involved the disclosure of complainants' identities. The Committee was reassured that a full investigation would take place, and further information would be available once officers knew more. In response to questions, the Solicitor to the Council confirmed that the incident would be reported to the Information Commissioner if required, but that from May 2018, it was compulsory that incidences such as these were reported under the new GDPR.

The Committee confirmed that it was satisfied with the contents of the report, but requested that the subsequent report for 2018 contained the information within a table rather than paragraphs.

In response to further questions, the Solicitor to the Council explained that a USB stick could not be used to gather information from the Council, as all USB ports on Council devices were locked and could only be accessed if an encrypted Council USB stick was used. The Solicitor to the Council also pointed out that as all Council USB sticks were encrypted, they could not be accessed by members of the public if found.

RESOLVED:

- i. To note the report.**
- ii. To ask the Solicitor to the Council to present the information in a table in the 2018 annual information governance report.**

33. EXTERNAL AUDIT PROGRESS REPORT (A/17/20)

The Manager, Mazars LLP presented the report, which highlighted that the main work undertaken since the last Committee meeting was on the Housing Benefits Subsidy Claim, which was completed by the statutory deadline. The Committee was informed that the Housing Benefits Subsidy Claim was certified with a qualification letter with minor amendments, and that the value of the claim was £15.6 million, which denoted the value of the benefits that the Council managed on behalf of the Department of Work and Pensions.

The Committee was informed that the Housing Benefits Subsidy Claim underwent detailed testing, which detected two errors out of the 65 incidences that were tested. The Manager, Mazars LLP highlighted that the errors detected were not significant, and that the impact on the claim would have been £2,000 if the error was extrapolated to 100% of the population.

The Manager, Mazars LLP praised officers' assistance with the Housing Benefits Subsidy Claim, stating that officer cooperation increased efficiency in delivering the work.

The Manager, Mazars LLP also highlighted that the planning work for the 2017/18 external audit work was underway, and the Audit Strategy Memorandum would be presented to the Audit Committee in April 2018.

The Committee was informed that Mazars was confirmed as the Council's external auditor for 2018/19, and that Public Sector Audit Appointments (PSAA) was now consulting on the audit fees for 2018/19, and that there was a proposed reduction in fees of 23%, which would deliver more value for the Council.

The Committee was also informed that in a recent report by PSAA, Selby District Council was named as one of only 83 principal bodies that had successfully delivered the accounts to the revised timescales, out of a total of 497.

RESOLVED:

To note the report.

34. REVIEW OF RISK MANAGEMENT STRATEGY (A/17/21)

The Audit Manager, Veritau presented the report, which included the Council's reviewed Risk Management Strategy, amendments to which were highlighted in yellow in appendix one. The Committee was informed that the main amendments had been made under item 13 'Monitoring of Risk Trends'.

The Committee queried the 'Legislative' risk in the table on page 61 of the agenda, in relation to Brexit and the potential for EU law to be repealed. The Audit Manager, Veritau explained that there was an element of risk going forward, but that it was a difficult risk to consider at present due to the level of

uncertainty surrounding Brexit; however the Committee was assured that developments would be monitored.

In response to questions about 'Risk Culture', the Chief Finance Officer explained that the Council needed to be open in its approach to risk, and avoid a 'blame culture'. The Committee was informed that risk was managed daily, and officers were aware that a certain level of risk was involved when making decisions, but that clear plans were in place to mitigate risk.

RESOLVED:

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

35. REVIEW OF CORPORATE RISK REGISTER 2017-18 (A/17/22)

The Chief Finance Officer presented the report, which contained information on the Council's current risks. The Chief Finance Officer informed the Committee that a workshop had been arranged for February 2018 with the Extended Leadership Team to refresh and update the Corporate Risk Register, which was attached to the report at appendix one.

The Committee asked officers what contingencies were in place if its largest contractor, Amey went into liquidation, as seen recently with the firm Carillion. The Chief Finance Officer stated that the Council had Performance Bond arrangements, which meant that there was cash available to the Council to retender or provide services in-house should Amey enter into difficulty; however it was highlighted that this was not expected to occur.

The Committee was satisfied that at least three of the risks on the Register showed a downward trend.

RESOLVED:

To note the current status of the Corporate Risk Register.

36. INTERNAL AUDIT AND COUNTER FRAUD PROGRESS REPORT (A/17/23)

The Audit Manager, Veritau presented the quarterly report to the Committee which depicted current progress in relation to the 2017/18 Internal Audit Plan for the Committee to note.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2017/18, which highlighted that 32 investigations had been completed to date, and £11,000 worth of fraud had been detected in relation to Council Tax Support. The Committee was also informed that officers had recovered a property which was being fraudulently sub-let.

The Counter Fraud manager, Veritau informed the Committee about the work being done to raise fraud awareness among Council officers. The Committee

was assured that good progress was being made regarding the promotion of reporting fraud among officers, and noted that in terms of costs and savings, the Counter Fraud Team was performing remarkably well.

In relation to questions about Blue Badge Parking Fraud, the Counter Fraud Manager, Veritau stated that the Council outsourced all parking inspections to Harrogate Borough Council, and that Veritau was currently trying to build a relationship with Harrogate Borough Council so that suspected Parking Fraud was immediately reported to Veritau. The Counter Fraud Manager, Veritau explained that Veritau could give on the spot confirmation of whether suspected fraud was actual fraud, which would enable Parking Inspectors to issue a parking ticket immediately.

The Committee was also informed that there were relatively low incidences of Blue Badge Parking Fraud, but that Veritau was ready to deal with it if it did occur, as demonstrated by a member of the public being recently cautioned over the misuse of their parents' Blue Badge.

The Committee requested that the Counter Fraud Manager, Veritau gather information from Harrogate Borough Council on the number of tickets issued to Blue Badge holders in the Selby District.

RESOLVED:

- i. **To note the report.**
- ii. **To ask the Counter Fraud Manager, Veritau to gather information on the number of tickets issued to Blue Badge holders in the Selby District.**

37. ANNUAL GOVERNANCE STATEMENT 2016/17 – ACTION PLAN REVIEW (A/17/24)

The Chief Finance Officer presented the report, which updated the Committee on progress made against the Action Plan for the Annual Governance Statement for 2016/17.

The Committee was informed that the Annual governance Statement highlighted any particular control issues within the Council, and the Action Plan was included at appendix A for review.

The Chief Finance Officer explained that a number of actions had been completed, which was positive news, and that there was still work to do in relation to the Payment Card Industry Data Security Standard. The Committee was informed that progress would continue to be made on the Action Plan through to the end of the year, after which the Committee would consider the Annual Governance Statement again.

The Committee stated that it was satisfied with the progress made.

RESOLVED:

- To note the report.**

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38. PRIVATE SESSION

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

RESOLVED:

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

39. COUNTER FRAUD FRAMEWORK UPDATE (A/17/25)

The Counter Fraud Manager, Veritau presented the report, which updated the Committee on the Council's new Counter Fraud Policy and Corruption Strategy, which the Committee reviewed annually to ensure that it was fit for purpose.

The Committee was informed that awareness needed to be raised in relation to Cyber Fraud and the risks associated with electronic working, as this posed a significant fraud risk.

The Counter Fraud Manager, Veritau also highlighted that Veritau was looking into Procurement Fraud and how to detect it and therefore mitigate risk, as Procurement Fraud was outlined as one of the largest areas of fraud nationally, yet it remained difficult to detect.

RESOLVED:

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

40. ANY OTHER BUSINESS

There was no other business.

The meeting closed at 6.15pm.

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Audit and Governance Committee: Action Log 2017-18

Record of progress on resolutions and action points

Date	Minute number and subject	Resolution / Action Point	Update(s)	Officer(s)	Status
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 have now implemented the changes.	KI / Veritau	Complete
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 counter fraud message was printed on all Council Tax bills instead of envelopes, due to the printing size available on the envelope.	KI / Veritau	Complete
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 has followed up with the Registrar service, and identified possible data protection issues with sharing information. It is now being considered how officers can better share information which is already public.	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 circulated further information on Stage 1 complaints to the Committee.	GM	Complete
17 Jan 2018	32 - Information Governance Annual Report	To ask the Solicitor to the Council to present the information in a table in the 2018 Information Governance Annual Report	The Solicitor to the Council will look at incorporating the changes in the 2018 Information Governance Annual Report.	GM	In progress

17 Jan 2018	36 - Internal Audit and Counter Fraud Progress Report	To ask the Counter Fraud Manager, Veritau to gather information on the number of tickets issued to Blue Badge holders in the Selby District.	Harrogate Borough Council (HBC) do not hold data on how many Penalty Charge Notices (PCNs) are issued where a blue badge has been displayed. They do hold data on the number of PCNs issued by HBC Enforcement Officers to vehicles parking in disabled bays - 4 PCNs in 2016/17 and 8 PCNs in 2017/18 (as of 18 January 2018).	Veritau	Complete
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Officers:

- KI - Karen Iveson, Chief Finance Officer
- GM - Gillian Marshall, Solicitor to the Council
- JR - June Rothwell, Head of Operational Services
- SR - Stuart Robinson, Head of Business Improvement and Development
- DSO - Democratic Services Officer

Last updated: 13-Mar-18



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>		
14 June 2017	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'

26 July 2017	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'

27 September 2017	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'

17 January 2018	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

18 April 2018	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/17/26

Agenda Item No: 7

To: Audit and Governance Committee
Date: 18 April 2018
Author: Gillian Marshall, Solicitor to the Council
Lead Officer: Gillian Marshall, Solicitor to the Council

Title: Ethical Standards

Summary:

This report advises the Audit and Governance Committee that the Committee on Standards in Public Life is undertaking a review of local government ethical standards. As part of this review, the Committee on Standards in Public Life is currently holding a public stakeholder consultation. The report asks the Committee to consider whether it should respond to the consultation and of issues that could be considered in the response.

Recommendations:

The Committee is recommended to:

- i) Consider this report and express a view as to whether the Council should take part in the consultation exercise.
- ii) If the Committee is of the view that the Council should respond to the consultation to delegate to the Monitoring Officer in consultation with the Chair of the Committee the drafting of a response that takes into account any comments made by the Committee.

Reasons for recommendation

To provide a response to the consultation within the time limits if required.

1. Introduction and background

1.1 The Localism Act 2011 fundamentally changed the local authority Standards regime in England. The Committee on Standards in Public Life (CSPL), which advises the Prime Minister on ethical standards across the whole of public life in England and monitors and reports on issues relating to the standards of conduct of all public office holders, is undertaking a review of local government ethical standards.

1.2 The CSPL maintains a watching brief on the local government standards regime. In its 2013 report "Standards Matter" the CSPL outlined its concerns regarding possible issues re the local government standards framework under the Localism Act of 2011:

'The new, slimmed down arrangements have yet to prove themselves sufficient for their purpose. We have considerable doubt that they will succeed in doing so and intend to monitor the situation closely'.

1.3 As part of this review, the CSPL is holding a public stakeholder consultation. The consultation is open from 12.00 Monday 29th January 2018 and closes 17.00 on Friday 18 May 2018. Full details of the consultation can be viewed at <https://www.gov.uk/government/consultations/local-government-ethical-standards-stakeholder-consultation>

1.4 A copy of the consultation paper is also appended to this report.

2 The Report

Terms of reference of the CSPL Review

2.1 The terms of reference for the review are to -

Examine the structures, processes and practices in local government in England for:

- a. Maintaining codes of conduct for local councillors;
- b. Investigating alleged breaches fairly and with due process;
- c. Enforcing codes and imposing sanctions for misconduct;
- d. Declaring interests and managing conflicts of interest; and
- e. Whistleblowing.

2.2 Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government;

2.3 Make any recommendations for how they can be improved; and

2.4 Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation.

- 2.5 The review will consider all levels of local government in England, including town and parish councils, principal authorities, combined authorities (including Metro Mayors) and the Greater London Authority (including the Mayor of London).
- 2.6 The CSPL requests that any submission includes any factual information that can be offered in order for the committee to draw conclusions and any recommendations for action which responders would like the Committee to consider.

The Consultation Questions and Comments on possible responses

- 2.7 The Committee on Standards in Public Life has posed the following specific questions. Comments of the Monitoring Officer are provided in *italics* after each Question to assist the Committee in its consideration of the consultation questions.

a. Are the existing structures, processes and practices in place working to ensure high standards of conduct by local councillors? If not, please say why.

Comment: It is considered that the existing structures, processes and practices in place in Selby District Council work to help ensure high standards of conduct within the current statutory ethical standards regime for local government.

b. What, if any, are the most significant gaps in the current ethical standards regime for local government?

Comment: It is considered that, arguably, the most significant gap within the current regime is a lack of significant sanctions available in the event of a finding of a breach of the code of conduct and in the situation where the subject member refuses to accept the recommended sanctions. A further issues is the time that it takes to deal with complaints given the need to have procedural fairness but without any powers to compel parties to co-operate with an investigation.

c. Are local authority adopted codes of conduct for councillors clear and easily understood? Do the codes cover an appropriate range of behaviours? What examples of good practice, including induction processes, exist?

Comment: It is considered that the Council's Code of Conduct for Members, which is based on the former statutory code while necessarily technical in places, is reasonably easily understood by members. It is considered that the Code covers the appropriate range of behaviours in relation to member conduct. Training on conduct issues is offered to District Councillors when they are inducted and refresher training is also offered periodically. The content of the member induction process is periodically reviewed. Parish Councillors are offered annual training on standards issues.

d. A local authority has a statutory duty to ensure that its adopted code of conduct for councillors is consistent with the Seven Principles of Public Life and that it includes appropriate provision (as decided by the local authority) for registering and declaring councillors' interests. Are these requirements appropriate as they stand? If not, please say why.

Comment: It is considered that these requirements are appropriate as they stand.

e. Are allegations of councillor misconduct investigated and decided fairly and with due process?

Comment: It is considered that allegations of councillor misconduct are investigated and decided upon fairly and with due process however the lack of any ability to compel subject Councillors and complainants to co-operate significantly hampers concluding matters in a timely fashion particularly in relation to parish issues.

i. What processes do local authorities have in place for investigating and deciding upon allegations? Do these processes meet requirements for due process? Should any additional safeguards be put in place to ensure due process?

Comment: The Council's 'Standards Arrangements' were recently reviewed and strengthened and now set out a complaints process consisting of up to three stages – initial assessment; investigation; and hearing (before a Hearing Panel). Standards

At each stage the both parties are given the opportunity to make representations and submit evidence.

One of the Council's three Independent Persons will also be involved at each stage of the member complaint process.

It is considered that the processes in place meet the requirements of due process however issues of timeliness remain and speeding up the process must not be done at the expense of ensuring a fair process and hearing to both complainant and complained of.

ii. Is the current requirement that the views of an Independent Person must be sought and taken into account before deciding on an allegation sufficient to ensure the objectivity and fairness of the decision process? Should this requirement be strengthened? If so, how?

Comment: The current requirement in relation to Independent Person involvement, when considered alongside the Council's procedures is considered to be sufficient to ensure objectivity and fairness.

iii. Monitoring Officers are often involved in the process of investigating and deciding upon code breaches. Could Monitoring Officers be subject to

conflicts of interest or undue pressure when doing so? How could Monitoring Officers be protected from this risk?

Comment: The Monitoring Officer does have involvement in decision-making at certain stages of the member complaints process (for example the Initial Assessment decision is made by the Monitoring Officer in consultation with the Independent Person), although the decision made at the final hearing stage is made by the Hearing Panel. In the event that the Monitoring Officer did consider that there was a risk of a conflict of interest she would recuse herself from involvement in the complaint and the Deputy Monitoring Officer would deal with the matter.

f. Are existing sanctions for councillor misconduct sufficient?

Comment: It is considered that there is a case to be made that the sanctions under the current standards regime are insufficient.

i. What sanctions do local authorities use when councillors are found to have breached the code of conduct? Are these sanctions sufficient to deter breaches and, where relevant, to enforce compliance?

The sanctions available are -

Where a Hearing Panel finds that a Subject Member has failed to comply with the Code, it will –

- Publish its findings in respect of the Subject Member's conduct;*

And it may -

- Report its findings to Council for information;*
- Recommend to Council that the Member be censured;*
- Recommend to the Subject Member's group leader (or in the case of ungrouped members recommend to Council) that he/she be removed from any or all committees or sub committees of the Council;*
- Recommend to the Leader of the Council that the Subject Member be removed from the Executive, or removed from their portfolio responsibilities;*
- Instruct the Monitoring Officer to arrange training for the Member;*
- Recommend to Council that the Subject Member be removed from all outside appointments to which they have been appointed or nominated by the Council;*
- Withdraw facilities provided to the Subject Member by the Council such as a computer, website and/or e-mail and internet access; or*
- Place such restrictions on the Subject Member's access to staff, buildings or parts of buildings which may be reasonable in the circumstances.*

It is suggested that the deterrent value of these sanctions is limited. The Monitoring Officer is aware of at least two cases where the Subject Member has refused to accept recommendations to attend retraining and apologise for the conduct. One case is in respect of a Parish Council and as the Council does not make facilities available and the Councillor cannot be excluded from meeting the only sanction has been that of a censure motion and limited local publicity.

ii. Should local authorities be given the ability to use additional sanctions? If so, what should these be?

Comment: It is considered that there may, arguably, be a case for additional and more substantial sanctions, potentially including (in the most serious cases) suspension of a member for a limited period (a sanction that was available under the former local authority standards regime). However, if more substantial sanctions were to be available, there would also have to be corresponding safeguards.

g. Are existing arrangements to declare councillors' interests and manage conflicts of interest satisfactory? If not please say why.

Comment: It is considered that the current arrangements are broadly satisfactory.

i. A local councillor is under a legal duty to register any pecuniary interests (or those of their spouse or partner), and cannot participate in discussion or votes that engage a disclosable pecuniary interest, nor take any further steps in relation to that matter, although local authorities can grant dispensations under certain circumstances. Are these statutory duties appropriate as they stand?

Comment: These statutory duties are considered to be broadly appropriate.

ii. What arrangements do local authorities have in place to declare councillors' interests, and manage conflicts of interest that go beyond the statutory requirements? Are these satisfactory? If not, please say why.

Comment: In addition to the (statutory) category of "disclosable pecuniary interests" the Council's Code of Conduct also recognises other categories of interest – these being matters where the councillor should declare but may participate. These are generally understood. However queries to the Monitoring Officer show that the public do not understand the narrow definition of disclosable pecuniary interests where participation is not permissible and this broader category where it is, nor the restriction to the Councillor and spouse/civil partner in the former case with a broader range in the latter. The distinction between 'interests' in the Code sense and matters which may give rise to an appearance of bias causes confusion for the public and for some councillors and does not assist with the appearance of transparent decision making.

h. What arrangements are in place for whistleblowing, by the public, councillors, and officials? Are these satisfactory?

Comment: The Council has a Whistleblowing Policy in place. These arrangements were recently reviewed and updated and are considered satisfactory.

i. What steps could *local authorities* take to improve local government ethical standards?

Comment: It is considered that local authorities generally could take steps to increase the visibility of their Member Codes of Conduct and the accessibility of their member complaint processes.

j. What steps could *central government* take to improve local government ethical standards?

Comment: It is considered that there may be an argument for central government to provide for more substantial sanctions for breaches of the code of conduct (along with appropriate safeguards).

k. What is the nature, scale, and extent of intimidation towards local councillors?

Comment: It is noted that members may face intimidation in the course of their duties as councillors, although members may be best placed to comment on the extent of this. The rise of the ability of citizens to record and blog about Council meetings has negatively impacted on some parishes where they lack the resources to deal with inaccurate posts and comment and where the recording has a chilling effect on the participation of councillors in the meeting for fear of being inaccurately reported.

l. What measures could be put in place to prevent and address this intimidation?

Comment: The Committee on Standards in Public Life has published 'Intimidation in Public Life: A Review by the Committee on Standards in Public Life', which may be of interest to the Standards Committee

View of the Independent Persons

2.8 The Council's Independent Persons have been consulted on this report and will be available at the meeting to discuss the consultation with the Committee. They have offered the following comments on the operation of the current regime.

2.9 Looking at the Terms of Reference of the Consultation and our experience as Independent Persons for Selby District, our comments follow. Our newest IP has also attended a recent seminar, run by Hoey Ainscough, for Independent Persons in the north of England.

1. The change in Standards arrangements for Selby has been positive :
 - greater involvement of District Councillors via the Audit and Governance Committee. Items on their Agenda, reporting to Council and possible role in complaint Hearings. Also training in anticipation of a possible Hearing. Raised awareness of Standards in general and

their involvement in the structure, processes and practices, particularly the members of the Audit and Governance Committee, but also other members of the Council.

- regular liaison between the Independent Persons and the Monitoring Officer, in addition to action arising from Standards complaints. Quarterly meetings, covering complaints update and discussion of any pertinent issues, Standards issues and concerns across the District, and two way discussion about Standards structures. procedures and practices. Also email consultation about , for example, the Standards Report to Council, changes to the Standards arrangements in Selby, and this exercise.

- greater visibility of the Independent Persons. Attendance at meetings, when invited, of the Audit and Governance Committee and at the Training session.

We were pleased to see that Independent Persons are now included in the list of stakeholders to be consulted about Local Government ethical standards.

2. Another positive has been the training sessions for Parish Councillors, held in different parts of the District. Good numbers attending, high level of interest and volunteers to be involved in any Hearings about Parish Councillors. Raises awareness of Standards in the parishes attending.

Independent Persons were also present at these Parish Training sessions, which were run by the Monitoring Officer, indicating the significance of Standards.

3. Our current problem is the time taken to resolve complaints, especially when an investigation, report and possible Hearing is required. The participants in this are the officers and investigators, the Councillors being complained about and the complainant. Time limits have been put into the process and followed up, but enforcing them is difficult, especially when it is the Councillors being complained about or the complainant.
4. Sanctions. There has been a lot of discussion about the lack and level of possible sanctions. Nearly everyone at the recent IP seminar was in agreement that the main source of concern was the lack of available punishments for offending Councillors. However, it does not seem to be a particular problem in Selby at present.
5. The Consultation asks for evidence of intimidation of Councillors. Selby could probably provide evidence from a website and blog, but whether that is intimidation of Councillors we do not know. It certainly does not help the Councillors or the Parish Council involved. Taken to the extreme, persons mentioned could take legal action or respond in other

ways. But this is probably part of the wide debate about social media and how its contents should be controlled and regulated.

6. Disqualification of Councillors. We are not sure whether this is a matter that the Independent Persons should comment on.

3 Legal/Financial Controls and other Policy matters

Legal Issues

- 3.1 The Council has a legal duty to ensure that high standards are promoted and maintained.

Financial Issues

- 3.2 None

Impact Assessment

- 3.3 A clear standards regime and process promotes confidence in local democracy.

4. Conclusion

- 4.1 This is an important issue for the reputation of local government and responding to the consultation may assist in developing a regime that promotes confidence in local democracy. Accordingly the Committee should
 - i) Consider this report and express a view as to whether the Council should take part in the consultation exercise.
 - ii) If the Committee is of the view that the Council should respond to the consultation to delegate to the Monitoring Officer in consultation with the Chair of the Audit and Governance Committee the drafting of a response that takes into account any comments made by the Committee.

5. Background Documents

*Contact Officer:
Gillian Marshall
Solicitor to the Council*

*Selby District Council
gmarshall@selby.gov.uk*

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Review of Local Government Ethical Standards: Stakeholder Consultation

The Committee on Standards in Public Life is undertaking a review of local government ethical standards.

Robust standards arrangements are needed to safeguard local democracy, maintain high standards of conduct, and to protect ethical practice in local government.

As part of this review, the Committee is holding a public stakeholder consultation. The consultation is open from 12:00 on Monday 29 January 2018 and closes at 17:00 on Friday 18 May 2018.

Terms of reference

The terms of reference for the review are to:

1. Examine the structures, processes and practices in local government in England for:
 - a. Maintaining codes of conduct for local councillors;
 - b. Investigating alleged breaches fairly and with due process;
 - c. Enforcing codes and imposing sanctions for misconduct;
 - d. Declaring interests and managing conflicts of interest; and
 - e. Whistleblowing.
2. Assess whether the existing structures, processes and practices are conducive to high standards of conduct in local government;
3. Make any recommendations for how they can be improved; and
4. Note any evidence of intimidation of councillors, and make recommendations for any measures that could be put in place to prevent and address such intimidation.

The review will consider all levels of local government in England, including town and parish councils, principal authorities, combined authorities (including Metro Mayors) and the Greater London Authority (including the Mayor of London).

Local government ethical standards are a devolved issue. The Committee's remit does not enable it to consider ethical standards issues in devolved nations in the UK except with the agreement of the relevant devolved administrations. However, we welcome any evidence relating to local government ethical standards in the devolved nations of the UK, particularly examples of best practice, for comparative purposes.

Submissions will be published online alongside our final report, with any contact information (for example, email addresses) removed.

The Committee will publish anonymised submissions (where the name of the respondent and any references to named individuals or local authorities are removed) where a respondent makes a reasonable request to do so.

Consultation questions

The Committee invites responses to the following consultation questions.

Please note that not all questions will be relevant to all respondents and that submissions do not need to respond to every question. Respondents may wish to give evidence about only one local authority, several local authorities, or local government in England as a whole. Please do let us know whether your evidence is specific to one particular authority or is a more general comment on local government in England.

Whilst we understand submissions may be grounded in personal experience, please note that the review is not an opportunity to have specific grievances considered.

- a. Are the existing structures, processes and practices in place working to ensure high standards of conduct by local councillors? If not, please say why.
- b. What, if any, are the most significant gaps in the current ethical standards regime for local government?

Codes of conduct

- c. Are local authority adopted codes of conduct for councillors clear and easily understood? Do the codes cover an appropriate range of behaviours? What examples of good practice, including induction processes, exist?
- d. A local authority has a statutory duty to ensure that its adopted code of conduct for councillors is consistent with the Seven Principles of Public Life and that it includes appropriate provision (as decided by the local authority) for registering and declaring councillors' interests. Are these requirements appropriate as they stand? If not, please say why.

Investigations and decisions on allegations

- e. Are allegations of councillor misconduct investigated and decided fairly and with due process?
 - i. What processes do local authorities have in place for investigating and deciding upon allegations? Do these processes meet requirements for due process? Should any additional safeguards be put in place to ensure due process?
 - ii. Is the current requirement that the views of an Independent Person must be sought and taken into account before deciding on an allegation sufficient to ensure the objectivity and fairness of the decision process? Should this requirement be strengthened? If so, how?
 - iii. Monitoring Officers are often involved in the process of investigating and deciding upon code breaches. Could Monitoring Officers be subject to conflicts of interest or undue pressure when doing so? How could Monitoring Officers be protected from this risk?

Sanctions

- f. Are existing sanctions for councillor misconduct sufficient?

- i. What sanctions do local authorities use when councillors are found to have breached the code of conduct? Are these sanctions sufficient to deter breaches and, where relevant, to enforce compliance?
- ii. Should local authorities be given the ability to use additional sanctions? If so, what should these be?

Declaring interests and conflicts of interest

- g. Are existing arrangements to declare councillors' interests and manage conflicts of interest satisfactory? If not please say why.
 - i. A local councillor is under a legal duty to register any pecuniary interests (or those of their spouse or partner), and cannot participate in discussion or votes that engage a disclosable pecuniary interest, nor take any further steps in relation to that matter, although local authorities can grant dispensations under certain circumstances. Are these statutory duties appropriate as they stand?
 - ii. What arrangements do local authorities have in place to declare councillors' interests, and manage conflicts of interest that go beyond the statutory requirements? Are these satisfactory? If not, please say why.

Whistleblowing

- h. What arrangements are in place for whistleblowing, by the public, councillors, and officials? Are these satisfactory?

Improving standards

- i. What steps could *local authorities* take to improve local government ethical standards?
- j. What steps could *central government* take to improve local government ethical standards?

Intimidation of local councillors

- k. What is the nature, scale, and extent of intimidation towards local councillors?
 - i. What measures could be put in place to prevent and address this intimidation?

Who can respond?

Anyone with an interest may make a submission. The Committee welcomes submissions from members of the public.

However, the consultation is aimed particularly at the following stakeholders, both individually and corporately:

- Local authorities and standards committees;
- Local authority members (for example, Parish Councillors, District Councillors);
- Local authority officials (for example, Monitoring Officers);

- Independent Persons appointed under section 28(7) of the Localism Act 2011;
- Think tanks with an interest or expertise in local government;
- Academics with interest or expertise in local government; and
- Representative bodies or groups related to local government.

How to make a submission

Submissions can be sent either in electronic format or in hard copy.

Submissions must:

- State clearly who the submission is from, i.e. whether from yourself or sent on behalf of an organisation;
- Include a brief introduction about yourself/your organisation and your reason for submitting evidence;
- Be in doc, docx, rtf, txt, ooxml or odt format, not PDF;
- Be concise – we recommend no more than 2,000 words in length; and
- Contain a contact email address if you are submitting by email.

Submissions should:

- Have numbered paragraphs; and
- Comprise a single document. If there are any annexes or appendices, these should be included in the same document.

It would be helpful if your submission included any factual information you have to offer from which the Committee might be able to draw conclusions, and any recommendations for action which you would like the Committee to consider.

The Committee may choose not to accept a submission as evidence, or not to publish a submission even if it is accepted as evidence. This may occur where a submission is very long or contains material which is inappropriate.

Submissions sent to the Committee after the deadline of 17:00 on Friday 18 May 2018 may not be considered.

Submissions can be sent:

1. Via email to: public@public-standards.gov.uk
2. Via post to:
 - Review of Local Government Ethical Standards
 - Committee on Standards in Public Life
 - GC:07
 - 1 Horse Guards Road
 - London
 - SW1A 2HQ

If you have any questions, please contact the Committee's Secretariat by email (public@public-standards.gov.uk) or phone (0207 271 2948).



Private Session

Report Reference Number: A/17/27

Agenda Item No: 8

To: Audit and Governance Committee
Date: 18 April 2018
Author and Lead Officer: Gillian Marshall Solicitor to the Council

Title: The General Data Protection Regulation – update on implementation

Summary:

The General Data Protection Regulation (GDPR) is the biggest change in data protection law for 20 years. It will come into force on 25th May 2018, bringing with it stronger privacy rights for individuals and more prescriptive compliance obligations on those processing personal data, including local authorities.

The Council has appointed Veritau Ltd to act as its Data Protection Officer under the legislation. Veritau Ltd is also supporting the Council in its preparations for GDPR implementation.

Preparations for implementation are being led by Matt North Information Governance Officer on behalf of Veritau Ltd and a working group of Council staff. This report updates Committee on progress towards implementation.

Recommendations:

- i. **To note the contents of the report and actions undertaken.**

Reasons for recommendation

To ensure the Committee is updated on the preparations for implementation of the GDPR in accordance with its Terms of Reference.

1. Introduction and background

- 1.1 The GDPR is the biggest change in data protection law for 20 years. It will come into force on 25th May 2018, bringing with it stronger privacy rights for individuals and more prescriptive compliance obligations on those processing personal data, including local authorities. Introduced to keep pace

with the modern digital landscape, the GDPR is more extensive in scope and application than the current Data Protection Act (DPA). The GDPR extends the data rights of individuals, and requires organisations to develop clear policies and procedures to protect personal data, and adopt appropriate technical and organisational measures.

2 The Report

- 2.1 A working group has been formed to oversee the preparations for Implementation of the changes. The Group is led by Matt North, Information Governance Officer for Veritau Ltd. The project sponsors are Gillian Marshall Solicitor to the Council and Stuart Robinson Head of Business Development and Improvement. The group includes staff from the following teams; Democratic Services and Elections, Planning, Commissioning Contracts and Procurement, Customer, Business and Revenues Service, Corporate Policy, Legal Service, Data and Systems and Housing and Community Services.
- 2.2 The working group has been meeting since January and working on an action plan for implementation. The plan is being monitored via the corporate performance system. A report on progress is attached at Appendix A. At this point significant progress is being made and the Council is on track to be ready for GDPR implementation.

3 Legal/Financial Controls and other Policy matters

Legal Issues

- 3.1 The ICO has the power to take enforcement action against the Council for breaches of the data protection act. There are a number of tools available including monetary penalties, criminal prosecution, non-criminal enforcement and audit.

Financial Issues

- 3.2 The Information Commissioner also has the power under GDPR to levy a fine of up to £17 000 000 or 4% of annual turnover (whichever is higher).

Impact Assessment

- 3.3 One of the council's core values is being trustworthy. Customers (and staff) expect the Council to treat their data with appropriate care and in compliance with the law.

4. Conclusion

- 4.1 That preparations for implementation are on track.

5. Background Documents

none

Contact Officer:

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

Appendices:

Appendix A – Action Plan

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GDPR Action Plan Progress Report – April 2018



Action Status	
	Cancelled
	Overdue
	Check Progress
	In Progress
	Completed

Code	Action Title	Managed By	Due Date	Status Icon	Progress Bar	Latest Update
GDPR	GDPR Action Plan 2017-2018	GDPR Project Team	29-Jun-2018			
GDPR_1.0	Information Asset Management	Chris Smith/Veritau	06-Apr-2018			<p>A review of the existing information asset register is being undertaken with all the current information asset owners notified to update the register by 6th April 2018.</p> <p>Following this, Veritau will be leading a workshop on the 13th April 2018 to assist SDC in identifying and referencing information assets that we hold within our business units and to help us complete and finalise the register. These micro-registers will then be assimilated into a corporate register which will be used as an information governance compliance tool.</p>
GDPR_2.0	Policies & Procedures	Gillian Marshall / Michelle Dinsdale / Veritau	30-Apr-2018			<p>Ongoing project to update existing policies for GDPR. A caveat will be added on the policies webpages which will state existing policies which reference data protection will be updated in due course.</p> <p>The Corporate Risk Register will be updated to reflect any information governance risks in early May 2018.</p>

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Code	Action Title	Managed By	Due Date	Status Icon	Progress Bar	Latest Update
GDPR_3.0	Human Resources	Andrew Crabbe	30-Apr-2018		<div style="width: 27%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 27%	Ongoing audit completed and staff communicated with in terms of GDPR principles for record keeping in Human Resources. HR Team attended GDPR training via Expert HR and proactively applying GDPR principles to all HR practices.
GDPR_4.0	Fair Processing and consent	Michelle Dinsdale / Veritau	30-Apr-2018		<div style="width: 25%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 25%	Veritau to supply SDC with guidance on writing consent forms and to provide a template for Privacy Notices
GDPR_5.0	Data Processors	Aimi Brookes / Veritau	30-Apr-2018		<div style="width: 25%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 25%	Contracts Team are reviewing suppliers and contracts register to identify data processing activities. They will then write out to these partners with an information statement. They will seek to vary high risk contracts.
GDPR_6.0	Information Rights	Caroline Fleming / Veritau	30-Apr-2018		<div style="width: 20%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 20%	Veritau to supply the Legal team with process maps based on the Information Governance policy suite. These will be available on the intranet. Data & Systems team looking at options to send information securely electronically. Veritau to provide guidance on secure redactions.
GDPR_7.0	Information Security	Michelle Dinsdale / Caroline Fleming	30-Apr-2018		<div style="width: 33%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 33%	This forms part of the Policy Suite that is currently being reviewed and the process maps that will be supplied by Veritau
GDPR_8.0	Training & Awareness	Andrew Crabbe / Caroline Fleming	25-May-2018		<div style="width: 16%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 16%	Dates for mandatory staff training have been scheduled and circulated.
GDPR_9.0	Roles & Responsibilities	Gillian Marshall	23-Feb-2018		<div style="width: 100%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 100%	Completed
GDPR_10.0	DP Bill - competent authority	Caroline Fleming	08-Jun-2018		<div style="width: 0%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 0%	Currently under review
GDPR_11.0	Additional Controls	Lead Officers / Veritau	25-May-2018		<div style="width: 16%;"><div style="background-color: #4f81bd; height: 10px; width: 100%;"></div></div> 16%	Currently under review

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Public Session

Report Reference Number: A/17/28

Agenda Item No: 9

To: Audit and Governance Committee
Date: 18 April 2018
Author: Alice Courtney, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer (s151)

Title: External Audit Progress Report

Summary:

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

Recommendations:

To consider the External Audit Progress Report.

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

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

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

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

3. Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

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

Appendices:

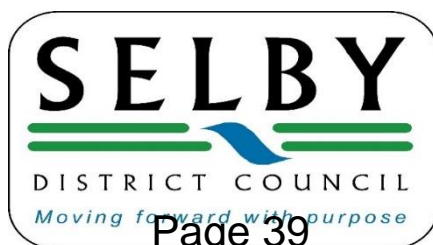
A – External Audit Progress Report

Audit Progress Report

Appendix A

Selby District Council

April 2018





CONTENTS

1. Audit progress
2. National publications and other updates
3. Contact details

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

1. AUDIT PROGRESS

Purpose of this report

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 which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the work Mazars does in the public sector.

2017/18 audit planning

We have now completed our 2017/18 planning and the results are reflected in the Audit Strategy Memorandum included as a separate agenda item for discussion at the Audit and Governance Committee on 18 April 2018.

Our planning included:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering financial performance;
- assessing internal controls, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- completing walkthrough tests on the key controls within the material financial systems.

As part of our work, we took into account the most recently published updated VFM guidance for local government bodies. There are no changes in the fundamental approach to our VFM work, although there is an update on the current issues facing local government.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

We held planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces. We also discussed the previous year's audit and considered any areas for continuous improvement.

As part of our commitment to quality, team members have already attended our annual audit training which included technical issues in the sector and feedback from quality reviews to take into account in the coming year.

Bringing forward the accounts and audit timetable

The key challenge this year is to adhere to the new statutory timetable for accounts production and audit. We have continued to work with officers as they seek to streamline arrangements for preparing your statement of accounts. Officers plan to produce the draft accounts requiring certification by the end of May 2018 and we aim to complete the audit by the end of July 2018.

1. AUDIT PROGRESS (CONTINUED)

2018/19 housing benefits work

Although the current year's housing benefits work is covered by the PSAA contract, from 2018/19, the Council needs to make its own arrangements. DWP are producing guidance on the work required and the nature of the future engagement of a reporting accountant to carry out the required housing benefit assurance work. Although this assurance work is not due to be completed until November 2019, DWP are likely to require councils to identify their reporting accountant for this work much sooner, possibly by June 2018, following the extension of an earlier deadline of 1 March 2018, as the guidance is still not complete.

Mazars will be happy to provide a competitive quotation for undertaking this work when the timescales and requirements are clarified.

2. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication
1	Financial difficulties experienced by Northamptonshire County Council
2	Local authorities encouraged to consider local public accounts committees, February 2018
3	Sustainability and Transformation in the NHS, National Audit Office, January 2018
4	Preparing for full GDPR implementation by 25 May 2018
5	Local audit quality forum, Public Sector Audit Appointments, January 2018
6	Financial sustainability of local authorities 2018, National Audit Office, March 2018

1. Financial difficulties experienced by Northamptonshire County Council

There has been much media coverage of Northamptonshire County Council's financial problems, which led to the Council issuing a section 114 notice stopping all non-statutory spending (the first such notice issued anywhere for almost 20 years), and difficulties in setting a legal budget for 2018/19 which are still ongoing. These issues highlight the impact that austerity measures can have on local government services, and the importance of delivering any savings needed to balance the budget, however difficult and unpalatable such decisions might be.

The three Public Finance articles (links below) provide a good summary of these issues:

<http://www.publicfinance.co.uk/news/2018/02/northants-revised-budget-finds-further-ps99m-savings1>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-review-budget-following-audit-warning>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-sparks-warnings-other-councils-could-fail>

2. Local authorities encouraged to consider local public accounts committees, February 2018

Research published by Association for Public Service Excellence (APSE) and written and researched by the Local Governance Research Unit at De Montfort University explores how public services, and the decisions made about them by unelected bodies, can be held to account by local government as an elected governing body. Moreover, it seeks to understand the developing and expanding role of local government as both a vehicle for public accountability and in influencing and shaping the governance networks within which it exists.

The report '*Bringing Order to Chaos. How does local government hold to account agencies delivering public services?*' makes a series of recommendations including:

- A Local Public Accounts Committees should be formed by all councils and be given the same statutory powers over external agencies as has health scrutiny in relation to the NHS
- Securing public accountability must be developed as a role for all councillors and not restricted to a functional overview and scrutiny committee process
- Robust accountability processes need to be put in place for all arms-length bodies created by a council. Mechanisms must be put in place whereby all other councillors are able to challenge, question, seek justification from and influence the actions of arms-length bodies and scrutiny and full council should be engaged in such a process
- Councils should produce a local 'governance framework' policy document which identifies all those organisations with which the council interacts and which creates a shared vision of the development of public services across the councils area

2. NATIONAL PUBLICATIONS (CONTINUED)

- Councils should create a 'governance forum' where all those organisations with which the council interacts, can regularly meet to ensure a co-ordinated approach to public service delivery and long-term planning for service development and contribute to the 'governance framework'
- There should be a legal requirement – through an extension of the principle of a 'duty to co-operate' - on all public service providers to engage with local government, at the earliest possible time, when developing policy and taking decisions about public services

The full report is available to download for free.

<http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/bringing-order-to-chaos-how-does-local-government-hold-to-account-agencies-delivering-public-services/>

3. Sustainability and Transformation in the NHS, National Audit Office, January 2018

Additional funding, aimed to help the NHS get on a financially sustainable footing, has instead been spent on coping with existing pressures, according to the National Audit Office's (NAO) report.

The NHS received an additional £1.8 billion Sustainability and Transformation Fund in 2016-17 to give it breathing space to set itself up to survive on significantly less funding growth from 2017-18 onwards. It was also intended to give it stability to improve performance and transform services, to achieve a sustainable health system.

The Fund has helped the NHS improve its financial position from a £1,848 million deficit in 2015-16 to a £111 million surplus in 2016-17. Within the overall position, the combined trust deficit reduced to £791 million in 2016-17 from £2,447 million in 2015-16. There has also been an improved underspend of £154 million across clinical commissioning groups, yet 62 groups reported a cumulative deficit in 2016-17, up from 32 in 2015-16.

Despite its overall financial position improving, the NHS is struggling to manage increased activity and demand within its budget and has not met NHS access targets. Furthermore, measures it took to rebalance its finances have restricted money available for longer-term transformation, which is essential for the NHS to meet demand, drive efficiencies and improve the service. For example, the Department transferred £1.2 billion of its £5.8 billion budget for capital projects to fund the day-to-day activities of NHS bodies.

Clinical commissioning groups and trusts are increasingly reliant on one-off measures to deliver savings, rather than recurrent savings that are realised each year. Between 2014-15 and 2016-17 the percentage of savings that were non-recurrent increased from 14% to 17% for commissioners, and from 14% to 22% for trusts. This poses a significant risk to the financial sustainability of the NHS in the future. Progress has been made in setting up 44 new partnership arrangements across health and local government, which are laying the foundations for a more strategic approach to meeting the demand for health services within the resources available. In reality, partnerships' effectiveness varies and their tight financial positions make it difficult for them to shift focus from short-term day-to-day pressures to delivering transformation of services.

The NAO has made a number of recommendations to the Department, NHS England and NHS Improvement, which includes moving further and faster towards aligning nationwide incentives, regulation and processes, as well as reassessing how best to allocate the sustainability and transformation funding.

<https://www.nao.org.uk/report/sustainability-and-transformation-in-the-nhs/>

2. NATIONAL PUBLICATIONS (CONTINUED)

4. Preparing for full GDPR implementation by 25 May 2018

In January and February 2018, we ran two workshops on compliance with GDPR. Selby District Council was represented at one of the workshops.

We thought a summary of the requirements would be helpful for Members.

The EU's **General Data Protection Regulation (GDPR)** is the result of four years of work by the EU to bring data protection legislation into line with new, previously unforeseen ways that data is now used.

Currently, the UK relies on the Data Protection Act 1998, which was enacted following the 1995 EU Data Protection Directive, but this will be superseded by the new legislation. It introduces tougher fines for non-compliance and breaches, and gives people more say over what organisations can do with their data. It also makes data protection rules more or less identical throughout the EU.

This is the **first comprehensive regulation** dedicated to the European data protection rules in 20 years. Adopted into law on 27 April 2016 and **came into force on 25 May 2016**.

By **25 May 2018**, all organisations are required to have implemented its principles, regardless of Brexit.

The key principles of GDPR are:

- **Fair and Lawful** – Must have legitimate grounds for collecting and using the personal data. Use in accordance with the law and regulations. Transparency.
- **Purposes** should be specified, explicit and legitimate
- **Proportionality** – Must hold personal data about an individual that is sufficient for the purpose it is held for. Do not hold more information than needed for that purpose.
- **Accuracy** - Carefully consider any challenges to the accuracy of information. Consider whether it is necessary to update the information.
- **Deletion** - Personal data shall not be kept for longer than necessary. Only relevant data can therefore be kept.
- **Subject's Access** - Right of access, Right to object to processing, Right to prevent processing for direct marketing, Right to object to decisions being taken by automated means, Right to have inaccurate personal data rectified, blocked or destroyed.
- **Security measures** - Take all necessary steps to ensure the data security.
- **Transfers Limitation** - No transfer to a country or territory outside the EEA unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects.

In the UK, the Information Commissioner will have a key role.

“It's an evolutionary process for organisations – 25 May is the date the legislation takes effect but no business stands still. You will be expected to continue to identify and address emerging privacy and security risks in the weeks, months and years beyond May 2018. That said, there will be no 'grace' period – there has been two years to prepare and we will be regulating from this date.

But we pride ourselves on being a fair and proportionate regulator and this will continue under the GDPR. Those who self-report, who engage with us to resolve issues and who can demonstrate effective accountability arrangements can expect this to be taken into account when we consider any regulatory action.”

Information Commissioner – Elizabeth Denham, 22 December 2017

The GDPR requirements are particularly important to local government, given the nature of their activities, dealing directly with citizens and holding a range of personal and sensitive data. While there has been much focus on potential financial penalties, there is a need to see this more as an opportunity for enhanced accountability, to ensure that citizens' data is processed in a secure but transparent manner, and realise the benefits to be gained by building trust with citizens through the adoption of a fair and transparent approach to the collection and use of their data. Recent high profile cases highlight the risks of what can happen if data is not adequately protected.

2. NATIONAL PUBLICATIONS (CONTINUED)

4. Preparing for full GDPR implementation by 25 May 2018 (continued)

What organisations must do now – especially if they are 'behind' with preparations for GDPR – is set out below.

Firstly Organisational commitment – Preparation and compliance must be cross-organisational, starting with a commitment at the highest level. There needs to be a culture of transparency and accountability as to how you use personal data – and recognising that the public has a right to know what's happening with their information.

Privacy Assessment - Ensure you perform a privacy assessment to understand what data you have, from where it is sourced, to whom you provide it, and for what purposes it is used. This will involve reviewing your contracts with third party processors to ensure they're fit for GDPR. Implement accountability measures - including appointing a data protection officer if necessary, considering lawful bases, reviewing privacy notices, designing and testing a data breach incident procedure that works for you and thinking about what new projects in the coming year could need a Data Protection Impact Assessment.

Compliance & Monitoring - Confirm your state of compliance to existing legislation, and whether there are any current operational weaknesses, in-house and within third parties. Perform a gap analysis between as-is and the GDPR to-be.

Privacy Training – Ensure staff know their responsibilities and are appropriately trained.

Privacy Governance - Prepare a strategy and a plan to achieve full GDPR compliance. Prioritise development. Address the riskier areas of non-compliance first. Be able to demonstrate commitment to reasonable and realistic timescales for addressing other weaknesses and shortcomings in respect of the new legislation and, similarly, commitment to continuous monitoring, review and improvement. Ensure appropriate security – you'll need continual rigour in identifying and taking appropriate steps to address security vulnerabilities and cyber risks.

5. Local audit quality forum, Public Sector Audit Appointments, January 2018

Local bodies which have opted into Public Sector Audit Appointment's national scheme will be entitled to attend Local Audit Quality Forum (LAQF) events free of charge. The LAQF will be a forum within which representatives of relevant audit bodies can work together and collaborate with others to share good practice and strive to enable improvements in the quality, efficiency and effectiveness of audit arrangements and practices in principal local authorities and police bodies in England. Public Sector Audit Appointments (PSAA) want to develop a momentum and a passion for continuous improvement in audit arrangements throughout the entities and sectors for which PSAA has a mandate.

The inaugural meeting is a one-day event in London on 18 April 2018 and PSAA have set out they hope audit committee chairs and chief finance officers will welcome the initiative.

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

6. Financial sustainability of local authorities 2018, National Audit Office, March 2018

On Thursday 8 March, the NAO published the *Financial sustainability of local authorities 2018*.

The study assesses financial and demand conditions in the sector and the implications for local authority financial and service sustainability. It also reviews the stewardship role of the Ministry of Housing, Communities and Local Government, and the role of other departments with local service responsibilities, in relation to the local government financial and service sustainability. Further details are available via the following link:

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

3. CONTACT DETAILS

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

www.mazars.co.uk

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Public Session

Report Reference Number: A/17/29

Agenda Item No: 10

To: Audit and Governance Committee
Date: 18 April 2018
Author: Alice Courtney, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer (s151)

Title: Audit Strategy Memorandum

Summary:

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

Recommendations:

To consider the Audit Strategy Memorandum.

Reasons for recommendation

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

1. Introduction and background

1.1 The report has been submitted by the external Auditor, Mazars and sets out the audit plan in respect of Selby District Council for the year ending 31 March 2018. The report forms the basis for discussion at the Audit and Governance Committee meeting.

2 The Report

2.1 The Audit Strategy Memorandum is attached at Appendix A and sets out the proposed audit approach in respect of the year ending 31 March 2018.

2.2 The audit will be delivered in four main phases, as detailed in the report and is expected to be completed by 31 July 2018, in accordance with the new statutory deadlines.

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

3 Legal/Financial Controls and other Policy matters

3.1 None.

4. Conclusion

4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

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acourtney@selby.gov.uk

Appendices:

A – Audit Strategy Memorandum

Audit Strategy Memorandum

Selby District Council

Year ending 31 March 2018





CONTENTS

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

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

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

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

27 March 2018

Dear Members

Audit Strategy Memorandum – Year ending 31 March 2018

We are pleased to present our Audit Strategy Memorandum for Selby District Council for the year ending 31 March 2018.

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

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

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

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

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

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 387 8850.

Yours faithfully



Mark Kirkham
Mazars LLP

1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

Overview of engagement

We are appointed to perform the external audit of Selby District Council (the Council) for the year to 31 March 2018. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: www.psa.co.uk/audit-quality/terms-of-appointment/

Our responsibilities

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

Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. We expect that Selby District Council will once again be below the thresholds required for this reporting to the NAO.

Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

Electors' rights

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

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

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

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

2. YOUR AUDIT ENGAGEMENT TEAM



- Mark Kirkham, Partner
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- 0113 387 8850



- Gavin Barker, Senior Manager
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- 0191 383 6300



- Dan Spiller, Assistant Manager
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- 07881 284 012

3. AUDIT SCOPE, APPROACH AND TIMELINE

Audit scope

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

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

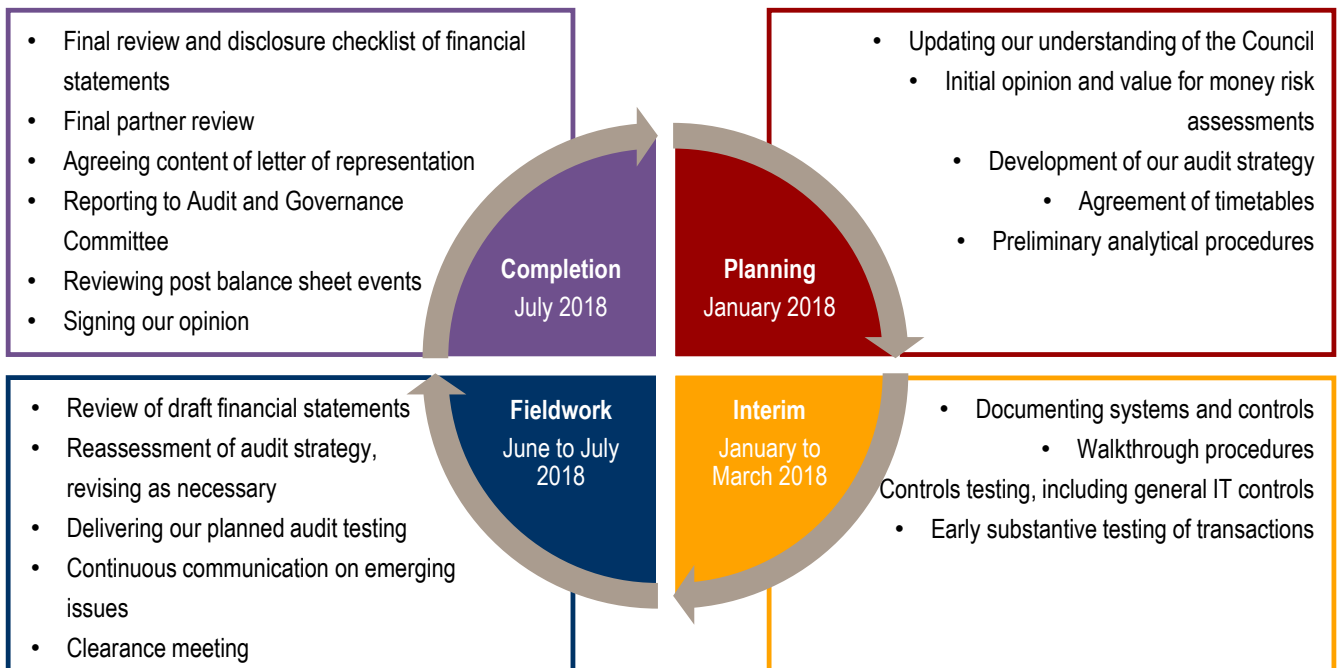
Audit approach

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

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

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

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



3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

Reliance on internal audit

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

We do not intend to rely on the work on internal audit.

Management's and our experts

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

Items of account	Management's expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt).	NAO's consulting actuary (PWC).
Property, plant and equipment	Kier – Council Dwellings. Stephenson's – Operational Land and Buildings.	NAO's consulting valuer (Gerald Eve).
Financial instrument disclosures	Link Asset Services.	NAO.

Service organisations

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

Items of account	Service Organisation	Audit Approach
Payroll	North Yorkshire County Council	Although some staff are employed by NYCC, and some systems are maintained by them, we have sufficient access to staff on site, along with all of the relevant financial information we need to conduct our audit of Selby District Council. We will perform substantive tests of detail on the information provided to and received from NYCC and also inspect payroll reconciliations.

Reporting deadlines

As we have previously discussed with the Audit and Governance Committee, the statutory timetable for the production and audit of the Council's financial statements changes for 2017/18. The Council is now required to produce accounts by 31 May 2018 (1 month earlier) and to publish audited accounts by 31 July 2018 (2 months earlier). The Council successfully reduced the amount of time it needed to meet the earlier timetable in 2016/17 and the audit work was also completed with the accounts being approved before the end of July 2017.



4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

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

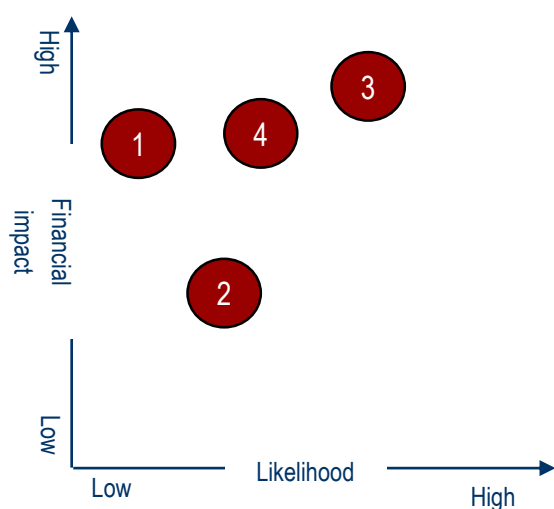
Significant risk A significant risk is an identified and assessed risk of material misstatement that, in the auditor’s judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity’s controls, including control activities relevant to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

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

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

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

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



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

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We explain the identified risks and our testing approach in the table below. An audit is a dynamic process and if we change our view of risk or our approach to address the identified risks during the course of our audit we will report this to the Audit and Governance Committee.

Significant risks

	Description of risk	Planned response
1	<p>Management override of controls</p> <p>Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.</p>	<p>We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.</p>
2	<p>Revenue recognition – fees and charges</p> <p>In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted, and we have done this in relation to the Council's most significant sources of income, taxation and grant income.</p> <p>However, we do not feel that sufficient scope exists within the recognition of fees and charges to conclude that there are grounds for rebuttal in that particular income stream. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.</p>	<p>We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including testing receipts in March, April and May 2018 to ensure that income has been recognised in the right year, testing material year end receivables, testing adjustment journals and obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. In respect of fees and charges, we will use higher sample sizes reflecting the significant risk in this area.</p>
3	<p>Property, plant and equipment valuations</p> <p>The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.</p> <p>Although the Council utilise external valuation experts to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk.</p>	<p>We will consider the Council's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's external valuers. We will also assess the competence, skills and experience of the valuer.</p> <p>Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate.</p>
4	<p>Defined benefit liability valuation</p> <p>The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.</p>	<p>We will discuss with officers any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by PSAA Ltd.</p>

4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

Key areas of management judgement

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

	Area of management judgement	Planned response
1	<p>Business Rates Appeals</p> <p>The Council is dependent on the Valuation Office Agency (VOA) for information regarding appeals against Business Rates bills. Management applies judgement in order to create a reasonable basis for the provision, given the level of appeals and other relevant information.</p>	<p>We will review the basis for the judgements used in creating the provision and assess the reasonableness of any estimates.</p>
2	<p>Depreciation</p> <p>The annual depreciation charged against the Property, Plant and Equipment involves an estimation of both the valuation of the asset and the remaining useful economic life of the asset. The valuations risk was identified as a significant risk in the previous section. The residual risk around the remaining useful economic lives of assets is a key area of judgment, but does not amount to a significant risk to the audit.</p>	<p>In conjunction with the procedures being performed to assess the reasonableness of the work performed by the external valuation experts, we will review the asset lives used and perform substantive procedures to establish if the estimates are reasonable.</p>
3	<p>Accruals</p> <p>A key accounting concept determines that expenditure and income should be accounted for in the period to which they relate, therefore management needs to assess transactions and apply judgement to ensure that they are translated into the appropriate accounting period.</p>	<p>We will review a sample of balance sheet entries relating to Income and Expenditure and also review the process used by management to create these entries.</p>

5. VALUE FOR MONEY WORK

Our approach to value for money work

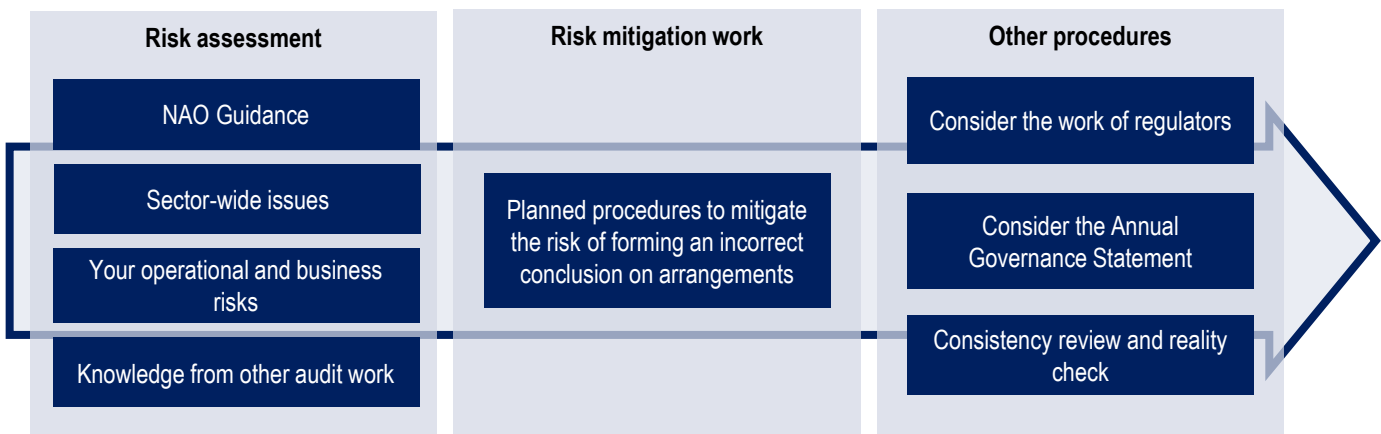
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the criterion and sub-criteria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

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

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

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

A summary of the work we undertake is provided below.



Significant value for money audit risk

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

For the 2017/18 financial year, we have not identified any significant risk to our VFM work.

6. FEES FOR AUDIT AND OTHER SERVICES

Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 24 April 2017, and updated in our Audit Progress Report in January 2018.

Service	2016/17 fee	2017/18 fee
Code audit work	£44,708	£44,708
Housing benefit subsidy certification	£10,628	£13,450

All fees exclude VAT

7. OUR COMMITMENT TO INDEPENDENCE

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

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

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

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

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

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

No threats to our independence have been identified.

8. MATERIALITY AND MISSTATEMENTS

Definitions

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

Summary of initial materiality thresholds

Threshold	Initial threshold (£)
Overall materiality	£788,000
Specific materiality	
• Members allowances	• £24,000
• Senior manager remuneration	• £24,000
• Exit packages	• £24,000
Trivial threshold for errors to be reported to the Audit and Governance Committee	£24,000

Materiality

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

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

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

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

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

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

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

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

8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

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

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

Based on last year's audited accounts we anticipate the overall materiality for the year ending 31 March 2018 to be in the region of £788k (£788k in the prior year).

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

Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £24,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.

APPENDIX A – KEY COMMUNICATION POINTS

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

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

APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

Changes relevant to 2017/18

There are no significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2017/18. Minor changes to the Code include:

- introduction of key reporting principles for the preparation and publication of the Narrative Report;
- clarification of reporting requirements on accounting policies and going concern; and
- updating the accounting requirements for the Housing Revenue Account to align these with changes to underlying regulations and directions.

None of the above are anticipated to have a significant impact on the Council.

Changes in future years

Accounting standard	Year of application	Implications
IFRS 9 – Financial Instruments	2018/19	<p>The standard will replace IAS 39 and will introduce significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.</p> <p>Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised costs</p> <p>For councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.</p>
IFRS 16 – Leases	2019/20	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council are party to.</p>

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

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Public Session

Report Reference Number: A/17/30

Agenda Item No: 11

To: Audit and Governance Committee
Date: 18 April 2018
Author: Phil Jeffrey; Audit Manager (Veritau)
Jonathan Dodsworth; Counter Fraud Manager (Veritau)
Lead Officer: Karen Iveson; Chief Finance Officer (s151 Officer)

Title: Internal Audit and Counter Fraud Progress Report 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 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 A.
- 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 investigation services.

3. Legal/Financial Controls and other Policy matters

- 3.1 Legal Issues
 - 3.1.1 There are no legal issues.
- 3.2 Financial Issues
 - 3.2.1 There are no financial issues.

4. Conclusion

- 4.1 At the time of drafting this report, there are eleven 2017/18 audits in progress. Two reports are currently at draft report stage. One report has been finalised since the last report to this committee. It is anticipated that the target to complete 93% of the audit plan will be exceeded by the end of April 2018 (the cut off point for 2017/18 audits).
- 4.2 Up to 28 February, the fraud team has identified £17.4k in loss to the council and achieved £21k in savings for the Council as a result of investigative work. There are currently 16 ongoing investigations.

5. Background Documents

SDC Internal Audit and Counter Fraud Plan 2017/18

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

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Selby District Council

Internal Audit and Counter Fraud Progress Report 2017/18



Audit Manager:	Phil Jeffrey
Counter Fraud Manager:	Jonathan Dodsworth
Deputy Head of Internal Audit:	Richard Smith
Head of Internal Audit:	Max Thomas
Date:	18 th April 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:

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

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

Limited Assurance

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

No Assurance

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

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
Total agreed actions	77	0	43	34

9 A total of 47 agreed actions from 2016/17 audits have been followed up with the responsible officers. 36 had been satisfactorily implemented. In a further 11 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 17 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	36	1	13	22
Revised date agreed	11	0	4	7
Follow up in progress	9	0	5	4
Not yet followed up	8	0	5	3
Total agreed actions	64	1	27	36

- 10 A total of 4 agreed actions from 2017/18 audits have been followed up with the responsible officers. All 4 had been satisfactorily implemented. The remaining 2 actions agreed in 2017/18 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:

2017/18 Follow-up status

Action status	Total No.	Action Priority		
		1	2	3
Actions now implemented	4	0	2	2
Revised date agreed	0	0	0	0
Follow up in progress	1	0	0	1
Not yet followed up	1	0	0	1
Total agreed actions	6	0	2	4

- 11 At the time of drafting this report there are eleven 2017/18 audits in progress. Two reports are currently at draft report stage. One report has been finalised since the last report to this committee. 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

- 12 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.
- 13 Up to 28 February, the fraud team has identified £17.4k in loss to the council and achieved £21k in savings for the Council as a result of investigative work. There are currently 16 ongoing investigations.
- 14 A full summary of counter fraud activity is included in Annex B.

Annex A

2017/18 audit assignments status

Audit	Status	Audit Committee
<u>Corporate Risk Register</u>		
ICT Governance	Draft report issued	
Organisational Development	Deferred ¹	
Programme for Growth	Support provided	
Savings Delivery	Additional testing complete²	
<u>Financial Systems</u>		
Benefits	In progress	
Council Tax/NNDR	Substantial Assurance	January 2018
Creditors	In progress	
Debtors	In progress	
Housing Rents	Substantial Assurance	April 2018
Income and Receipting	In progress	
Payroll	In progress	
<u>Regularity / Operational Audits</u>		
Agency Staff	In progress	
Governance Arrangements	In progress	
Housing Development	Deferred ³	
Insurance	In progress	
Performance Management	In progress	
Planning	Deferred ⁴	
Section 106 Agreements / CIL	Support provided	
<u>Technical / Project Audits</u>		
Business Transformation	Cancelled ⁵	
Contract Management and Procurement	In progress	

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

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

³ Deferred until 2018/19.

⁴ Deferred until 2018/19. The time has been used to fund additional time spent on Follow-ups, Corporate Issues and Tender openings.

⁵ Audit cancelled and time re-allocated to Debtors and Payroll.

Audit	Status	Audit Committee
Information Security	In progress	
PCI DSS	Draft report issued	
Project Management	Support provided⁶	

Summary of reports finalised since the last committee

Title	Finalised	Opinion	P1	P2	P3
Housing Rents	12 th January 2018	Substantial Assurance	0	0	1

⁶ Support has been provided to the Annual Billing project and the new Housing System project.

Summary of audits completed to 29 March 2018; previously not reported

Audit	Opinion	Comments	Date Issued	Agreed Actions by priority			Key Agreed Actions ⁷	Progress against key actions
				1	2	3		
Housing Rents	Substantial Assurance	It was found that the majority of tenants had been billed correctly for rent due. Rent income is regularly reconciled between the housing system and the cash receiving system and accounts in arrears are subject to appropriate recovery action.	12 th January 2018	0	0	1	None.	

⁷ Priority 2 or above

Audits reported previously: progress against key agreed actions

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Information Governance (2015/16)	<p>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>A Corporate Information Governance Group (CIGC) has been established and Data Protection Officer support is being provided by Veritau. The CIGC has developed a GDPR Action Plan to ensure readiness ahead of the 25 May 2018 deadline. Work is currently being undertaken on preparing an Information Asset Register (IAR) which will then inform of any gaps. The IAR is scheduled to be produced by the end of April, with all other actions in the plan being due by 8 June 2018 at the latest.</p>
Information Governance (2015/16)	<p>The asset register will be reviewed and updated. This will include updating Information Asset Owner (IAO) responsibilities to reflect the new organisational structure.</p> <p>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.</p>	2	Solicitor to the Council	30 Nov 2016	
Information Governance (2015/16)	<p>In reviewing and refreshing the information asset register IAOs will refer to the information risk management policy.</p> <p>Information risks will be considered by all services and significant risks identified through this process will be included in</p>	2	Solicitor to the Council	30 Nov 2016	

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
	the service based risk registers.				
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	
Information Governance (2015/16)	<p>The review of the information asset register (IAR) will identify information being shared with other organisations. IAOs will be asked to confirm whether all 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>	2	Solicitor to the Council	30 Nov 2016	
Information Governance	A consolidated corporate records retention and disposal schedule will be	2	Solicitor to the Council	30 Nov 2016	

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
(2015/16)	<p>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>				
Sundry Debtors (2016/17)	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.	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 council's Legal team 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)	Procurement of the new housing management system is in progress. Once implemented, automated processes will replace the manual workaround (due to the housing management system not being linked to the finance system) and will enable all materials and jobs to be checked.	2	Head of Operational Services	30 Nov 2018	Due 30 November 2018
Council House	A new housing management system will	2	Head of	30 Nov	Due 30 November

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
Repairs (2016/17)	be procured which includes the capacity to cost jobs and will be linked to the finance system.		Operational Services	2018	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)	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	Updated project management guidance has been produced but requires approval from management before it can be finalised. Revised date of 30 Apr 2018.
Project Management (2016/17)	Rollout of training on the revised project management framework and guidance – commencing October 2017.	2	Head of Business Development & Improvement	31 Dec 2017	Training will be delivered that reflects the recently approved project governance framework. A revised date will be required for

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
					completion of this action; it will follow completion of the action above.
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 June 2017	An information security sweep was undertaken on 20 March 2018 and the same issue was found. A new finding will be raised, with an agreed action to supersede this one.
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 June 2017	An information security sweep was undertaken on 20 March 2018 and the same issue was found. A new finding will be raised, with an agreed action to supersede this one.
PCI DSS	A compliance procedure document will be	2	Data & Systems	30 Sep	A draft PCI DSS

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
(2016/17)	produced as an appendix to the Data Protection Policy. This will clearly identify the responsible officers for PCI DSS at the Council.		Team Leader	2017	<p>compliance policy has been developed but is not yet ready for circulation to staff.</p> <p>A revised date will be agreed during the 2017/18 audit.</p>
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	<p>This is a costly option which will in all likelihood be discounted. Alternative arrangements for de-scoping the network are currently being discussed as part of the 2017/18 audit of PCI DSS.</p>
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	<p>Changes have not yet been made to the network so the self-assessment questionnaire has not been completed.</p> <p>A new finding will be raised, with an agreed</p>

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
					action to supersede this one.
Savings Delivery (2016/17)	<p>Monitoring of savings and progress will be allocated to a dedicated team member.</p> <p>Future proposals and actions to be undertaken will be subject to comprehensive risk assessments.</p>	2	Head of Planning	31 Jan 2018	<p>A change in staffing has meant that this action has been reassigned to another responsible officer. Veritau is currently working with the officer to discuss the requirements of the action.</p> <p>A revised date will therefore be agreed.</p>
Development Management (2016/17)	The Specific Officer Delegations for Non Executive (council) functions with respect to Planning and Development Management will be amended. They will require that applications submitted by or on behalf of the authority for its own developments or on its owned land are also presented to Planning Committee unless they are 'minor' and no objections have been received.	2	Solicitor to the Council	30 April 2018	Date not yet passed.
Development Management (2016/17)	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 provision	2	Planning Development Manager	31 Jan 2018	Completed.

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
	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.				
Development Management (2016/17)	In the meantime, Development Management will introduce a process to ensure that all documents which the ICO recommends are removed from the public planning register are removed once the application has been determined.	2	Planning Development Manager	30 April 2018	Date not yet passed.
Council Tax & NNDR (2017/18)	Training and support will be provided to the staff members who have taken over these roles and this will be put into practice during the test billing run in January.	2	Data & Systems Team Leader	31 Jan 2018	Completed.
Council Tax & NNDR (2017/18)	Data and Systems will liaise with the software suppliers and the Planning department to find a solution.	2	Data & Systems Team Leader	31 March 2018	A solution that has been provided by the software supplier is currently being tested. Once testing is complete the solution will be transferred into the live system.

Audit	Agreed Action	Priority rating	Responsible Officer	Due	Notes
					Revised date of 30 Apr 2018.

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.

	2017/18 (As at 28/02/18)	2016/17 (Full Year)
% 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.	£21,128	£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:

	2017/18 (As at 28/02/18)	2016/17⁸ (Full Year)
Referrals received	80	187
Referrals rejected	42	30
Number of cases under investigation	16	38 ⁹
Number of investigations completed	38	81

⁸ 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.

⁹ As at 31/3/17

Summary of counter fraud activity:

Activity	Work completed or in progress
Data matching	<p>Investigation of 2016/17 National Fraud Initiative (NFI) matches is nearing completion. Data for the annual Single Person Discount exercise has been provided and matches have been published. The matches will now be passed to the Council Tax Department.</p> <p>The council, alongside regional partners, has volunteered to participate in a new NFI pilot exercise hoping to identify Business Rates fraud.</p> <p>Veritau have an ongoing programme of internal and regional data matching. The current focus is council tax discounts.</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"> • Council Tax Support fraud – To date the team has received 55 referrals for possible CTS fraud. Two people have been cautioned for CTS offences. There are currently 6 cases under investigation. The Council successfully prosecuted its first CTS fraud in September. • Council Tax/Non Domestic Rates fraud – 15 referrals for council tax or business rates fraud have been received in 2017/18. Over £7,000 in falsely obtained discounts have been detected this year. There are currently 6 cases under investigation. The Council successfully prosecuted its first Council Tax discount fraud in September. Three people received warnings about their conduct. • Housing fraud – The team has received 9 referrals for investigation in the year. There are 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. One person was cautioned for falsely applying • Internal fraud – No internal fraud referrals have been received in 2017/18.

Activity	Work completed or in progress
	<ul style="list-style-type: none"> • Parking fraud – The team continues to work with the Council’s outsourced parking enforcement provider, Harrogate Borough Council, to detect and deter disabled blue badge fraud.
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 151 requests to date in 2017/18.</p>
Fraud management	<p>In 2017/18 a range of activity has been undertaken to the support the Council’s counter fraud framework.</p> <ul style="list-style-type: none"> • In January an annual counter fraud report was brought to the Audit and Governance Committee. As part of the annual report, the counter fraud and corruption policy, counter fraud strategy and counter fraud risk assessment were reviewed. No updates were required to the policy and strategy however an associated action plan was updated to reflect current fraud threats facing the council. • A new 0800 telephone number has been launched to allow members of the public to report fraud free of charge. • As part of International Fraud Week in November, the counter fraud team raised awareness of fraud with staff via intranet articles published throughout that week. In addition targeted fraud awareness has been provided within the Benefit and Council Tax departments and HR team during the current financial year. • In February, for Tenancy Fraud Awareness Week, Veritau and the council promoted housing fraud issues to staff and residents. • The counter fraud team continues to alert council departments to emerging local and national threats through a monthly bulletin and specific alerts.

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Public Session

Report Reference Number: A/17/31

Agenda Item No: 12

To: Audit and Governance Committee
Date: 18 April 2018
Author: Phil Jeffrey; Audit Manager, Veritau
Jonathan Dodsworth; Counter Fraud Manager,
Veritau
Lead Officer: Karen Iveson; Chief Finance Officer (s151
Officer)

Title: Internal Audit, Counter Fraud and Information Governance plans
2018/19

Summary:

The purpose of this report is to present the proposed Internal Audit, Counter Fraud and Information Governance plans for 2018/19.

Recommendation:

It is recommended that the Internal Audit, Counter Fraud and Information Governance plans for 2018/19 are approved.

Reasons for recommendation

The Audit and Governance Committee has responsibility for overseeing the work of internal audit, and agreeing the plan of work to be undertaken on its behalf by the Council's Internal Auditors in line with best practice as set out in the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards.

1. Introduction and background

1.1 This document sets out the planned 2018/19 programme of work for internal audit, counter fraud, risk management and information governance provided by Veritau for Selby District Council.

- 1.2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.
- 1.3 In previous years, counter fraud work has been included as part of the internal audit plan. However, to reflect the independent nature of the counter fraud and internal audit services, and for the purposes of transparency, counter fraud work is being reported in a separate plan for the first time for 2018/19.
- 1.4 Veritau also now provides information governance services to the Council. These have been included in a further separate plan.

2. Internal Audit plan (Appendix A)

- 2.1 The internal audit plan is aligned to the Council's main strategic risks. The plan is however a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 2.2 The content of the internal audit plan has been subject to consultation with directors and other senior officers and is submitted for formal approval by the Committee. Changes to the plan are agreed through the Council's client management arrangements and are notified to the Committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 2.3 The plan is based on a total commitment of 375 days for 2018/19. This includes 342 days for internal audit and 33 days to support the council's risk management arrangements. These are unchanged from 2017/18.

3. Counter Fraud plan (Appendix B)

- 3.1 The counter fraud plan sets out proposed areas of counter fraud work for 2018/19. No estimate of time is made for each area as time spent is dependent on the levels of work received by the team. Priorities and focus for counter fraud activity is led by the Council's Counter Fraud Strategy and Counter Fraud Risk Assessment
- 3.2 Total planned days for 2018/19 are 105.

4. Information Governance plan (Appendix C)

- 4.1 The information governance plan sets out proposed areas of information governance work for 2018/19. The total planned days for 2018/19 are 60.

5. Legal/Financial Controls and other Policy matters

5.1 Legal issues

- 5.1.1 The provision of Internal Audit is a statutory requirement.
- 5.1.2 There is no direct linkage to the Council's Vision or Priorities, as internal audit is a support service, 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.
- 5.1.3 Internal Audit examines all aspects of the Council's work and accordingly links to all of the Council's Priorities.

5.2 Financial Issues

- 5.2.1 There are no financial implications, beyond the existing budget for Internal Audit, Counter Fraud, Information Governance and any additional work in respect of Risk Management.

6. Conclusion

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

7. Background Documents

None

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Richard Smith; Deputy Head of Internal Audit;
Veritau
Richard.smith@veritau.co.uk

Appendices: - **Appendix A – SDC Internal Audit plan 2018/19**
Appendix B – SDC Counter Fraud plan 2018/19
Appendix C – SDC Information Governance plan 2018/19

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Selby District Council

Internal Audit Plan 2018/19

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

Phil Jeffrey
Richard Smith
Max Thomas

Circulation List:

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

Date: 18 April 2018

Introduction

- 1 This document sets out the planned 2018/19 programme of work for internal audit and risk management provided by Veritau for Selby District Council.
- 2 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and the Public Sector Internal Audit Standards. In accordance with these standards internal audit is required to prepare an audit plan on at least an annual basis.
- 3 The plan is informed by the Council's main strategic risks. This is intended to ensure limited audit resources are prioritised towards those systems which are considered to be the most risky and/or which contribute the most to the achievement of the Council's priorities and objectives. The audit plan is however a working document and changes are made throughout the year to reflect changes in risk and any issues that arise.
- 4 The content of the audit plan has been subject to consultation with senior officers and is submitted for formal approval by the Audit and Governance Committee who is also responsible for monitoring progress against the plan. Changes to the plan are agreed through the Council's client management arrangements and are notified to the Committee. Proposed audit work is also discussed with the Council's external auditors to ensure there is no duplication of effort.
- 6 The plan is based on a total commitment of 375 days for 2018/19. This includes 342 days for internal audit, and 33 days to support the Council's risk management arrangements. This is unchanged from 2017/18.

2018/19 Plan

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

- **Other;** an allocation of time to allow for unexpected work and the follow up of work we have already carried out, ensuring that agreed actions have been implemented.

8 Details of the 2018/19 plan are set out in Annex A.

Internal Audit Plan 2018/19

Corporate Risk Register

Risk No	Risk	Audit	Scope	Days
003	The Council's financial position is not sustainable.	Savings Delivery	A review of the progress made on savings delivery proposals.	12
009	Poor net economic growth.	Programme for Growth	A review of a sample of projects included in the Council's Programme for Growth scheme. This may also include support for individual projects.	10
		Economic Development Framework	A review of the delivery of the agreed action plan and the prioritisation of projects within it.	15
				37

Financial Systems

Audit	Scope	Days
Council Tax & NNDR	A review of key controls and risks relating to Council Tax and NNDR.	15
Council House Repairs	A review of the systems involved in carrying out repairs on council housing.	15
General Ledger (including budgetary control)	A review of the budget setting, monitoring processes and reconciliations including virements and journal transfers.	15
Benefits	To review the key risks/controls involved in awarding and paying benefits including the Council Tax Support Scheme.	12

Audit	Scope	Days
Capital Accounting	To review the treatment of assets and capital expenditure, ensuring they are in line with established accountancy policies and best practice guidelines.	15
Creditors	To review the key risks/controls surrounding the payment of creditors invoices.	15
Payroll	A review of key controls in relation to the payroll function.	12
		99

Regularity Audits

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Audit	Scope	Days
Community Engagement	A review of the Council's engagement with customers including a review of the governance of Community Engagement Forums (CEFs).	15
Data Quality	An audit of systems for capturing key performance data, to ensure information used for management of the organisation is robust.	15
Housing Development	A review of the governance arrangements of the Housing Development Plan. This will include consideration of capacity, resources, risk management and the ability of the council to deliver it.	15
Organisational Development	A review of the effectiveness of the Council's Organisational Development strategy.	15
Performance Management	A review of the Council's appraisal process for staff including the annual Performance Development Review (PDR) process. This will follow-up on performance management work carried out in 2017/18.	10

Planning	An allocation of time to provide support and challenge in relation to the implementation of the action plan agreed after the Planning Services review.	15
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85

Technical/Project Audits

Audit	Scope	Days
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Contract Management & Procurement	The scope will be agreed with officers during the year. This may include a general review of procurement arrangements and/or a review of individual contracts.	15
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Business Continuity and Disaster Recovery	An audit to ensure that the issues arising from the previous audit have been addressed and that the new protocol has been tested and found to be sufficient.	15
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ICT Governance	A follow-up of the previous audit carried out in 2017/18.	5
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Information Security	An allocation of time to carry out information security checks.	5
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Insurance	An allocation of time to review how insurance claims are managed within the Council. This will build on initial work carried out in 2017/18.	8
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Project Management	An audit of project management arrangements within the Council.	10
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Client Support & Advice

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

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Other

Area	Days
Contingency	6
Follow Ups	15
	21
	375

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Selby District Council

Counter Fraud Plan 2018/19

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

Jonathan Dodsworth
Richard Smith
Max Thomas

Circulation List:

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

Date: 18 April 2018

Introduction

- 1 Veritau undertakes counter fraud work on behalf of Selby District Council. This document summarises the agreed areas of counter fraud work for 2018/19.
- 2 The Counter Fraud Plan is based on an estimate of the amount of resource required to provide the range of counter fraud activities required by the council. A total of 105 days of counter fraud work has been agreed for 2018/19.

2018/19 Counter Fraud Plan

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

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

Selby District Council

Information Governance Plan 2018/19

Information Governance Manager: Robert Beane
Head of Internal Audit: Max Thomas

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

Date: 18 April 2018

Introduction

- 1 Veritau undertakes information governance work on behalf of Selby District Council. This document summarises the agreed areas of information governance work for 2018/19.
- 2 The Information Governance plan is based on an estimate of the amount of resource required to provide the range of activities required by the Council. A total of 60 days of information governance work has been agreed for 2018/19.

2018/19 Information Governance Plan

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

Area	Scope
Data Protection Officer Role	Monitoring compliance with the Council's policy framework and data protection legislation (including undertaking a programme of audits) as Data Protection Officer.
Data Security Investigations	The investigation of serious data security incidents, the coordination of remedial activity and liaison with the Information Commissioner's Office.
Support and Advice	The provision of advice and guidance on all related matters (including policies and procedures, privacy notices, data protection impact assessments, data sharing agreements, and information asset registers).



Public Session

Report Reference Number: A/17/32

Agenda Item No: 13

To: Audit and Governance Committee
Date: 18 April 2018
Author: Alice Courtney, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: Audit and Governance Committee Annual Report 2017/18

Summary:

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

Recommendations:

- i. **To approve the Audit and Governance Committee Annual Report 2017/18; and**
- ii. **To delegate authority to the Democratic Services Officer in consultation with the Chair, to update the appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

Reasons for recommendation

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

1. Introduction and background

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

2 The Report

- 2.1 A draft Annual Report is attached at Appendix A. This has been drafted by the Chair and the Democratic Services Officer and it is now available for the Committee to consider.
- 2.2 The Report has been structured in three sections:
- An introduction from the Chair
 - A summary of the membership, role and work of the committee
 - An appendix comprising a retrospective work programme and summary of decisions for 2017/18
- 2.3 The Committee is asked to consider any amendments and approve the report for publication.
- 2.4 As there will be no further meeting of the Committee during this municipal year, the Committee is asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to amend the appendix prior to publication to reflect the business transacted at the April meeting.

3 Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to approve the draft Annual Report 2017/18 to comply with the requirement of Article 6 of the Constitution.
- 4.2 The Committee is further asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the appendix to the Annual Report to reflect outcomes following the final meeting of the year.

5. Background Documents

None.

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Appendices:

A – Draft Audit and Governance Committee Annual Report 2017/18



Audit and Governance Committee

Annual Report 2017/18

Introduction from the Chair – Councillor Mike Jordan

I am pleased to present the Audit and Governance Committee Annual Report 2017/18.

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

The membership of the Committee was amended slightly at Annual Council, with Councillor Brian Marshall replacing Councillor Robert Packham. The Committee was fortunate to again have excellent officer support to help guide it through complex reports. In addition, the Committee continued to attend briefings prior to meetings, which were focussed on the context behind the business being considered at the subsequent meeting. This helped to further ensure that Committee members were able to fully undertake their scrutiny duties. I was also able to attend a number of county-wide briefings and forums which assisted me in my role.

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

In September, the Committee was asked to appoint three members to sit on the Standards Sub-Committee, in accordance with the Council's revised Standards arrangements. I would like to extend my thanks to Councillors Brian Marshall, Ian Reynolds and Bryn Sage for agreeing to sit on the Sub-Committee.

To assist in Standards investigations, the Council appointed three Independent Persons who must be consulted before a decision is made in relation to a Standards investigation. I would like to take this opportunity to thank Philip Eastaugh, Hilary Putman and Wanda Stables for their work this year.

I would like to thank all councillors who served on the Audit and Governance Committee during 2017/18 for their support and continued hard work. Many people have contributed to the work of the Committee, including officers and external partners. I would like to put on record my thanks to them.

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



Councillor Mike Jordan
Chair, Audit and Governance Committee
18 April 2018

Audit and Governance Committee Annual Report 2016/17

The Audit and Governance Committee

The membership of the Committee was amended at Annual Council for the start of the municipal year. Councillor Brian Marshall was appointed to the Committee, replacing Councillor Robert Packham.

Conservative

Cllr. Mike Jordan (Chair)
Cllr. Ian Reynolds (Vice-Chair)
Cllr. Karl Arthur
Cllr. Judith Chilvers
Cllr. Bryn Sage

Labour

Cllr. Brian Marshall

Independent

Cllr. Mary McCartney

The Committee met five times during the year; however, the meeting on 14 June 2017 was adjourned as it was inquorate. On 27 September 2017, three Committee members were appointed to sit on the Standards Sub-Committee as per the Council's revised Standards arrangements:

Conservative

Cllr. Ian Reynolds
Cllr. Bryn Sage

Labour

Cllr. Brian Marshall

Two co-opted Parish Council representatives are also required to sit on the Standards Sub-Committee, and a list of seventeen Parish Councillors was collated.

The Council's revised Standards arrangements also require the appointment of at least one Independent Person, who must be consulted before any decision is made in relation to a Standards investigation. Three Independent Persons were appointed by the Council: Philip Eastaugh, Hilary Putman and Wanda Stables.

Council officer support during the year was provided by:

- Karen Iveson, Chief Finance Officer
- Gillian Marshall, Solicitor to the Council
- Daniel Maguire, Democratic Services Officer (*up to 26 July 2017*)
- Alice Courtney, Democratic Service Officer (*from 26 July 2017*)

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

The Role of the Audit and Governance Committee

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

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

- monitor and report on the effectiveness of the Council's Constitution;
- receive reports from the Monitoring Officer on the effectiveness of the Standards arrangements adopted by the Council;
- scrutinise and approve the Council's Annual Governance Statement, statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be);
- be satisfied that the Council's assurance statements, including the Annual Governance Statement, have been properly developed and considered by councillors;
- to scrutinise and monitor the control systems, procedures and risk management systems operating at the Council;
- receive, but not direct, internal audit service strategy and plan and monitor performance;
- receive the annual report of the internal audit service;
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- consider the reports of external audit and inspection agencies relating to the actions of the Council;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to issues raised by external audit;
- issue reports and make recommendations, where appropriate, and in relation to any matters listed above, for consideration by the Council, Executive or the relevant committee of the Council;
- monitor the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000 for the use of authorisation of surveillance.

Role of the Standards Sub-Committee

The Council's revised Standards arrangements require the appointment of a Standards Sub-Committee comprised of three members of the Audit and Governance Committee and two co-opted Parish Council representatives.

The Standards Sub-Committee has 'functions relating to standards of conduct of members under any relevant provision of, or regulations made under, the Localism Act 2011.'

2017/18 Work Programme

During 2017/18 the Audit and Governance Committee reviewed and considered:

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

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

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

Member Development

The nature of the Committee's work requires a high level of knowledge of the Council's control framework and financial arrangements. In order to ensure members of the Committee developed the skills and knowledge necessary to fulfil their role, a variety of training and development opportunities were provided throughout the year. Attendance at these sessions was very high.

Member development included training sessions prior to Committee meetings. The Chair and the three members appointed to the Standards Sub-Committee attended a Standards training session delivered by the Monitoring Officer. The Chair also attended a variety of training days including a scrutiny event in York and a General Data Protection Regulation (GDPR) seminar hosted by the Council's external auditor, Mazars LLP.

Looking forward to 2018/19 the Committee is keen to further develop its skills and knowledge. To help achieve this, the Committee will continue to attend training sessions before each meeting. The theme of the training will continue to reflect the Committee's Work Programme. The Chair will encourage attendance at these member development sessions to ensure that the Committee is adequately equipped to fulfil its role effectively.

Conclusion

Throughout 2017/18, the Audit and Governance Committee exercised its delegations across a broad range of topics and had the opportunity to further develop the skills and knowledge of its members to ensure that the Council's control framework was adequately scrutinised.

Audit and Governance Committee Work Programme Review – 2016/17

Topic	Outcome
14 June 2017	
Risk Management Annual Report 2016/17	The Chair opened the meeting and confirmed that the meeting was not quorate, as defined by clause 8 of Part 4 of the Council's Constitution. It was confirmed that the business that was due to be transacted would be carried forward to the next scheduled meeting on 26 July 2017.
Corporate Risk Register	
External Audit Progress Report	
Annual Report of the Head of Internal Audit	
Internal Audit Charter	
26 July 2017	
Topic	Outcome
Risk Management Annual Report 2016/17	The Committee considered the Risk Management Annual Report for 2016/17 and noted the proposed actions. The Committee received assurances that risks were being adequately monitored.
Corporate Risk Register	The Committee reviewed the Corporate Risk Register 2017-18 and endorsed the actions of Officers in furthering the progress of risk management.
Annual Report of the Head of Internal Audit	The Committee considered the Annual Report of the Head of Internal Audit (Veritau), which highlighted that the Council provided 'Reasonable Assurance' in respect of the governance, risk management, and control frameworks. The Committee noted that, of the 77 actions from 2015/16, 64 had been satisfactorily implemented and the remaining 13 were in hand. The Committee requested that the Work Programme be amended to include a mid-term review of the Annual Governance Statement in January 2018. The Committee was assured that quarterly audit reporting to the Leadership Team took place to hold Heads of Service to account.
Internal Audit Charter	The report was brought to the Committee as the Council's Internal Audit Charter was required to reflect organisational changes, and the changes to the Public Sector Internal Audit Standards (PSIAS) which were adopted by the Chartered Institute of Public Finance and Accountancy (CIPFA) on 1 April 2017. The Committee approved the revised Internal Audit Charter.
External Audit Progress Report	The Committee considered the External Audit Progress Report, which was slightly outdated due to it being intended for the previous Committee meeting in June 2017, which was inquorate.

External Audit Completion Report	The Committee considered the External Audit Completion Report, which was presented ahead of the normal September publication date and was therefore a positive reflection of Selby District Council having a good Statement of Accounts and responding well to allow the report to be finalised sooner. Officers were praised for their excellent work and assistance with the Audit. The Committee noted that there were no risks found in relation to 'Management override of control' and 'Pension Entries' and that the External Auditors had not encountered any significant difficulties in completing the Audit.
Annual Governance Statement	The Committee approved the Annual Governance Statement 2016/17. It was confirmed that the Statement provided assurance that the Council had a sound system of internal control to help manage and control risks.
Statement of Accounts 2016/17	The Committee approved the Statement of Accounts for the 2016/17 financial year. The Committee was able to put questions to the Auditor and the Chief Finance Officer, and noted a variance saving of £411,000.

27 September 2017	
Topic	Outcome
Internal Audit and Counter Fraud Progress Report	The Committee reviewed progress against the Internal Audit and Counter Fraud Plan and noted progress to date. The Committee noted that £10,000 in Council savings had been achieved through fraud investigation to date.
External Annual Audit Letter	This item was not included in the original Work Programme for 2017/18, but was brought to the Committee as a formal report on the outcome of the external audit. The Committee noted that most of the content of the Letter had been presented at the previous meeting in July 2017. The Committee endorsed the work of the External Auditors.
External Audit Progress Report	The Committee reviewed progress against the External Audit Plan.
Local Government Ombudsman Annual Review Letter 2016/17	The Committee considered the Local Government Ombudsman Annual Review Letter 2016/17, which presented a summary of the complaints submitted in relation to Selby District Council and the associated decisions made by the Ombudsman. The Committee was able to ask questions of the Solicitor to the Council.
Standards Investigation (Private Session)	The Committee considered the Report, which was related to a Standards Investigation that was underway. As per the Council's revised Standards Arrangements, the Committee was required to appoint three members to sit on the Standards Sub-Committee if the investigation reached the hearing stage. Councillors Marshall, Reynolds and Sage were appointed to sit on the Sub-Committee.

17 January 2018	
Topic	Outcome
Information Governance Annual Report 2017	The Committee considered the Information Governance Annual Report 2017, which included an action plan and an update on information governance matters during 2017. The Committee was satisfied with the content of the report and the action plan, and noted that there would be a full investigation into a data protection breach that had occurred, which involved the disclosure of complainants' identities.
External Audit Progress Report	The Committee reviewed progress against the External Audit Plan, and noted that the planning work for the 2017/18 external audit work was underway. The Committee noted that Mazars LLP had been confirmed as Selby District Council's external auditor for 2018/19.
Risk Management Strategy	The Committee noted the amendments to the Risk Management Strategy, the main ones of which had been made in relation to 'Monitoring of Risk Trends'. Officers highlighted that risk was managed daily and the Strategy helped to mitigate risk, and the Committee endorsed the actions of Officers in furthering the progress of risk management.
Corporate Risk Register 2017-18	The Committee reviewed the Corporate Risk Register 2017-18 and noted that at least three of the risks on the Register showed a downward trend. The Committee endorsed the actions of Officers in furthering the progress of risk management.
Internal Audit and Counter Fraud Progress Report	The Committee reviewed progress against the Internal Audit and Counter Fraud Plan and noted progress to date. The Committee noted that 32 fraud investigations had been completed to date in the 2017/18 municipal year; £11,000 worth of fraud had been detected in relation to Council Tax Support to date; and officers had recovered a property which was being fraudulently sub-let.
Annual Governance Statement 2016/17 – Action Plan Review	This item was added to the Work Programme in July 2017, and formed part of Selby District Council's statutory obligation to review the effectiveness of its system of internal control at least once a year in accordance with proper practices. The Committee noted that a number of actions had been completed, and that progress would continue to be made on the Action Plan through to the end of the year, after which the Committee would consider the Annual Governance Statement again.
Counter Fraud Framework Update	The Committee approved the updated Counter Fraud and Corruption Strategy Action Plan, which was reviewed annually to ensure that it was fit for purpose, and noted the updated Counter Fraud Risk Assessment. The Committee noted that the Internal Auditor was investigating how to detect Procurement Fraud and therefore mitigate risk in relation to it.

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

18 April 2018	
Topic	Outcome
Consultation on Local Government Ethical Standards	
Preparations for the General Data Protection Regulation	
External Audit Progress Report	
Audit Strategy Memorandum	
Internal Audit and Counter Fraud Progress Report	
Internal Audit and Counter Fraud Plan 2018/19	
Audit and Governance Committee Annual Report 2017/18	
Work Programme 2018/19	
Data Breach Report (Private Session)	

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Audit Committee Work Programme 2018/19

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>		
25 July 2018	Meeting start times	To agree the start time of Audit and Governance Committee meetings for 2018/19
	Review of Action Log	To consider the latest Action Log
	Annual Report of the Head of Internal Audit 2017/18	To consider the Annual Report of the Head of Internal Audit 2017/18
	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 2017/18	To consider the Risk Management Annual Report for 2017/18
	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'
	External Audit Completion Report 2017/18	To receive the Audit Completion Report from the external auditors
	Statement of Accounts 2017/18	To approve the Statement of Accounts 2017/18
	Annual Governance Statement 2017/18	To approve the Annual Governance Statement 2017/18

24 October 2018	Review of Action Log	To consider the latest Action Log
	Local Government and Social Care Ombudsman Annual Review Letter 2017/18	To receive the Local Government and Social Care Ombudsman Annual Review Letter 2017/18
	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'
	External Annual Audit Letter 2018	To review the Annual Audit Letter 2018
	External Audit Progress Report	To review the progress of the external auditor

30 January 2019	Review of Action Log	To consider the latest Action Log
	Information Governance Annual Report 2018	To approve the Information Governance Annual Report
	External Audit Progress Report	To review the progress of the external auditor
	Risk Management Strategy	To review the Risk Management Strategy
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
	Review of Annual Governance Statement Action Plan 2017/18	To review the Annual Governance Statement Action Plan 2017/18
	Counter Fraud Policy Review	To review the Counter Fraud Policy

24 April 2019	Review of Action Log	To consider the latest Action Log.
	External Audit Strategy Memorandum	To review the external Audit Strategy
	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit and Counter Fraud Progress Report	To review progress against the Internal Audit and Counter Fraud Plan
	Internal Audit and Counter Fraud Plan 2019/20	To approve the Internal Audit and Counter Fraud Plan 2019/20
	Constitutional Amendments	To consider any proposed amendments to the Constitution.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'.
	Annual Report 2018/19	To approve the 2018/19 Annual Report of the Audit and Governance Committee
	Work Programme 2019/20	To approve the Audit and Governance Committee Work Programme for 2019/20

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

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