

Meeting: **AUDIT & GOVERNANCE COMMITTEE**
Date: **WEDNESDAY, 27 JULY 2022**
Time: **5.00 PM**
Venue: **COUNCIL CHAMBER - CIVIC CENTRE, DONCASTER ROAD, SELBY, YO8 9FT**
To: **Councillors K Arthur (Chair), G Ashton (Vice-Chair), A Lee, J Mackman, K Franks, J Duggan and N Reader**

Agenda

1. **Apologies for Absence**

2. **Disclosures of Interest**

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

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

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

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

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

3. **Minutes (Pages 1 - 6)**

To confirm as a correct record the minutes of the Audit and Governance Committee held on 27 April 2022.

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

5. **Audit and Governance Work Programme 2022-23 (Pages 7 - 10)**

To note the current Work Programme and consider any amendments.

6. External Audit Progress Report (A/22/1) (Pages 11 - 24)

Members are asked to review the progress of the external auditor.

7. Draft Annual Governance Statement (AGS) 2021-22 (A/22/2) (Pages 25 - 40)

To receive the report of the Chief Finance Officer, which asks the Committee to comment and note the draft Annual Governance Statement (AGS).

8. Annual Report of the Head of Internal Audit 2021-22 (A/22/3) (Pages 41 - 80)

Members are asked to consider and note the Annual Report of the Head of Internal Audit 2021-22, along with the counter fraud and information governance work undertaken during the year.

Also, to note the outcome of the internal audit quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards

9. Risk Management Annual Report 2021-22 (A/22/4) (Pages 81 - 82)

To receive the report of the Audit Manager, Veritau, which provides a summary of risk management activity undertaken in 2021-22 and proposed risk management actions for 2022-23.

10. Corporate Risk Register 2022-23 (A/22/5) (Pages 83 - 106)

Members are asked to review and note the Corporate Risk Register 2022-23.

Janet Waggott

Janet Waggott, Chief Executive

<p>Date of next meeting (5.00pm) Wednesday, 28 September 2022</p>
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Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065 ddrury@selby.gov.uk.

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protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Democratic Services Officer on the above details prior to the start of the meeting. Any recording must be conducted openly and not in secret.

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Minutes

Audit & Governance Committee

Venue:	Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 27 April 2022
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), N Reader (Vice-Chair), M Jordan, J Duggan and C Richardson
Officers present:	Peter Williams (Head of Finance, present remotely), (Mark Kirkham (Partner, Mazars LLP), Abi Medic (Audit Manager, Mazars LLP), Ed Martin (Audit Manager, Veritau), Daniel Clubb (Corporate Fraud Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources)

41 APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors K Franks and D Mackay.

42 DISCLOSURES OF INTEREST

There were no disclosures of interest.

43 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 26 January 2022.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 26 January 2022.

44 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

There was no Chairs address.

45 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

Members noted that the standard item, Constitutional Amendment's, listed on the work programme as being presented at this Committee meeting had been removed; no amendments had been made to the Council's Constitution.

RESOLVED:

To note the Work Programme.

46 EXTERNAL AUDIT STRATEGY MEMORANDUM (A/21/22)

The Partner, Mazars LLP presented the report, which outlined the external audit plan for the Council for the year ending 31 March 2022.

It was explained that there were a few significant risks in carrying out the audit work, and the Manager, Mazars LLP highlighted three risks which had been deemed to be significant: management override of control, property, plant and equipment valuation; and defined benefit liability valuation, however Members were assured that these risks were not unusual across the sector.

The Committee heard that an enhanced risk had been identified in relation to the Council's National Non-Domestic Rates (NNDR) appeals provision, however the report set out the work Mazar's planned to undertake to address the risk.

In response to a query from the Chairman regarding an indication of what the likely costs would be for the overall audit fee in 2021-22 taking into consideration the fee variations, which had not been confirmed, on the opinion and value for money work being undertaken. The Partner, Mazars LLP informed Members that an actual fee would be charged rather than overestimate the cost to the Council. It was further confirmed that since the scale fee had initially been set by the Public Sector Audit Appointments Limited (PSAA) in 2018, a new Code of Audit Practice had come into force which required external auditors to carry out additional duties, and this was the reason for the fee variations.

RESOLVED:

To note the report.

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

The Audit Manager, Veritau presented the quarterly report which provided the Committee with an update on the delivery of the internal audit work

plan for 2021-22, along with an update on the counter fraud and information governance work undertaken to date in 2021-22.

Members attention was drawn to appendices A and B within the report which showed the internal audit work in progress and the work finalised to date for 2021-22 along with the current priorities, it was confirmed that there were no areas of concern.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity in 2021-22.

Members were informed that the government had introduced a new Omicron Hospitality and Leisure grant between January and March 2022 and extended the Additional Restrictions Grant scheme; criminals had been quick to target the schemes. It was noted that Veritau had shared intelligence updates from their work with other local authorities and national contacts to alert officers to potential identities and bank accounts which had been used to commit fraud.

A number of questions were asked in relation to the £150 council tax rebate payment announced by the Department for Levelling Up, Housing and Communities, that had been made to most households within council tax bands A to D. It was explained that Veritau had supported officers to prevent and detect potential fraud linked to those payments.

The Committee noted that as part of the Council's annual billing process for Council Tax, a message to residents had been included to raise fraud awareness.

And finally, Members heard that as part of the National Fraud Initiative (NFI), datasets which related to the later Covid 19 grant payment schemes had been submitted, with the expectation that matches from the data would be released in April 2022.

The Audit Manager, Veritau drew the Committee's attention to annex C of the report which provided an update on Information Governance matters, and developments in the Councils Information Governance arrangements.

In respect of the information asset register, Members noted that an updated version had been presented to the Corporate Information Governance Group (CIGG) in March 2022, and with the exception of three areas, the register was now complete and reflected the United Kingdom General Data Protection Regulation (GDPR) compliance requirements.

It was noted that the CIGG had agreed to undertake a review of the information asset register, six months hence, in consultation with the other North Yorkshire councils, to consider the alignment and consistency of information across the councils, ahead of the Local Government Reorganisation (LGR).

A query was raised regarding the details for an information security incident which had been classed as high risk, the Manager, Veritau was unable to provide an answer but stated that he would speak with the officers concerned and circulate the information.

RESOLVED:

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

48 INTERNAL AUDIT, COUNTER FRAUD AND INFORMATION GOVERNANCE WORK PROGRAMMES 2022-23 (A/21/24)

The Audit Manager, Veritau presented the report, which contained the proposed Internal Audit, Counter Fraud and Information Governance Work Programmes for 2022-23.

It was explained that the proposed Work Programmes had been drafted with senior officers of the Council and summarised the overall areas where audit work was expected to be undertaken. It was further explained that the work had been prioritised towards those areas which had been considered to carry the most risk or which contributed the most to the achievement of the Council's strategic priorities and objectives.

It was highlighted that the final year of the Local Government Reorganisation (LGR) preparation would have a significant impact on the Council's risk areas, and therefore would be the focus of the internal audit work for the year.

In response to a query the Audit Manager confirmed that although Veritau provided support to the LGR workstreams, the main priority and focus for Veritau for the year 2022-23 was to support Selby District Council.

In terms of the draft Work Programme, it was confirmed that the service areas remained the same as in previous years, with some areas which linked in to LGR; however, there were a lower number of planned days in some service areas.

The Committee queried who within the Council determined what were considered to be the highest and lowest priorities, it was confirmed that discussion and consultation took place with officers of the Council, and Veritau factored in the national picture, changes within the Council and assessed the risk.

The Corporate Fraud Manager, Veritau confirmed that a summary of the planned areas of counter fraud work for 2022-23 were set out in annex 2 of the report, and included providing support to officers on regulation changes, investigation of suspected fraud, raising awareness of fraud issues through training, offering advice and support when processing National Fraud Initiative match outputs; and acting as a single point of

contact for the Department of Work and Pensions, to support housing benefit investigations.

Members queried, in the main, how suspected fraud was reported to Veritau, it was confirmed that fraud was reported by a number of sources, ranging from Council officers, members of the public, through to the National Fraud Initiative.

The Committee noted that a total of 80 days had been agreed for the information governance plan 2022-23 work, with the allocation split across five elements of the service, as detailed within annex 3.

RESOLVED:

- i. **To approve the Internal Audit Work Programme 2022-23.**
- ii. **To note the Counter Fraud and Information Governance Work Programmes 2022-23.**

49 AUDIT AND GOVERNANCE ANNUAL REPORT 2021-22 (A/21/25)

The Committee received the report from the Chair, which asked them to approve the annual report for 2021-22; and to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the final version of the annual report 2021-22 following the inclusion of details from the current meeting.

In response to a query regarding Committee membership for the 2022-23 municipal year, it was confirmed that a list of nominations, by Group Leaders, for appointments for the Chairs, Vice Chairs, members, and substitutes for Council committees for 2022-23 would be presented for approval at the meeting of Annual Council on 17 May 2022.

RESOLVED:

- i. **To approve the Annual Report of the Audit and Governance Committee for 2021-22, submitted by the Chair of the Committee.**
- ii. **To delegate authority to the Democratic Services Officer, in consultation with the Chair of the Committee, to update the final version of the Annual Report 2021-22, following the inclusion of details from the meeting on 27 April 2022.**

50 AUDIT AND GOVERNANCE WORK PROGRAMME 2022-23 (A/21/26)

The Committee considered and agreed the Audit and Governance Committee work programme for 2022-23.

RESOLVED:

To approve the Audit and Governance Work

Audit & Governance Committee – Minutes

Wednesday 27 April 2022

Programme for 2022-23.

The meeting closed at 6.05 pm.



Audit & Governance Committee Work Programme 2022-23

Date of Meeting	Topic	Action Required
27 July 2022	Review of Action Log	To consider the latest Action Log
	External Audit Progress Report	To review the progress of the external auditor
	Draft Annual Governance Statement (AGS) 2021-22	To comment and note the draft Annual Governance Statement 2021-22
	Annual Report of the Head of Internal Audit 2021-22	To consider and note the Annual Report of the Head of Internal Audit 2021-22. To note the outcome of the internal audit quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards To note the counter fraud and information governance work undertaken during the year.
	Risk Management Annual Report 2021-22	To consider and note the Risk Management Annual Report for 2021-22, and the proposed actions for 2022-23.
	Corporate Risk Register 2022-23	To review and note the Corporate Risk Register.
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

28 September 2022	Review of Action Log	To consider the latest Action Log
	Local Government and Social Care Ombudsman and Corporate Complaints Annual Review Letter 2021-22	To receive the Local Government and Social Care Ombudsman Annual Review Letter 2021-22
	External Audit Completion Report 2021-22	To receive the Audit Completion Report from the external auditors
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Regulation of Investigatory Powers (RIPA)	To receive an update on the Regulation of Investigatory Powers
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'
26 October 2022	Statement of Accounts 2021-22	To approve the Statement of Accounts for the financial year 2021-22

25 January 2023	Review of Action Log	To consider the latest Action Log
	Information Requests Annual Report 2022	To note the annual report for 2022 in relation to information requests
	External Audit Progress Report	To review the progress of the external auditor
	External Auditors Annual Report	To consider the External Auditor's Annual Report
	Corporate Risk Register	To review the Corporate Risk Register
	Internal Audit, Counter Fraud and Information Governance Progress Report	To review progress against the Internal Audit, Counter Fraud and Information Governance plans
	Counter Fraud Framework Update	To approve the revised Counter Fraud and Corruption Strategy Action Plan; and comment on and note the updated Counter Fraud Risk Assessment.
	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 2021-22	To review the Annual Governance Statement Action Plan 2021-22

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Agenda Item 6



Report Reference Number: A/22/1

To: Audit and Governance Committee
Date: 27 July 2022
Author: Dawn Drury, Democratic Services Officer
Lead Officer: Karen Iveson, Chief Finance Officer

Title: External Audit Progress Report

Summary:

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

Recommendations:

To consider the External Audit Progress Report.

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

- 2.1 The report is attached at Appendix A, which sets out an update on progress in delivering the 2020-21 audit; along with a summary of external audit work on the 2021-22 audit planning process.
- 2.2 The report also refers to recent national publications and highlights other relevant updates.

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

3. Legal/Financial Controls and other Policy matters

- 3.1 None.

4. Conclusion

- 4.1 The Committee is asked to consider the report.

5. Background Documents

None.

Contact Officer:

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Appendices:

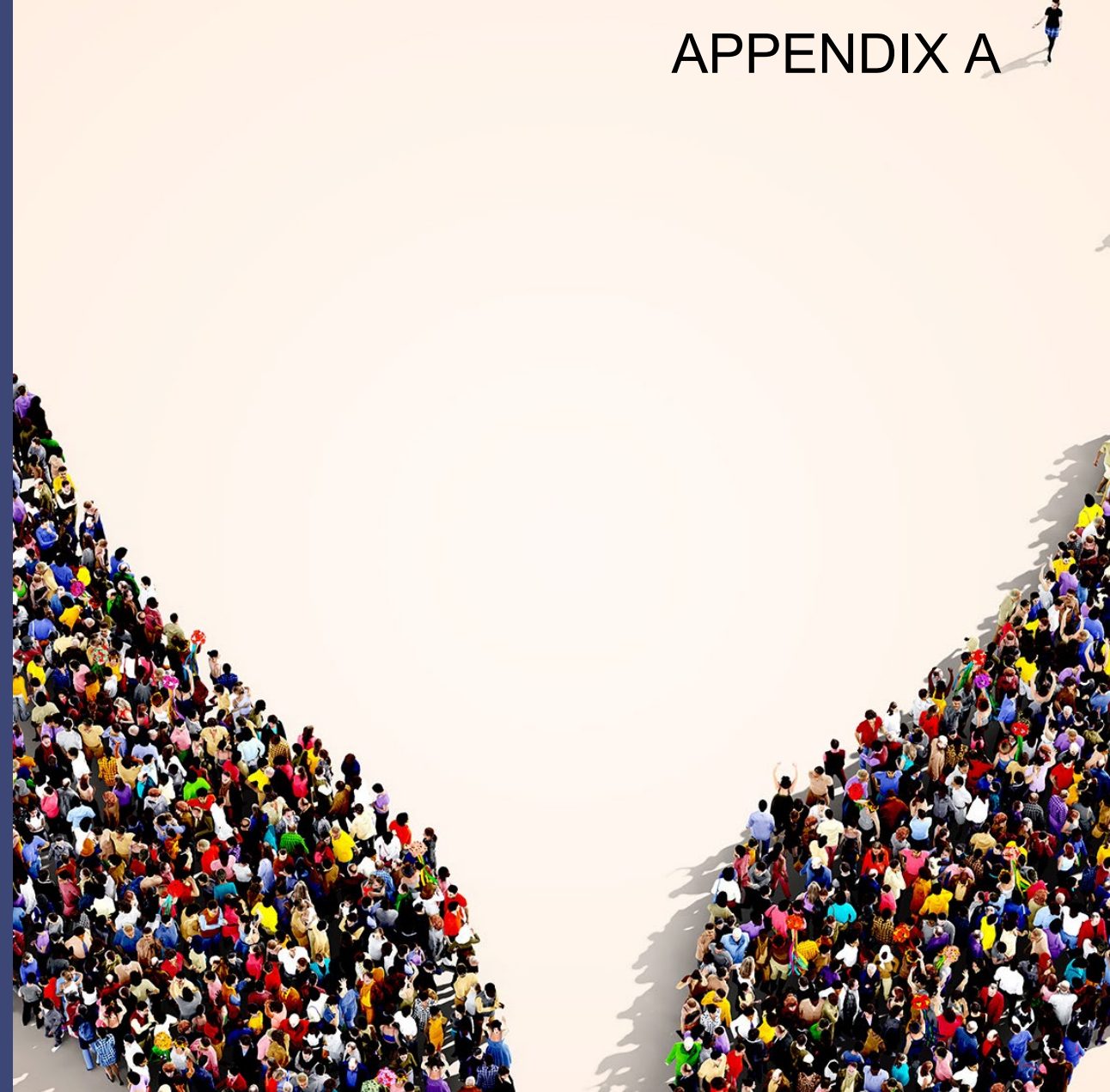
Appendix A – External Audit Progress Report

Audit Progress Report

Selby District Council

Audit & Governance Committee July 2022

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1. Audit Progress
2. National publications

Page 14

01

Section 01: **Audit Progress**

Audit progress

Purpose of this report

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

- an update on the 2020/21 audit;
- an update on the 2021/22 audit planning processes; and
- and also includes, at Section 2, a summary of recent national reports and publications for your information..

2020/21 audit

In line with the national position we have not yet issued the Audit Certificate for 2020/21. The National Audit Office (NAO) are still in the process of drafting group instructions, which determine the testing we are required to undertake on the Council's Whole of Government Accounts (WGA) return. Once the NAO has issued group instructions, we will liaise with officers to complete the required testing. Following completion of this work we will issue our Audit Certificate to formally close the 2020/21 audit.

We have completed our work in respect of the 2020/21 Housing Benefit Subsidy Return and issued our Reporting Accountants Report to DWP on 19 May 2022.

2021/22 audit

We presented our draft Audit Strategy Memorandum to the April Audit & Governance Committee, setting out the risks we had identified in respect of the 2021/22 financial statements. We substantially completed our initial planning work in April 2022 and as a result there has been no change to our risk assessment since issuing our Audit Strategy Memorandum.

Our fieldwork in respect of the 2021/22 financial statements audit is due to commence in mid August. We plan to report the findings from our audit to the meeting of the Audit & Governance Committee in September/October. We have held early fieldwork planning discussions with management to ensure a smooth audit process and remain in regular contact with the finance team.

02

Section 02: **National publications**

National publications

	Publication/update	Key points
Chartered Institute of Public Finance and Accountability (CIPFA)		
1	CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets	The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets.
2	Updated statement on the deferral of IFRS 16 leases	Following its emergency consultation on proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement.
3	Local Authority Controlled Companies: a good practice guide	A good practice guide due to be published in May 2022; highlighted for potential interest to Committee Members, noting the full guide needs to be purchased.
Department for Levelling Up, Housing and Communities		
4	Creation of the Audit Reporting and Governance Authority	A new regulator, the Audit Reporting and Governance Authority (ARGA), to be established as the system leader for local audit within a new, simplified local audit framework.
National Audit Office (NAO)		
5	Audit and Assurance Committee effectiveness tool	NAO's effectiveness tool provides a way for ARACs to assess their effectiveness
Public Sector Audit Appointments Ltd		
6	Annual Quality Monitoring Report 2019/20	This covers the work of local auditors appointed by PSAA for the 2019/20 financial year. The report provides information from PSAA's quality monitoring arrangements throughout the year, survey results and findings from professional regulation and contractual compliance. The report details how the Financial Reporting Council reviewed four Mazars financial statements audits and all were assessed as meeting the required standard.

NATIONAL PUBLICATIONS

CIPFA

1. CIPFA LASAAC issues urgent consultation on Code of Practice – Infrastructure Assets – May 2022

The issue of accounting for infrastructure assets is a technical accounting one, and arises principally because of information availability relating to these assets.

Accounting for infrastructure in local government has not historically been considered to be an area of significant audit risk, due to the inalienable nature of the assets and the use of a historical cost basis of accounting. However, concerns have been raised that some authorities are not applying component accounting requirements appropriately. The issue raised is in relation to the derecognition (removal of the carrying amount) of parts of infrastructure assets when replacement expenditure is undertaken. There are also related issues for the reporting of gross historical cost and accumulated depreciation. Infrastructure assets are one of the few categories of property, plant and equipment assets measured at historical cost rather than at 'current value'. The valuation process for these assets was deemed to be too costly and, therefore, infrastructure assets are held in local authority balance sheets at depreciated historical cost.

Normal custom and practice for (highways) infrastructure assets is that derecognition does not affect asset balances because the assets are expected to have been fully used up before the replacement expenditure takes place; this does require that assets are properly depreciated in line with the requirements of the Accounting Code. This issue arises in part because of limitations on historical information relating to when the assets were first recorded on balance sheets in the early 1990s, and where there have been transfers of assets because of local authority reorganisations. It is also extremely difficult to clearly identify the parts of the assets which are being replaced.

The CIPFA LASAAC Local Authority Code Board has released temporary proposals to update the Code of Practice on Local Authority Accounting in the United Kingdom for infrastructure assets. An urgent consultation on these proposals closed on 14 June 2022.

The temporary proposals address the above issue regarding the derecognition of parts of local authority infrastructure assets as they are replaced. CIPFA LASAAC and CIPFA established a Task and Finish Group to find a solution to this issue and consider the outcome of any proposed changes to the code. Following advice from the Task and Finish Group, CIPFA LASAAC has now issued temporary proposals for changes to the code relating to how these issues are reported. They include:

- confirming the accounting consequences of derecognition, e.g. that the effect on the carrying amount is nil (on a presumption that the replaced parts are fully depreciated);
- temporarily adapting the code to remove the reporting requirements for gross historical cost and accumulated depreciation
- providing extra guidance on how depreciation may be applied for infrastructure assets
- CIPFA LASAAC will consult on a longer-term solution later in the year.

<https://www.cipfa.org/policy-and-guidance/urgent-task-and-finish-group-local-authority-infrastructure-assets>

NATIONAL PUBLICATIONS

CIPFA

2. Updated statement on the deferral of IFRS 16 leases – April 2022

Following its emergency consultation on exploratory proposals for changing the Code of Practice on Local Authority Accounting in the United Kingdom, CIPFA LASAAC issued its preliminary decision and feedback statement. This preliminary decision was subsequently considered by the government's Financial Reporting Advisory Board (FRAB). FRAB advised CIPFA LASAAC that it agreed with the deferral of IFRS 16 Leases until 1 April 2024. FRAB also advised CIPFA LASAAC that the Code had to allow and should encourage local authorities to adopt the standard before this date should they wish to.

CIPFA LASAAC has therefore followed its preliminary decision with its formal decision: to defer the implementation of IFRS 16 until 1 April 2024 (and therefore in the 2024/25 Code). However, both the 2022/23 and the 2023/24 Codes will allow for adoption as of 1 April 2022 or 2023. CIPFA LASAAC would note that the 2022/23 Code has not yet completed its due process so local authorities should follow the CIPFA LASAAC pages of the website for further updates. Formal due process for the Code by LASAAC and by CIPFA's Public Financial Management Board is anticipated to be complete by the third week in April.

<https://www.cipfa.org/about-cipfa/press-office/latest-press-releases/updated-statement-on-the-deferral-of-ifrs-16-leases>

3. CIPFA Local Authority Controlled Companies: a good practice guide, May 2022

In recent years, the potential risk associated with local authority trading companies and joint ventures has increased. Nothing is risk free, but it is important to learn lessons from others and access support.

This guide aims to assist local authorities by setting out and highlighting existing best practice. It focuses on identifying organisational goals, the process to find the right option to achieve that goal and how to structure the organisation for success.

<https://www.cipfa.org/policy-and-guidance/publications//local-authority-owned-companies-a-good-practice-guide>

NATIONAL PUBLICATIONS

Department for Levelling Up, Housing and Communities

4. Creation of the Audit Reporting and Governance Authority – May 2022

Plans to ensure councils and local bodies are delivering value for money for taxpayers, strengthening council finances and reducing risk to public funds have been published by the government.

The government consultation response confirms plans to establish a new regulator, the Audit Reporting and Governance Authority (ARGA), as the system leader for local audit within a new, simplified local audit framework.

Ahead of ARGA’s establishment, a shadow system leader arrangement will start at the Financial Reporting Council (FRC) from September 2022. This will be led by Neil Harris, who joins as the FRC’s first Director of Local Audit to start up a dedicated local audit unit.

The Department for Levelling Up, Housing and Communities has been acting as interim system leader since July 2021, when it established and took the chair of the Liaison Committee of senior local audit stakeholders.

Work has already begun to address the challenges facing local audit with the government announcing a series of measures to improve local audit delays in December 2021.

The consultation response also announces plans to make audit committees compulsory for all councils, with each audit committee required to include at least one independent member. This will create greater transparency and consistency across local bodies.

The announcement comes as government today set out its wider plans to revamp the UK’s corporate reporting and audit regime through a new regulator, greater accountability for big business and by addressing the dominance of the Big Four audit firms.

The government continues to work closely with stakeholders, including local bodies and audit firms, to refine proposals for implementing our commitments around system leadership, as well the range of other commitments we have made in response to the Redmond Review.

<https://www.gov.uk/government/news/greater-transparency-and-value-for-money-for-council-finance-system>

NATIONAL PUBLICATIONS

National Audit Office

5. Audit and Risk Assurance Committee effectiveness tool – May 2022

Audit and Risk Assurance Committees (ARACs) play a crucial role in supporting the effective governance of central government departments, their agencies and arm’s-length bodies.

ARACs are operating in a highly challenging context. Government organisations are managing many short- and long-term risks and are required to be resilient to a number of pressures. This has created an environment where ARACs need to be dynamic and responsive to the changing risk profiles and demands of their organisations. ARACs can see this as an opportunity to work out how they can most proactively work with the Board and accounting officer.

Against this background, NAO’s effectiveness tool provides a way for ARACs to assess their effectiveness against more than just the basic requirements. It provides aspects of good practice to give ARACs greater confidence and the opportunity to meet the requirements of their role.

The effectiveness tool is a comprehensive way for ARACs in central government to assess their effectiveness on a regular basis.

<https://www.nao.org.uk/report/audit-and-risk-assurance-committee-effectiveness-tool/>

NATIONAL PUBLICATIONS

Public Sector Audit Appointments Ltd

6. Annual Quality Monitoring Report 2019/20 – April 2022

This covers the work of local auditors appointed by PSAA for the 2019/20 financial year, which was undertaken during a difficult time for all concerned. The systemic issues that were highlighted in Sir Tony Redmond’s Review continued and were compounded by the pandemic.

In September 2020 Sir Tony Redmond’s review of local authority financial reporting and external audit was published. The report highlighted the significant challenges and turbulence within the new system of local audit, emphasising that at present local government audit is under-resourced, undervalued and is not having impact in the right areas. The report made a number of recommendations in relation to external audit regulation, smaller authorities’ audit regulation, the financial resilience of local authorities and the transparency of financial reporting.

In December 2020 the Ministry of Housing, Communities and Local Government (MHCLG) delivered its initial response to the Redmond Review setting out proposed actions to implement the majority of the recommendations made in the report. This was followed by a further announcement in May 2021 which proposed that the Audit, Reporting and Governance Authority (ARGA) would carry out the hugely important role of the local audit systems leader. ARGA is the new regulator being established to replace the FRC and will contain a dedicated local audit unit which will play a key leadership and coordination role in the local audit framework. MHCLG consulted in Summer 2021 on how the new arrangements would function.

The next year is likely to continue to be very challenging for all involved in local audit, but DLUHC (formerly MHCLG) will take forward and refine its proposals in its role as interim systems leader until ARGA is created, and the FRC will create a local audit unit in shadow form.

The problems that Sir Tony Redmond reported on continue to impact significantly on the timely completion of local government audits. Only 45% of audit opinions were completed by the publishing date of 30 November 2020, compared with 58% in the previous year. This has now fallen even further with only 9% for 2020/21 audits of financial statement opinions completed (noting the reversion to a 30 September publishing date). Delayed audit opinions have a real public-facing impact, undermining the ability of local bodies to account effectively for their stewardship of public money to taxpayers. It is imperative that the whole system works together to restore timely completion of audits in order to rebuild public confidence and trust, especially as the lack of a statutory deadline for the audit opinion means that co-operation is essential to make the system work as the public has the right to expect it to.

<https://www.psa.co.uk/managing-audit-quality/annual-audit-quality-reports-from-2018-19/annual-reports/audit-quality-monitoring-report-2019-20/>

Contact

Mazars

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Report Reference Number: A/22/2

To: Audit and Governance Committee
Date: 27 July 2022
Status: Non-Key Decision
Ward(s) Affected: All
Author: Karen Iveson; Chief Finance Officer (s151)
Lead Executive Member: Cllr C Lunn, Lead Member for Finance and Resources
Lead Officer: Karen Iveson; Chief Finance Officer (s151)

Title: Draft Annual Governance Statement 2021/22

Summary:

This report presents the draft Annual Governance Statement (AGS) for 2021/22, which forms part of the draft Statement of Accounts. The audited accounts and AGS will be presented to this committee at the meeting in September. The accompanying Action Plan identifies significant control issues which require improvement.

Recommendations:

Subject to comments from the Committee it is recommended that the Draft Annual Governance Statement (AGS) be noted.

Reasons for recommendation

To enable the Committee to consider the draft AGS and proposed actions for monitoring during the coming year.

1. Introduction and background

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

2. The Report

- 2.1** To meet the requirement to review the Annual Governance Statement (AGS) the Draft AGS is set out at Appendix A. This forms part of the draft Statement of Accounts which will be submitted for audit from 31 July 2022. The audited accounts and AGS will be presented to this committee at a future meeting.
- 2.2** The AGS includes an Action Plan which will be subject to half yearly review by the Audit and Governance Committee.
- 2.3** The Action Plan identifies significant control risks or weaknesses which require improvement. Progress against the approved action plan will be monitored by Leadership Team over the year in order to ensure actions are delivered to the agreed deadlines where possible.
- 2.4** Progress on actions associated with performance management were delayed as a result of Covid-19 and latterly local government re-organisation. Whilst no further review of the process will be undertaken, on-going work to improve completion is expected in 2022/23. There are no new actions arising in 2021/22.

3. Alternative Options Considered

Not applicable.

4. Implications

4.1 Legal Implications

None as a direct result of this report.

4.2 Financial Implications

None as a direct result of this report.

4.3 Policy and Risk Implications

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

4.4 Corporate Plan Implications

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

4.5 Resource Implications

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

4.6 Other Implications

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

4.7 Equalities Impact Assessment

Not applicable.

5. Conclusion

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

6. Background Documents

None.

7. Appendices

Appendix A – AGS 2021/22

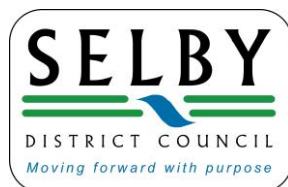
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Annual Governance Statement 2021/22



Annual Governance Statement (AGS)

1. Scope of Responsibility

- 1.1 Selby District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.
- 1.2 In discharging this overall responsibility, the Council is also responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.
- 1.3 The statement is prepared with consideration to the Chartered Institute of Public Finance and Accountancy (CIPFA)'s good governance framework and principles.

2. The Purpose of the Governance Framework

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the authority is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the authority to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.
- 2.3 The Council has operated a Leader and Executive (Cabinet) Model since May 2011. Since the Local Government Elections in 2015, the Council has elected 31 members. Elections were held in May 2019.

3. Selby District Council's Governance Framework

3.1 The key elements of the Council's Governance Framework are as follows:-

- The Council's key priorities during 2021/22 were reflected in its Council Plan 2020-30, which was approved by Full Council on 17th December 2019.
- The new 10 year council plan is accompanied by a 3 year Delivery Plan. The first of these was due to be published in March 2020. This was delayed, so that it could be updated to reflect the Council's plans for recovering from the Covid-19 pandemic. The council delivery plan 2020-23 was approved by the Executive in November 2020.
- In July 2021 it was announced that the current county, district and borough councils would be replaced by a new single council for North Yorkshire in April 2023. The Council's resources will increasingly be directed towards preparing for this; nevertheless, its priorities during 2021-22 were still reflected by the council plans.
- The formal Constitution sets out how the Council operates, how decisions are made, and the procedures that are followed to ensure that these are lawful, efficient, transparent and accountable to local people. This incorporates the Members' Code of Conduct and a number of other locally agreed codes and protocols.
- The Council's budget and policy framework is set by the full Council. The Executive has delegated authority to operate and make decisions within the framework. Some powers are delegated to senior officers.
- In addition to the Executive there are two specific regulatory committees for Licensing and Planning. These have independent powers within their legislative framework. Each of these acts within defined terms of reference agreed by the full Council.
- In 2021/22 council committee meetings returned to being held face to face (having been held remotely during the Covid pandemic).
- Council meetings are open to the public except when exempt or confidential matters are being disclosed. The public can attend meetings in person and meetings are broadcast live, and available afterwards, on Youtube. The public have an opportunity to participate in some of the meetings.
- Decisions made under urgency procedures are recorded on the Council's committee management system. At the next available Full Council meeting all such decisions are reported.
- A Standards Sub-Committee was established as a sub-committee of the Audit and Governance Committee in May 2017 and

exercises functions relating to standards of conduct of members under the Localism Act 2011.

- The Executive is subject to review by the Council's Scrutiny function, which has the ability to call-in and review decisions and also to contribute to the development of policy. There are two statutory scrutiny committees: - Policy Review, and Scrutiny. The Audit and Governance Committee also contributes to scrutiny and overview.
- The Committee Management System, which was introduced in 2018/19 enables the recording, tracking and monitoring of committee agenda, minutes, reports and decision records.
- The Council replaced its Community Engagement Forums (CEFs) during 2021/22, with an interim Member Funding Framework for 2021-23. This was approved by Full Council in April 2021. Each District Councillor has a budget of £3,000 per year to respond to local needs by recommending the allocation of small amounts of funding towards specific projects or activities that directly promote the social, economic, or environmental wellbeing of the communities within their Ward.
- A number of areas are delegated to officers for the purposes of decision-making; however, limits on the exercise of delegation are laid down in an approved Scheme of Delegation to Officers forming part of the Council's Constitution. The Council also has a sub delegation scheme which is reviewed regularly and is published on the website.
- The Council has adopted a Local Code of Corporate Governance which is reviewed by the Audit and Governance Committee and has developed a 'Governance Framework on a Page', which is appended to this AGS.
- The Council has a counter fraud and corruption strategy, covering 2020-23 and a counter fraud and corruption policy, which are reviewed annually. A revised strategy and policy were considered by Audit and Governance Committee in January 2022 and recommended to the Executive for approval. The Council also has a separate whistleblowing and anti money laundering policies. The Council employs Veritau to provide a counter fraud service.
- The Chief Executive post is also an Assistant Chief Executive at North Yorkshire County Council (NYCC). As part of The Better Together programme, the two councils are working together to support efficiencies and improved services through effective partnership working.
- The Solicitor to the Council also acts as the Council's Monitoring Officer. The appointment of a Monitoring Officer is required in accordance with Section 5 of the Local Government and Housing Act 1989. It is the function of the Monitoring Officer to report to Members upon any contravention of any enactment or rule of law or any maladministration by the Authority. The Monitoring Officer

also has responsibilities relating to the Members' Code of Conduct.

- The Chief Finance Officer (s151) (a joint role employed by NYCC under Better Together - Assistant Director Strategic Resources NYCC and Chief Finance Officer SDC) is the officer with statutory responsibility for the proper administration of the Council's financial affairs, in accordance with the Section 151 of the Local Government Act 1972. In compliance with CIPFA's "Statement on the Role of the Chief Financial Officer in Local Government", Selby is in full compliance as the Chief Officer (s151) is a member of the Leadership Team.
- Both the Statutory Officers referred to above have unfettered access to information, to the Chief Executive and to Members of the Council in order that they can discharge their responsibilities effectively. The functions of these Officers and their roles are clearly set out in the Council's Constitution.
- Financial sustainability is a key risk for the Council and a robust financial management framework is fundamental to managing and mitigating that risk. It comprises:
 - Financial and Contract Procedure Rules as part of the Constitution;
 - A Financial Strategy which provides the framework for financial planning – projecting high level resources and spending over 10 years, it identifies the short, medium and long term financial issues the Council is dealing with and its approach to managing reserves;
 - Medium-term financial planning using a three-year cycle, updated annually, to align resources to corporate priorities. The Medium Term Financial Strategy was approved by the Council in July 2021.
 - An Asset Management Strategy, aligned with the Council Plan – a review of the strategy was planned but has subsequently been placed on hold for consideration as part of the transitional arrangements for the new unitary Council;
 - A Digital Strategy, which sets out the Council's approach to using information and communications technology to transform the way we work and empower citizens and council employees to reach their full potential;
 - Service and financial planning integrated within the corporate performance management cycle and linked to the Council's corporate objectives;
 - Annual budget process involving scrutiny and challenge;
 - Monthly monitoring by management of revenue and capital budgets – with regular reports to the Executive;
 - Embedded arrangements for securing efficiencies and continuous improvement;

- Production annually of a Statement of Accounts compliant with the requirements of local authority accounting practice;
- Compliance with requirements established by CIPFA.
- A performance management framework provides an explicit link between the corporate priorities and personal objectives of Council Officers. Performance is reported to Members and the Council's Leadership Team on a systematic basis with areas of poor performance investigated. Key features of the Performance Management Framework include:-
 - A regular review of the Council Plan to ensure that priorities are reviewed, remain relevant and reflect the aims of the Council;
 - Service specific Strategic Plans, which are produced with explicit goals and associated performance targets in order to ensure that achievement of performance is measurable;
 - The Council's staff appraisal system links personal objectives directly to Service Plans;
 - Regular reports on the performance of key indicators, which are presented to the Executive;
 - The production of an Annual Report and communication through Citizen Link, (the Council's community newspaper), providing commentary and data on the previous year's performance and setting out priorities for the coming year(s).
- The Council maintains a professional relationship with Mazars, the body responsible for the external audit of the Council and the appointment of Mazars by the Public Sector Audit Appointments (as part of a national procurement exercise), for a further term, was confirmed during 2017/18. This term lasts until the end of 2022/23 and covers the audit of the accounts for the final year of the Council before the transition to a new unitary council from 1 April 2023.
- Recruitment and selection procedures are based on recognised good practice and all staff posts have a formal job description and competency based person specification. Services are delivered and managed by staff with the necessary knowledge and expertise with training needs identified via the formal appraisal process contributing to a corporate training strategy.
- Pay is governed by a Pay Policy considered and approved annually by Council.
- The maintenance of systems and processes to identify and manage the key strategic and operational risks to the achievement of the Council's objectives. Risk management continues to evolve within the Council and presently includes the following arrangements:-
 - a Risk Management Policy and Strategy has been adopted by the Council and is reviewed annually;

- a Risk Management guidance document has been issued to key staff along with risk management training;
 - the maintenance of a Corporate Risk Register (CRR) comprising risks for the Council as a whole, assigned to designated officers, with appropriate counter-measures and an action plan established for each key risk;
 - detailed Service Based Risk Registers (SBRR) which have been updated along with a mechanism for feeding up to the CRR;
 - the Leadership Team keep the corporate risk management arrangements under review;
 - periodic review of risks in-year with reports to the Audit and Governance Committee and the Leadership Team;
 - the Audit and Governance Committee also approve and review the Risk Management Strategy;
 - the use by Internal Audit of a risk-based approach in the preparation and delivery of the audit plan;
 - the requirement for Officers of the Council to consider risk management issues when submitting reports to the Executive and Council for consideration by Members;
 - the adoption of an abridged version of the PRINCE2 Project Management Methodology as a means of contributing to the effective management of risks in major projects.
- The Council has established a Corporate Information Governance Group (CIGG) in order to address the requirements of the General Data Protection Regulation (GDPR) which came into effect on 25th May 2018. The Council's Senior Information Risk Owner (SIRO) is the Chief Finance (s151) Officer. The CIGG includes representatives from Veritau, who have been engaged as the Council's Data Protection Officer (DPO), a requirement of the GDPR. Veritau also oversee the operational management of GDPR on behalf of the Council and provide regular updates to the Audit & Governance Committee.
 - The maintenance of an adequate and effective system of Internal Audit is a requirement of the Accounts & Audit Regulations. Internal Audit is provided by Veritau North Yorkshire Ltd. (VNY), which is part of the Veritau group. 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.
 - Internal Audit examines and evaluates the adequacy of the Council's system of internal controls as a contribution to ensuring that resources are used in an economical, efficient and effective manner. Internal Audit is an independent and objective appraisal

function established by the Council for reviewing the system of internal control.

- The audit 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 Council seeks to ensure resources are utilised in the most economic, effective and efficient manner whilst delivering continuous improvement. It aims to achieve this by a variety of means including the following:
 - Service/process transformation and efficiency reviews;
 - Working with partners;
 - External and Internal Audit feedback.

4. Review of Effectiveness

- 4.1 The Council has a responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. This review takes account of the work of Internal Audit and the Council's Leadership Team who have a responsibility for the development and maintenance of the governance environment, and also by comments made by external auditors and other review agencies and inspectorates.
- 4.2 The purpose of a review is to identify and evaluate the key controls in place to manage principal risks. It also requires an evaluation of the assurances received, identifies gaps in controls and assurances and should result in an action plan to address significant issues.
- 4.3 The process that has been applied in maintaining and reviewing the effectiveness of the Council's system of internal control includes the following:
 - The Council's Monitoring Officer oversaw the operation of the Constitution to ensure its aims and principles were given full effect;
 - The arrangements for Overview and Scrutiny have operated throughout the year allowing for the review of key policy areas and providing opportunities for public involvement in specific matters of business. Quarterly meetings take place between the Chairs of Scrutiny and the Executive.
 - The Audit and Governance Committee met throughout the year and received reports on the progress by Internal Audit against their work plan. The Committee also considered auditable areas where Internal Audit raised significant internal control concerns;
 - The Chief Finance Officer (s151) supported the Audit and Governance Committee and attended all meetings of the Committee;

- Internal Audit completed a programme of audits during the year according to its plan, including follow up audits. There were no specific investigations in the year.
- The commencement of the 2021/22 internal audit programme was delayed. This was due to the ongoing impact of the Covid pandemic and the need of the Council to prioritise its response to the Covid pandemic during 2020/21 and 2021/22. Internal audit work in the early part of 2021/22 focussed on completing work relating to the previous year.
- Any significant issues continued to be reported and any previously agreed actions to address significant issues continued to be followed up. The amount of work completed was sufficient to enable the Head of Internal Audit to give the annual opinion.
- The overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council is that it provides **Reasonable Assurance**. The opinion given is based on work that has been undertaken directly by internal audit, and on cumulative knowledge gained through our ongoing liaison and planning with officers. However, in giving the opinion, we would note that Covid-19 has continued to affect the authority over the last year, with a wide-ranging impact on business operations and controls. The work of internal audit has been directed to the areas considered most at risk, or that offer the most value for the authority overall. However, not all the areas affected by the Covid-19 pandemic will have been reviewed.
- Some areas of weakness previously identified in the Annual Governance Statement Action Plan have been resolved during 2021/22. The issue relating to PCI DSS (Payment card security) has been resolved. Issues relating to Performance Management have been addressed by management, though some weaknesses remain and updates will continue to be reported to the audit and governance committee.
- During 2021/22 issues were found from internal work on the ordering and creditor systems. The audit report gave a limited assurance opinion and was reported to the Audit and Governance committee. The issues found have been satisfactorily addressed by management during the year, so are not recommended for inclusion in the annual governance statement.
- The Council's Corporate Risk Register (CRR) has been maintained under review during the year and updated accordingly. Reports on risk management have been considered by the Leadership Team and the Audit and Governance Committee. The Audit and Governance Committee reviewed the Risk Management Strategy in January 2022.
- Quarterly monitoring information on key areas of performance has been provided to Strategic Management and Members;

- The external auditor's annual letter confirmed that the Council had satisfactory arrangements to secure Value for Money. In respect of the Council's Statement of Accounts, an unqualified opinion was issued;
- The external auditor did not identify any significant weaknesses in our internal control arrangements.

5 Significant Governance issues

- 5.1 No system of governance or internal control can provide absolute assurance against material misstatement or loss. This Statement is intended to provide reasonable assurance.
- 5.2 Updates on the Annual Governance Statement action plan were reported to the Audit and Governance committee regularly during 2021/22. Issues relating to PCI DSS were resolved during the year.
- 5.3 One issue remains on the action plan, which had arisen from internal audits. Plans to address these requirements have been produced and will be subject to regular monitoring by the Council's Leadership Team and the Audit and Governance Committee, where appropriate. Updates will be provided to Audit and Governance committee during 2021/22.
- 5.4 The most significant issues for the Council to address during 2022/23 will be the significant (and increasing) resource that will need to be directed to preparations for Local Government Reorganisation (LGR). Coupled with the loss of key members of staff during the year and difficulties recruiting to some positions, capacity and resilience will become key organisational risks.
- 5.5 In addition to this there will also remain issues arising from the residual impacts of Covid-19, ongoing financial pressures and the need to maintain day to day operations and continue to deliver services to the people of Selby district.

Issue Identified	Source of Evidence	Update/Summary of Action Taken & Proposed	By whom & By when	Current Position
Performance Management	Internal Audit Report	<p>HR to undertake QA review of sample of PDRs.</p> <p>Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete.</p> <p>Training plan to be completed promptly following PDR process.</p>	<p>Head of Business Development and Improvement</p> <p>Ongoing work still required throughout 2022-23.</p>	<p>A significant push was undertaken in late 2021 to encourage managers to complete and return PDRs. Multiple reminders were issued. As of January 2022, 51% of PDRs were returned. This is still not satisfactory and has been raised at Leadership Team, included in the Manager Forum and at all staff briefings. Action will continue to be taken to ensure PDRs are completed.</p> <p>A Training Plan was compiled and Leadership Team reviewed requests for qualification training in March 2022. Staff were informed of the outcome of their qualification training requests in April 2022.</p> <p>Due to LGR, there are no further plans to review the PDR process but managers will still need to undertake performance reviews with their teams during 2022-23.</p>

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Report Reference Number: A/22/3

To: Audit and Governance Committee
Date: 27 July 2022
Authors: Ed Martin; Audit Manager – Veritau
Daniel Clubb; Corporate Fraud Manager – Veritau
Kirsty Bewick; Information Governance Manager - Veritau
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Annual Report of the Head of Internal Audit 2021-22; Annual Counter Fraud Report; Annual Information Governance Report

Summary:

This report includes annual reports from the services provided to the council by Veritau. It includes the Annual Report of the Head of Internal Audit, which summarises internal audit work undertaken in 2021/22 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and internal control. It also includes annual reports setting out counter fraud activity and performance during 2021/22 and information governance work undertaken for the council in 2021/22.

Recommendation:

That the committee:

- (i) note the annual report of the Head of Internal Audit (annex 1) and the "Reasonable Assurance" opinion regarding the overall framework of governance, risk management and control operating within the council.
- (ii) note the outcome of the internal audit quality assurance and improvement programme and the confirmation that the internal audit service conforms with the Public Sector Internal Audit Standards.
- (iii) note the counter fraud work undertaken during the year (annex 2).
- (iv) note the information governance work undertaken during the year (annex 3).

Reasons for recommendation

To enable the committee to fulfil its responsibility for reviewing the outcomes of internal audit, counter fraud and information governance work and to support its consideration of the council's Annual Governance Statement.

1. Introduction and background

- 1.1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit and Governance Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The annual report is included at annex 1 to this report.
- 1.2 Internal audit services are provided to the council by Veritau, which also provides counter fraud and information governance services. Annual reports setting out counter fraud activity and performance (annex 2) and information governance work (annex 3) are also included as part of this report.

2. The Report

- 2.1 Annex 1 includes a summary of internal audit work carried out during 2021/22 and gives an opinion on the overall framework of governance, risk management and control in place within the council. The report also includes conclusions from Veritau's internal audit Quality Assurance and Improvement Programme (QAIP).
- 2.2 A summary of counter fraud work carried out during 2021/22 is included at annex 2. The team's work resulted in over £16k of savings being made, including preventing loss of Covid-19 business grant funding. Investigation work also assisted in the recovery of a council property.
- 2.3 Annex 3 includes a summary of the information governance work carried out during 2021/22.. This includes progress made with the reviews of the Council's Information Asset Register and Privacy Notices, completion of work to enable compliance with surveillance regulation and ongoing work to support the Council with information requests and information incidents.

Internal Audit Charter

- 2.4 The Internal Audit Charter sets out how internal audit at the council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

3. Implications

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

4. Conclusion

- 4.1 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides Reasonable Assurance. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.
- 4.2 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. In giving the opinion, we would note that the Covid-19 pandemic has continued to affect the authority over the last year, with a consequential impact on business operations and controls. The work of internal audit has been directed to the areas considered most at risk, or that offer the most value for the authority overall. However, not all the areas affected by the Covid-19 pandemic will have been reviewed.

5. Background Documents

Internal Audit, Counter Fraud and Information Governance Plans 2021/22

Internal Audit, Counter Fraud and Information Governance progress reports to Audit and Governance Committee in 2021/22

The Public Sector Internal Audit Standards 2017

6. **Annexes:** **Annex 1: Annual Report of the Head of Internal Audit 2021/22**

Annex 2: Counter Fraud Annual Report 2021/22

Annex 3: Information Governance Annual Report 2021/22

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ANNUAL HEAD OF INTERNAL AUDIT REPORT 2021/22

Date: 27 July 2022

ANNEX 1



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Ed Martin
Audit Manager



Max Thomas
Head of Internal Audit

Circulation list: Members of the Audit and Governance Committee



BACKGROUND

- 1 The work of internal audit is governed by the Public Sector Internal Audit Standards (PSIAS) and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Audit and Governance Committee. The report must include an opinion on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and the results of the internal audit service's quality assurance and improvement programme, including a statement on conformance with the PSIAS.



INTERNAL AUDIT WORK CARRIED OUT IN 2021/22

- 2 At the beginning of 2021/22, the council was still recovering from the impact of the Covid-19 pandemic on its working practices and, in some areas, only starting to revert to business as usual. Since then significant (and increasing) resource has been redirected to the preparations for Local Government Reorganisation (LGR).
- 3 The 2021/22 audit work programme was formally agreed by the Audit and Governance Committee on 21 April 2021. Work in the early part of 2021/22 focussed on finalising audits relating to the previous year due to the continued impact of the Covid pandemic.
- 4 During the remainder of the year audit work has continued to be prioritised based on risk and the need to provide coverage of the council's framework of governance, risk management and control.
- 5 We have also continued to promote good governance, provide advice, and make recommendations to management to help improve controls. Auditors meet with the s151 Officer, Monitoring Officer and other senior officers on a regular basis to help identify and address key governance issues and concerns.
- 6 A summary of internal audit work undertaken during the year and relevant to the opinion is contained in appendix A. The results of completed audit work have been reported to the relevant managers, executive members and the Audit and Governance Committee throughout the year. At the time of writing one further audit report has been issued but remains in draft. Other work is continuing with six other audits close to draft report stage.

The results from these audits will be reported to the committee once work has been completed.

- 7 Appendix B provides details of the key findings arising from internal audit assignments completed, that we have not previously reported to the committee.
- 8 Appendix C provides an explanation of our assurance levels and priorities for management action.

FOLLOW UP OF AGREED ACTIONS

- 9 It is important that agreed actions are followed up to ensure they have been implemented. Veritau has followed up agreed actions during the year taking account of the timescales previously agreed with management for implementation. Our work shows that generally, good progress has been made by management during the year to address previously identified control weaknesses. Significant outstanding actions are detailed in this report at appendix D.
- 10 During 2021/22 issues were found from internal work on the ordering and creditor systems. The audit report gave a limited assurance opinion and was reported to the Audit and Governance committee. The issues found have been satisfactorily addressed by management during the year. In addition, a significant weakness relating to PCI DSS (payment card security) has been resolved during 2021/22.

PROFESSIONAL STANDARDS

- 11 In order to comply with Public Sector Internal Audit Standards (PSIAS) the Head of Internal Audit is required to develop and maintain an ongoing quality assurance and improvement programme (QAIP). The objective of the QAIP is to ensure that working practices continue to conform to professional standards. The results of the QAIP are reported to the committee each year as part of the annual report. The QAIP consists of various elements, including:
 - maintenance of a detailed audit procedures manual and standard operating practices
 - ongoing performance monitoring of internal audit activity
 - regular customer feedback
 - training plans and associated training and development activities
 - periodic self-assessments of internal audit working practices (to evaluate conformance to the standards).
- 12 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. The most recent external assessment of Veritau internal audit

working practices was undertaken in November 2018¹. This concluded that Veritau internal audit activity generally conforms to the PSIAS².

- 13 The outcome of the recently completed self-assessment demonstrates that the service continues to generally conform to the PSIAS, including the Code of Ethics and the Standards. Further details of the QAIP prepared by Veritau are given in appendix E.
- 14 The Internal Audit Charter sets out how internal audit at the council will be provided in accordance with the PSIAS. The Charter is reviewed on an annual basis and any proposed changes are brought to the Audit & Governance Committee. No changes are proposed at this time.

OPINION OF THE HEAD OF INTERNAL AUDIT

- 15 The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides Reasonable Assurance. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the Annual Governance Statement.
- 16 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. In giving the opinion, we would note that the Covid-19 pandemic has continued to affect the authority over the last year, with a consequential impact on business operations and controls. The work of internal audit has been directed to the areas considered most at risk, or that offer the most value for the authority overall. However, not all the areas affected by the Covid-19 pandemic will have been reviewed.

¹ Reported to the Audit and Governance committee in January 2019.

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

APPENDIX A: INTERNAL AUDIT WORK IN 2021/22

Final reports issued

Audit	Reported to Committee	Opinion
General Ledger	July 2021	Substantial Assurance
Contract Management and Procurement	July 2021	Substantial Assurance
Creditors	September 2021	Limited Assurance
Debtors	September 2021	Substantial Assurance
Housing Rents	September 2021	Substantial Assurance
Community Infrastructure Levy	September 2021	Reasonable Assurance
Housing Benefits & Council Tax Support	January 2022	Substantial Assurance
Council Tax & NNDR	January 2022	Substantial Assurance
Pooling of housing capital receipts	April 2022	No opinion given
ICT asset management	July 2022	Reasonable Assurance
Debtors	July 2022	Substantial Assurance
General ledger	July 2022	Substantial Assurance
Homes England	July 2022	No opinion given
Chairman's Account	July 2022	No opinion given

Audits in progress

Audit	Status	Assurance Level
Payroll	Draft	TBC (Reasonable Assurance)
Health and safety – homeworking	In progress	
Information security at home	In progress	
Housing Rents	In progress	
Creditors	In progress	

Audit	Status	Assurance Level
Council Tax & NNDR	In progress	
Council House Repairs and Maintenance	In progress	

Other work completed in 2021/22

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.
<ul style="list-style-type: none"> • Certification of the Local Authority Covid Compliance and Enforcement Grant • Follow up of agreed actions • Support and advice provided through the year on risk management, controls and processes including bank mandate fraud controls.

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

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System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
General Ledger	Substantial Assurance	The audit reviewed key processes for maintenance of accurate accounting records, and budget management.	July 2022	It was found that systems were working well. Controls relating to bank reconciliations, suspense accounts and journals were generally operating effectively. Budget management and monitoring was generally effective. There were issues relating to the timeliness of reconciliations of feeder files from other systems and with system administrator access rights.	Actions have been agreed to address the issues found.
Debtors	Substantial Assurance	The audit reviewed processes for raising invoices, chasing outstanding debt and writing off unrecoverable debt.	July 2022	Processes were found to be working well, with no significant issues found. Debt was being chased and write offs were completed and authorised appropriately.	No actions were required. Processes need to continue to operate effectively up to the transfer to the new authority in April 2023.
Homes England	No opinion given	This was a review of the findings of a compliance audit which identified breaches in the council's return to Homes England for the affordable housing programme.	July 2022	The review confirmed there were some deficiencies in evidence provided but we were satisfied the grant claim was made correctly. Improvements in evidence and record keeping were needed. The grant claim was not signed off in	Processes will be improved so that evidence to support the grant claim in future will be better. The grant claim will be approved by the Director for future claims.

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
				accordance with financial procedure rules.	
Chairman's Account	No opinion given	This was a review of the arrangements for collecting money for events organised by the Council's chairman and paying them over to the selected charities.	July 2022	The review found all money was correctly accounted for but that there were improvements needed to the banking arrangements.	Action will be taken to address the bank account issues.
IT Asset Management	Reasonable Assurance	The audit reviewed asset management policies, procedures, record keeping and upgrading and disposal.	July 2022	The review found that overall the control environment was satisfactory. There were some weaknesses in inventory records and disposal procedures	Action will be taken to address the issues identified. Officers will work with the LGR workstreams in making improvements.

APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit.

Our overall audit opinion is based on 5 grades of opinion, as set out below.

Opinion	Assessment of internal control
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.

*There are circumstances when it is not appropriate to give an opinion/assurance level on completed work, for example on project and other support, consultancy, grant certification and follow up work. When '**no opinion**' is our conclusion this is not to be confused with a no assurance opinion.

Priorities for actions

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

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

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Audit	Agreed Action	Priority Rating	Responsible Officer	Due	Notes / Update
Performance Management	<p>HR to undertake QA review of sample of PDRs</p> <p>Return rate of PDRs to be monitored & all PDRs reviewed and returned to manager if not complete.</p> <p>Training plan to be completed promptly following PDR process.</p>	2	Head of Business Development and Improvement	<p>Revised date:</p> <p>February 2022</p> <p>(previously December 2020 and June 2021)</p>	<p>A significant push was undertaken in late 2021 to encourage managers to complete and return PDRs. Multiple reminders were issued. As of January 2022, 51% of PDRs were returned. This is still not satisfactory and has been raised at Leadership Team, included in the Manager Forum and at all staff briefings. Action will continue to be taken to ensure PDRs are completed.</p> <p>A Training Plan was compiled and Leadership Team reviewed requests for qualification training in March 2022. Staff were informed of the outcome of their qualification training requests in April 2022.</p> <p>Due to LGR, there are no further plans to review the PDR process but managers will still need to undertake performance reviews with their teams during 2022-23.</p>

APPENDIX E: INTERNAL AUDIT - QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Ongoing quality assurance arrangements

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards (specifically the Public Sector Internal Audit Standards). These arrangements include:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to the Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular performance appraisals
- ▲ regular 1:2:1 meetings to monitor progress with audit engagements
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented using the company's automated working paper system (Sword Audit Manager)
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ performance against agreed quality targets monitored and reported to each client on a regular basis
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance

On an ongoing basis, samples of completed audit work are subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director. Any key learning points are shared with the relevant internal auditors

and audit managers. The Head of Internal Audit will also be informed of any general areas requiring improvement. Appropriate mitigating action will be taken where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, the Head of Internal Audit will seek feedback from each client on the quality of the overall internal audit service. The Head of Internal Audit will also update the PSIAS self-assessment checklist and obtain evidence to demonstrate conformance with the Code of Ethics and the Standards. As part of ongoing performance management arrangements, each internal auditor is also required to assess their current skills and knowledge against the competency profile relevant for their role. Where necessary, further training or support will be provided to address any development needs.

The Head of Internal Audit is also a member of various professional networks and obtains information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of the annual client survey, PSIAS self-assessment, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development and/or improvement. Any specific changes or improvements are included in the annual Improvement Action Plan. Specific actions may also be included in the Veritau business plan, internal audit strategy action plan, and/or individual personal development action plans. The outcomes from this exercise, including details of the Improvement Action Plan are also reported to each client. The results will also be used to evaluate overall conformance with the PSIAS, the results of which are reported to senior management and the board³ as part of the annual report of the Head of Internal Audit.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client (as set out above). Any specific areas identified as requiring further development and/or improvement will be included in the annual Improvement Action Plan for that year.

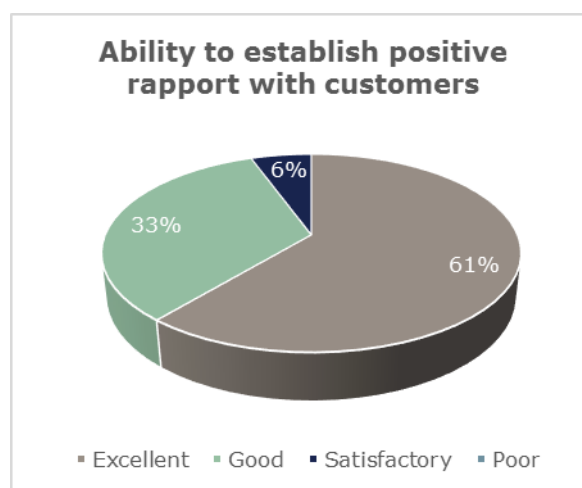
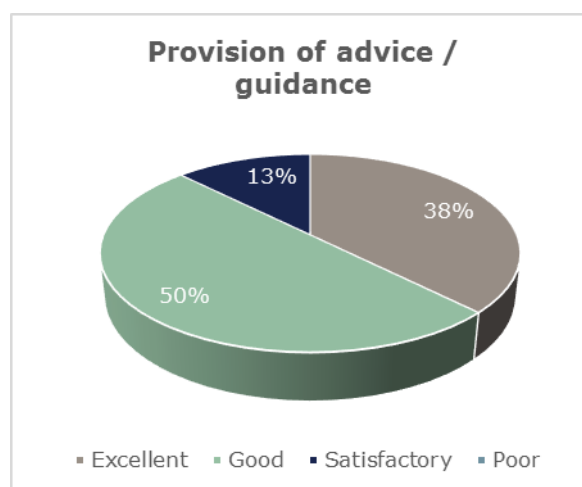
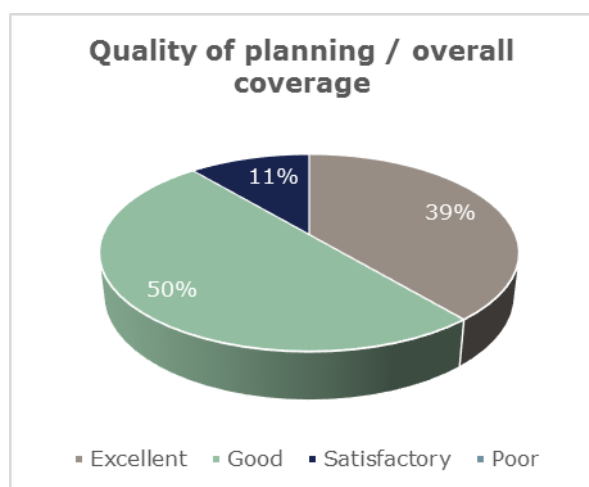
2.0 Customer Satisfaction Survey 2022

In March 2022 we asked clients for feedback on the overall quality of the internal audit service provided by Veritau. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of

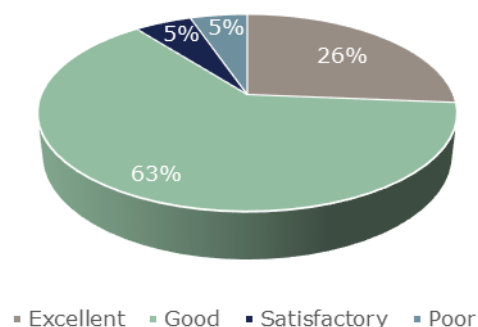
³ As defined by the relevant audit charter.

154 surveys (2021 – 165) were issued to senior managers in client organisations. A total of 19 responses were received representing a response rate of 12% (2021 – 12%). The surveys were sent using Smart Survey (an online survey tool) and the respondents were required to identify who they were. Respondents were asked to rate the different elements of the audit process as either excellent, good, satisfactory or poor.

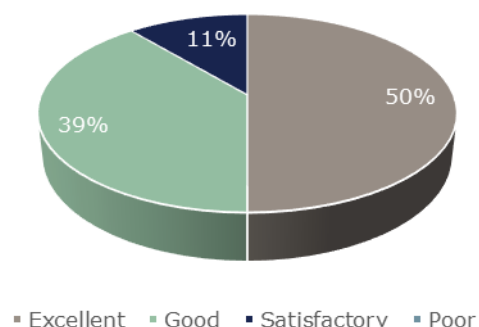
Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the low number of respondents means that the percentage for each category is sensitive to small changes in actual responses (1 respondent represents about 5%).



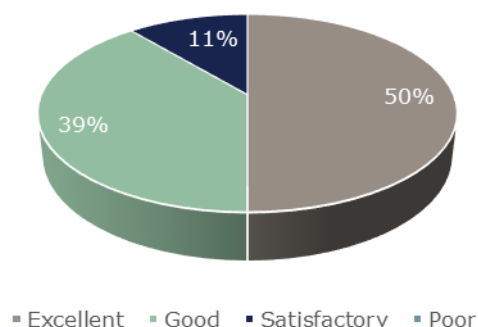
**Knowledge of system /
service being audited**



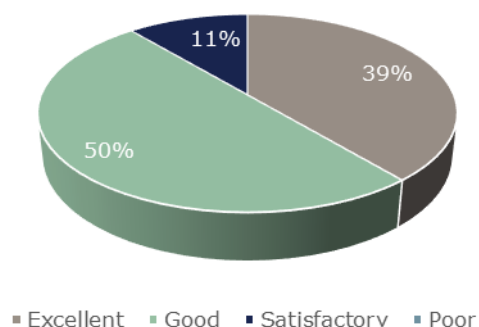
**Minimising disruption to the
service being audited**



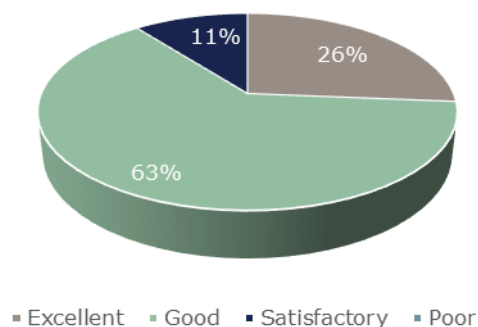
**Communicating issues during
the audit**



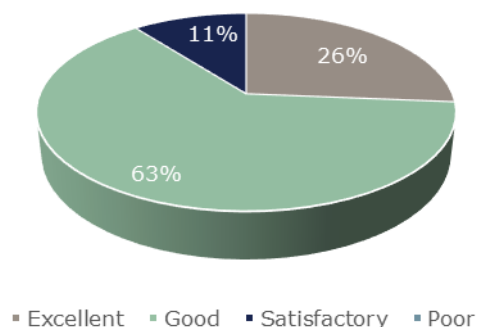
**Quality of feedback at end of
audit**

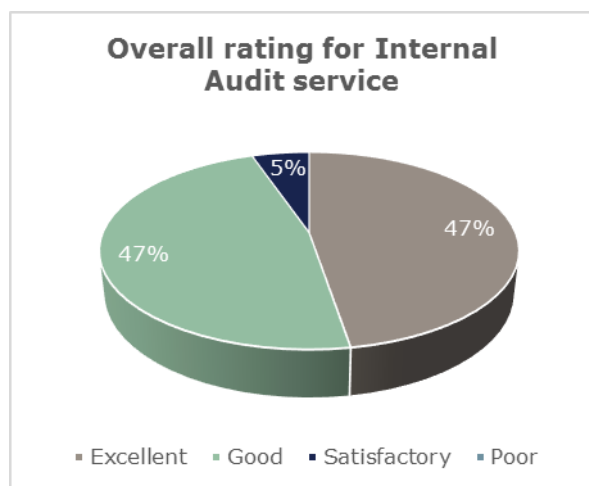


**Accuracy, format, length &
style of audit report**



**Relevance of audit opinions &
conclusions**





The overall ratings in 2022 were:

	2022		2021	
Excellent	9	47%	11	58%
Good	9	47%	6	32%
Satisfactory	1	5%	0	0%
Poor	0	0%	2	11%

The feedback shows that the majority of respondents continue to value the service being delivered.

3.0 Self-Assessment Checklist 2022

CIPFA has prepared a detailed checklist to enable conformance with the PSIAS and the Local Government Application Note to be assessed. The checklist was originally completed in March 2014 and has since been reviewed and updated annually. Documentary evidence is provided where current working practices are considered to fully or partially conform to the standards. A comprehensive update of the checklist was undertaken in 2020, following revisions by CIPFA.

Current working practices are considered to be at standard. However, as in previous years there are a few areas of non-conformance. These areas are mostly as a result of Veritau being a shared service delivering internal audit to a number of clients as well as providing other related governance services. None of the issues identified are considered to be significant. Existing arrangements are considered appropriate for the circumstances and require no further action.

The following table shows areas of non-compliance. These remain largely unchanged from last year, although one area has been removed from the table. This related to whether risk based plans set out the respective priority of audit work. New flexible planning arrangements introduced mean that working practices now comply with the standards in this area.

Conformance with Standard	Current Position
Where there have been significant additional consulting services agreed during the year that were not already included in the audit plan, was approval sought from the audit committee before the engagement was accepted?	Consultancy services are usually commissioned by the relevant client officer (generally the s151 officer). The scope (and charging arrangements) for any specific engagement will be agreed by the Head of Internal Audit and the relevant client officer. Engagements will not be accepted if there is any actual or perceived conflict of interest, or which might otherwise be detrimental to the reputation of Veritau.
Are consulting engagements that have been accepted included in the risk-based plan?	Consulting engagements are commissioned and agreed separately.
Does the risk-based plan include the approach to using other sources of assurance and any work that may be required to place reliance upon those sources?	An approach to using other sources of assurance, where appropriate is currently being developed (see below).

4.0 External Assessment

As noted above, the PSIAS require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau internal audit working practices was last undertaken in November 2018 by the South West Audit Partnership (SWAP). SWAP is a not for profit public services company operating primarily in the South West of England. As a large shared service internal audit provider it has the relevant knowledge and expertise to undertake external inspections of other shared services and is independent of Veritau.

The assessment consisted of a review of documentary evidence, including the self-assessment, and face to face interviews with a number of senior client officers and Veritau auditors. The assessors also interviewed audit committee chairs.

A copy the external assessment report was reported to this committee on 06/02/2019.

The report concluded that Veritau internal audit activity generally conforms to the PSIAS⁴ and, overall, the findings were very positive. The feedback included comments that the internal audit service was highly valued by its member councils and other clients, and that services had continued to improve since the last external assessment in 2014.

5.0 Improvement Action Plan

Overall, internal audit services provided by Veritau continue to meet the requirements of the Public Sector Internal Audit Standards. However, we recognise that the pace of change in local government and the wider public sector mean that we need to update aspects of the service to ensure it stays up to date and continues to deliver good value.

Between autumn 2020 and autumn 2021, Veritau undertook a fundamental review of internal audit practices. This resulted in the development of a new three year strategy which details how we will improve the internal audit service for our clients. The strategy sets out the actions we will be taking within Veritau to modernise our practices, from 2021 to 2024. The five key areas we are focussing on are:

- ▲ increasing engagement across all clients; to improve communication and ensure we understand what represents good value and where internal audit work should be focussed
- ▲ further development of strategic planning frameworks; focussing on further development of assurance mapping arrangements and other activities that help us ensure we provide assurance in the right areas at the right time
- ▲ redesign and modernisation of audit processes; to ensure we can respond quickly as priorities change, reduce time to deliver findings and manage resources efficiently
- ▲ increasing investment in high value data analytics work; shifting the focus of work towards a data driven model that provides wider assurance in real time
- ▲ introducing better measures of outcomes from audit work, to enable us to direct resources to areas of most value to our clients.

Strategy focus area 2 includes further development of assurance mapping arrangements. This is an outstanding issue from previous improvement plans. We are currently undertaking a pilot assurance mapping exercise in partnership with officers at one of our key clients. The lessons learnt from this will be used to further develop processes to be rolled out as part of our core internal audit service. Completion of actions in this area will further reduce the areas of non-conformance with the standards (section 3 above).

In the 2020/21 QAIP we reported on the findings from the last Quality Assurance Group review, focussed on the follow up of agreed actions. The findings have been finalised and a programme of work is underway to improve these processes. This includes updates to processes (including integration with client

⁴ PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

risk management systems where appropriate), a full review of all outstanding actions across all clients, and further training for all auditors. This work will be completed in 2022/23.

A further review by the group in 2021/22 focussed on the consistency of opinions given for individual audit assignments. This follows the adoption of a revised four level opinion framework introduced in 2020/21, in accordance with recommendations from Cipfa. It was found that in almost all cases the opinions given on completed work was consistent with the guidance contained in the Veritau audit manual, and supported by the number and priority of actions. Auditors continue to use the guidance and professional judgement when forming conclusions on individual pieces of work. We will feedback and discuss the wider findings as part of auditor training in 2022/23.

6.0 Overall Conformance with PSIAS (Opinion of the Head of Internal Audit)

Based on the results of the quality assurance process I consider that the service generally conforms to the Public Sector Internal Audit Standards, including the *Code of Ethics* and the *Standards*.

The guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating and means that the internal audit service has a charter, policies and processes that are judged to be in conformance to the Standards.

COUNTER FRAUD ANNUAL REPORT 2021/22

Date: 27 July 2022

ANNEX 2



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Background

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Key performance
figures

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Analysis of
results

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Covid-19

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Counter fraud management

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Appendix A

Detailed Summary of Performance 2021/22

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Daniel Clubb
Corporate Fraud Manager



Max Thomas
Head of Internal Audit

Circulation list: Audit & Governance Committee



BACKGROUND

- 1 Fraud is a significant risk to the public sector. The government estimates that the taxpayer loses up to £51.8 billion to fraud and error in public spending every year¹. Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage
- 2 Veritau delivers a corporate fraud service to the council which aims to prevent, detect and deter fraud and related criminality. We employ qualified criminal investigators to support departments with fraud prevention, proactively identify issues through data matching exercises, and investigate any suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 3 The purpose of this report is to provide the Audit & Governance Committee with a summary of work undertaken by Veritau's counter fraud team in the course of the 2021/22 financial year.



KEY PERFORMANCE FIGURES

- 4 In 2021/22, the counter fraud helped the council to achieve £8,757 of Council Tax, Council Tax Support and National Non-Domestic Rates savings. The team detected £11.4k of loss due to fraud and error over the course of the financial year.
- 5 The team supported council colleagues by helping verify a number of Covid-19 grant applications before payments were made, and investigated applications and payments where allegations of fraud were referred. In addition to the savings detailed above, incorrect payments of Covid-19 grants totalling £8k were stopped. The team also detected a further £30k of incorrectly paid grants.
- 6 Veritau received 84 referrals of suspected fraud from members of the public and council staff. Fourteen investigations were completed in 2021/22, across a number of areas. The counter fraud team obtained successful outcomes² in 29% of investigations.
- 7 One council house was recovered as a result of investigative work. Warnings were also issued to two people for failing to provide information to the council in relation to Single Person Discounts.
- 8 A detailed summary of performance can be found in appendix A, below.

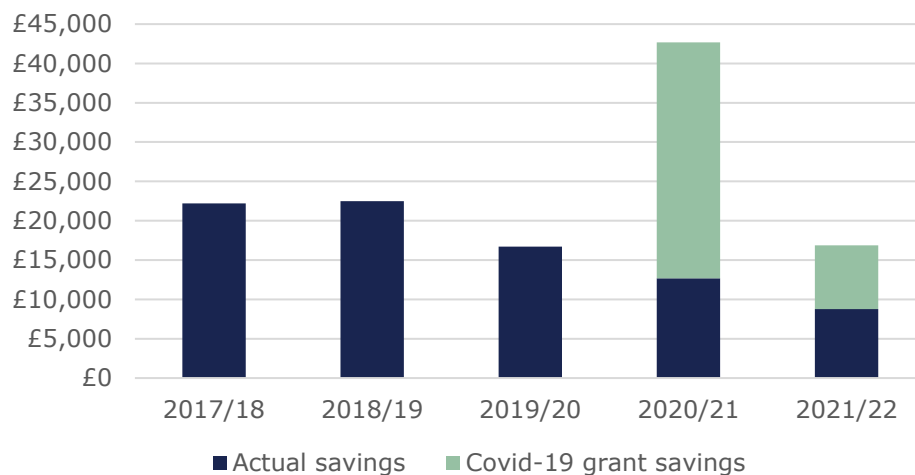
¹ Fraud and Error (Ninth Report of Session 2021/22), Public Accounts Committee, House of Commons

² Actual outcomes vary by case type but include, for example, benefits or discounts being stopped or amended, sanctions, prosecutions, or management action taken.

ANALYSIS OF RESULTS

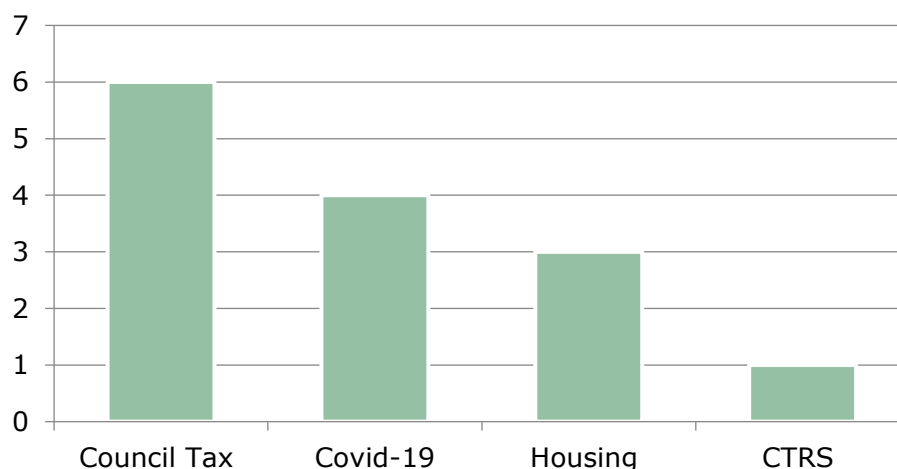
- 9 The counter fraud team calculates savings that are achieved as a result of investigative work. Over the last five years, Veritau has helped the council make £120.9k in counter fraud savings. The savings figures comprise repayment of debt arising from investigative work, a maximum of one year future savings if an investigation has stopped an ongoing fraud that would otherwise have continued, and the prevention of any one-off payments that would have been made without the intervention of the team. A breakdown of the savings achieved is shown below.

Savings 2017/18 to 2021/22



- 10 The following chart illustrates the number of investigations completed by fraud type in 2021/22. The highest proportion of cases completed (43%) relate to suspicions of Council Tax related fraud. Covid-19 grant fraud represents 29% of concluded investigation work. This highlights how grant schemes have continued to play a significant role as an area supported by the team.

Investigations completed by fraud type



COVID-19

- 11 Selby District Council has played a key role in distributing government grants to local businesses over the last two years. Across all schemes, the council made over 5,300 payments totalling £32 million. Nationally, grant schemes have been targeted by criminals operating within the UK and abroad. The counter fraud team investigated any suspicious applications referred by members of staff, shared intelligence with council colleagues, and undertook a verification exercise to assist the council to meet government requirements.
- 12 Veritau and council officers reviewed 85 Covid-19 related data matches that formed part of the National Fraud Initiative. Four grant payments required further investigation. One case identified incorrectly award grant payments totalling £20k, in addition to incorrectly awarded NNDR exemptions.



COUNTER FRAUD MANAGEMENT

- 13 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the council. The council's counter fraud strategy was last updated in January 2022. The strategy put an emphasis on raising awareness of fraud with both members of staff and the public in order to help prevent and detect fraud.
- 14 In 2021/22 the threat of cybercrime increased as councils and other organisations were targeted by increasingly sophisticated frauds. Following increases in mandate fraud (also known as payment diversion fraud) noted both regionally and nationally the counter fraud team helped to update processes within the council. In addition the team delivered content to all members of staff as part of cybercrime awareness month in October.

- 15 The council depends on members of the public and employees raising suspicions of fraud with the counter fraud team. Employees were encouraged to do so during International Fraud Awareness Week in November. Targeted fraud awareness training was provided to revenues and benefits staff in November 2021. In addition, a message advising the public on how to report fraud was also included with council tax bills in spring 2022.
- 16 The counter fraud team helps to ensure that the council meets statutory obligations. It prepares information on counter fraud for publication, in accordance with the requirements of the Local Government Transparency Code (2015), and submits data to the National Fraud Initiative.
- 17 Veritau represents the council at the Yorkshire and Humber Fraud Investigation Group to share and receive best practice and information on regional fraud threats.

APPENDIX A: COUNTER FRAUD ACTIVITY 2021/22

The table below shows the success rate of investigations and levels of savings achieved through counter fraud work in 2021/22.

	2021/22 (Actual: Full Yr)	2021/22 (Target: Full Yr)	2020/21 (Actual: Full Yr)
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£8,757	£14,000	£12,687
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	29%	30%	35%
Amount of savings from the prevention of Covid-19 grant fraud	£8,097	n/a	£30,000

Caseload figures for the period are:

	2021/22 (Full Year)	2020/21 (Full Year)
Referrals received	84	96
Number of cases under investigation	14 ³	18 ⁴
Number of investigations completed	14	20

³ As at 31/3/2022

⁴ As at 31/3/2021

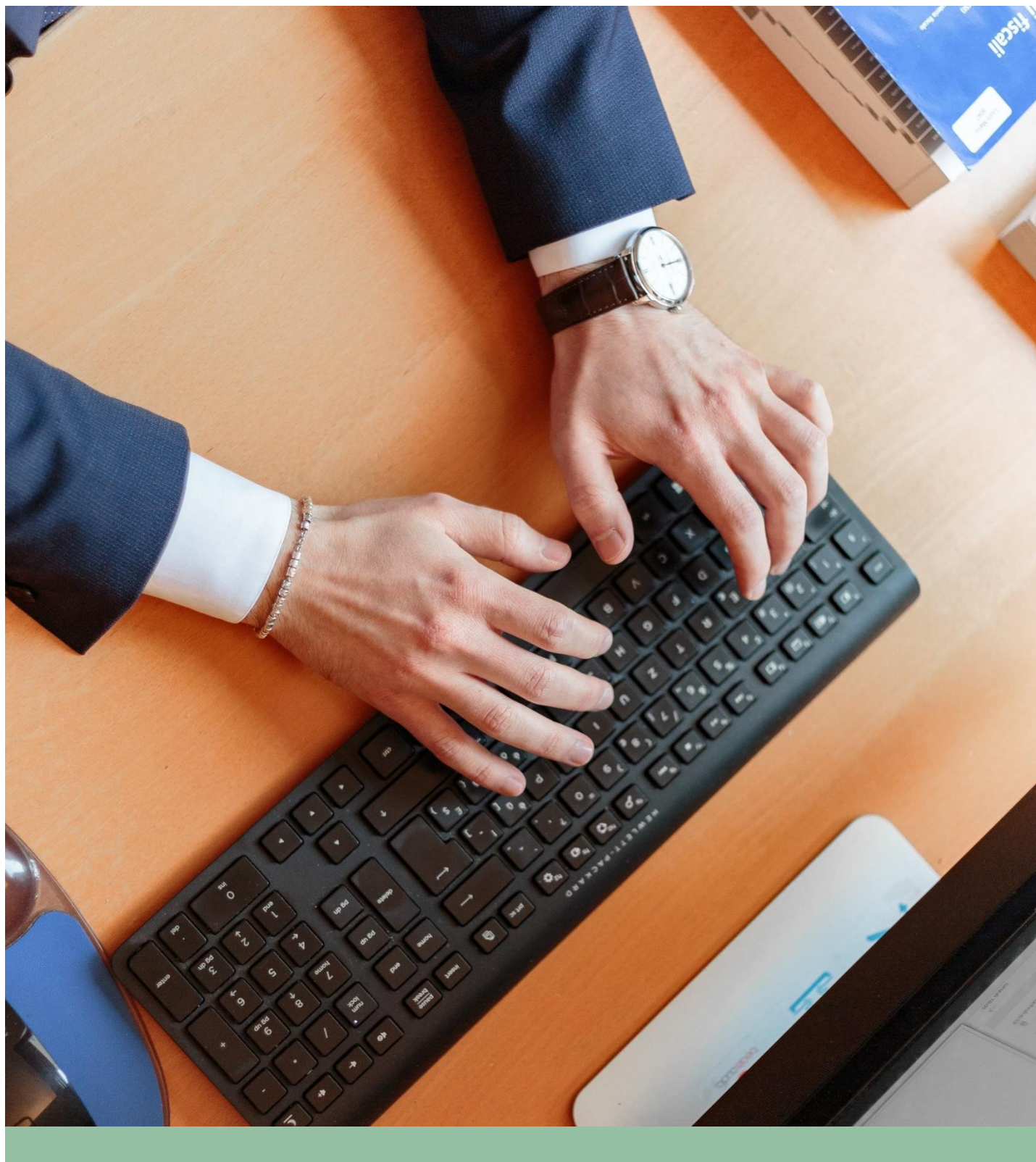
Summary of counter fraud activity

Activity	Work completed or in progress
Data matching	<p>Matches from data submitted to the National Fraud Initiative in 2020/21 became available in 2021/22. Over 800 matches have been reviewed. These brought together information from a range of internal and external sources.</p> <p>In 2021/22, the National Fraud Initiative supported the council's Covid-19 grant assurance effort by matching local applications with national records that had not previously been available.</p>
Fraud detection and investigation	<p>Veritau continues to promote the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the council. Activity completed in 2021/22 includes the following:</p> <ul style="list-style-type: none"> • Covid-19 related fraud – Four investigations were completed in this area. Incorrect payments totalling £8k were prevented as a result of investigative work, and £30k of incorrectly obtain payments were identified for recovery. Eight referrals were received in this area. • Council Tax fraud – The team investigated six cases to relating to Council Tax liabilities. These resulted in £5k of fraud being identified; two warnings were issued in relation to Single Person Discounts. • Council Tax Support fraud – One case was completed and £2k of savings were achieved in this area. • NNDR fraud – Overpayments of £6.4k were identified and £5k of savings were achieved in relation to National Non-Domestic Rates liabilities. • Housing fraud – Three cases were investigated in this area. Investigation assisted the Council in recovering a property where the tenant had abandoned the property. • Internal fraud – No internal fraud allegations were investigated in the last financial year.

INFORMATION GOVERNANCE ANNUAL REPORT

Date: 27 July 2022

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Law
enforcement

6



Technology

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Kirsty Bewick
Assistant Director - Information
Governance



Max Thomas
Head of Internal Audit

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

PURPOSE OF THE REPORT

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

UK GDPR ACTION PLAN UPDATE

- 6 Progress on the 2021/22 action plan was reported to CIGG throughout the year. The action plan was updated as work was completed. Actions that were deferred from the 2020/21 action plan due to the Covid pandemic were included in the 2021/22 action plan. A new 2022/23 action plan has now been provided to the Council. This includes a detailed breakdown of actions required to achieve agreed deliverables. Due to LGR CIGG agreed that no new actions should be included in the action plan. Instead, the focus will be to address priority outstanding actions required to make the Council compliant with UK GDPR and the Data Protection Act 2018.
- 7 Following completion of the privacy notice review in 2020/2021, Veritau are in the process of applying relevant changes to the privacy notices via

consultation with service areas. Several privacy notices have been completed and uploaded to the Council website including Planning Policy, Complaints and Explore Heart of Yorkshire. Updates have been applied to the corporate privacy notice.

- 8 The following new IG policies have been completed, approved by CIGG and published onto the Council's internet.
 - ▲ Information Governance and Strategy Policy – a policy to protect the Council's information, manage risk to an acceptable level and ensure data is well managed.
 - ▲ Personal Privacy Policy – a policy that sets out how the Council handles the personal data of its customers, suppliers, employees, and third parties.
 - ▲ Information Access and Information Rights Policy – the purpose of this policy is to ensure that the Council complies with the provisions of the Information Access rights under GDPR, the Data Protection Act 2018 and Access to Health Records Act 1990.
 - ▲ Information Security Incidents Reporting Policy – a policy to ensure that the Council complies with Article 33 of the UK GDPR, and ensure all breaches of personal data are reported, investigated and, if necessary, reported to the Information Commissioner.
- 9 A review of the Information Asset Register (IAR) was completed on 31st March 2022, which reflects UK GDPR compliance needs and now includes columns for law enforcement processing. Apart from two service areas the register reflects all the Council's current information assets. Work is ongoing to finalise the two outstanding registers in Housing and Property Services. A further review of the IAR is planned in September in consultation with other North Yorkshire councils. This will consider alignment and consistency of information across the councils in advance of Local Government Reorganisation (LGR).
- 10 In 2021/22 a gap analysis of the Council's data processing contracts and information sharing agreements was completed and several areas were identified as not having sufficient information. Progress in locating and acquiring copies of documentation for review in these areas was slow. Discussions to explore the feasibility of aligning this work with the LGR workstream took place.
- 11 Agreement was reached to align the process to review data processing contracts with the LGR workstream for Procurement. The focus of this work is primarily on those contracts to be novated to the new organisation. This is consistent with the approach to be taken by other North Yorkshire councils.
- 12 A gap analysis of the Council's Information Sharing Agreements (ISAs) was completed and a number of areas of concern were identified. The areas to prioritise for immediate action have been agreed. Work is ongoing to establish what other ISAs are held. Where documentation has been received, this has been reviewed. Priority will be given to ISAs during the

autumn 2022. Actions to address gaps identified are included in the 2022/23 action plan.

TRAINING

- 13 Delivery of training was affected by the Covid-19 pandemic in 2020/21. It was subsequently agreed by CIGG that training sessions would recommence in 2021/22 but would be held online and in smaller groups. A training session on FOI/EIR and subject access requests was delivered for service managers in January 2022. This was followed by two online workshops about data protection impact assessments (DPIAs) in February 2022. Further bespoke training will be offered through Veritau during 2022/23 and will include new workshops on Information Incident Management, and Law Enforcement Data Processing.
- 14 In March 2022 CIGG agreed that the focus of internal training for 2022/23 will be to ensure all staff have completed data protection training. This includes new starters and temporary and agency staff, as part of their induction.

INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 15 The arrangements for rating information security incident were updated during 2021/22 following approval by CIGG. The previous RAG system was replaced by a five-level system with risks ranging from very low to very high. The rating is assigned based on a risk score assigned as part of the data breach investigation. Risks classed as high or very high are sufficiently serious to be considered for self-reporting to the Information Commissioner's Office (ICO). Some incidents are categorised as 'white'. White incidents are where there has been a failure of security safeguards, but no breach of confidentiality, integrity, or availability has actually taken place, i.e. the incident was a near miss.
- 16 Information Security Incidents have been reported to Veritau as required.
- 17 The number of Security Incidents reported to the Council and Veritau in 2020/21 are as follows:

	Very High	High	Moderate	Low	Very Low	White	Total
Q1		1		4		1	6
Q2				1	1	1	3
Q3							0
Q4				1		1	2
Total	0	1	0	6	1	3	11

- 18 There has been a reduction in the number of security incidents reported in 2021/22 from the 18 reported in 2020/21.

- 19 To date, Veritau have handled only one security incident in 2022/23 and this was assessed as a very low risk after investigation.



SUBJECT ACCESS REQUESTS - INTERNAL REVIEWS - FREEDOM OF INFORMATION

- 20 As part of a revised agreement, Veritau took over the responsibility for processing Council data protection subject access requests (DPSARs) and provision of advice on complex Freedom of Information (FOI) requests on 1st February 2022. Since February Veritau has processed eight DPSARs on behalf of the Council and provided support on six complex FOI requests.



DATA PROTECTION IMPACT ASSESSMENTS

- 21 Veritau supported the Council in completing several DPIAs in 2021/22 as well as providing advice on whether a DPIA was required for other projects.
- 22 Work is ongoing on a number of DPIAs. These include MyView, CCTV for Selby town centre, ONS data sharing, and Breathing Space (a scheme administered by Wakefield Metropolitan District Council on behalf of Selby – it offers interest free secured loans to pay for an individual's mortgage arrears and support for up to 12 months of mortgage payments).



SURVEILLANCE

- 23 Following extensive work undertaken in 2021/22 all actions to ensure the Council is compliant with the Surveillance Code of Practice and the Regulation of Investigatory Powers (RIPA) have been completed by Veritau. This work involved a review of current overt surveillance systems (including ensuring that all necessary DPIAs and ISAs are in place), the completion of a privacy notice for CCTV operations, a RIPA policy, and delivery of training on RIPA to Authorising Officers.



LAW ENFORCEMENT

- 24 An initial scoping exercise was completed to ascertain which areas of the Council might be undertaking law enforcement processing, as governed by Part 3 of the Data Protection Act 2018. Areas were mapped out as far as possible and amendments to the Information Asset Register now show areas where law enforcement processing is taking place, linking back to the relevant legislation and/or enforcement policies.
- 25 Documents such as the new DPIA template and guidance were also drafted to include law enforcement considerations. The review of privacy notices has taken into account changes required for law enforcement processing.

The corporate privacy notice has been updated to include information about the conditions for criminal offence data, enforcement investigations and prosecutions. The IG policy framework includes a Law Enforcement policy, and this has been published.

- 26 A virtual training course has also been designed on law enforcement data processing and will be offered to staff during 2022/23



TECHNOLOGY

- 27 Work required to ensure all IT software and hardware is compliant with UK GDPR and the Data Protection Act 2018 is progressing as part of the Council's upgrade to Office 365. Twelve business departments have transferred to O365 so far. Defined retention periods have been applied to documents as part of the change.
- 28 Further work to upgrade remaining departments to O365 is on hold until the merging of North Yorkshire councils Microsoft platforms through the LGR process is completed. The LGR IT and Digital Data Governance workstream is currently collating data to understand the document retention and disposal rules across all 8 Councils before creating a plan of action to implement this in a consistent way ahead of LGR next year.

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Report Reference Number: A/22/4

To: Audit and Governance Committee
Date: 27 July 2022
Author: Connor Munro; Assistant Director, Audit Assurance, Veritau Group
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Risk Management Annual Report 2021/22

Summary:

The report provides a summary of risk management activity in 2021/22 and proposed actions to be taken in 2022/23.

Recommendation:

Councillors note the risk management activity undertaken in 2021/22 and the proposed actions for 2022/23.

Reasons for Recommendation

To support the Audit and Governance Committee's responsibility for considering the effectiveness of the Council's risk management arrangements.

1. Introduction and Background

- 1.1 It is the responsibility of all service managers to identify and manage risks associated with the delivery of their services. Veritau provides support to this process by facilitating risk management activity and providing advice and training to officers and the committee.
- 1.2 This report summarises work undertaken by the Council in maintaining and improving its risk management framework during the year, and work done by Veritau to support this.

2. The Report

- 2.1 Over the past year, the following action has been taken to develop risk management activity and review current risks.

- The risk management annual report 2020/21 was reported to the Audit and Governance Committee in July 2021.
- A summary of corporate risks was reported to the Audit and Governance Committee in July 2021 and January 2022.
- A review of the risk management strategy was completed and reported to the committee in January 2022.
- Officers have been reminded to update service based risk registers to ensure that they accurately reflect existing and emerging risks.
- Veritau has supported managers to review risks in their service areas, and to identify mitigating actions where necessary.

2.2 Selby District Council is represented at the LGR Strategic Risk Management Group and so is well positioned to influence and shape the risk management arrangements for the new authority. Against this backdrop of change, further development activity planned for the Council's own risk management arrangements will no longer take place. As a result, risk management activity during the Council's final year of operation in 2022/23 will comprise:

- Regular reporting of the corporate risk register to Extended Leadership Team and to Audit and Governance Committee.
- Continuation of risk drop-in and training sessions for officers and members.
- Ongoing support for the review and maintenance of service based risk registers.

3. Implications

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

4. Conclusion

4.1 Overall, a number of actions have been taken in order to further facilitate and embed sound risk management processes within the Council. Work is planned for 2022/23 to develop this further.

5. Background Documents

Risk management strategy – revised January 2022

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Richard Smith; Deputy Head of Internal Audit - Veritau Group

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Report Reference Number: A/22/5

To: Audit and Governance Committee
Date: 27 July 2022
Author: Connor Munro; Assistant Director, Audit Assurance, Veritau Group
Lead Officer: Karen Iveson; Chief Finance Officer

Title: Corporate Risk Register 2022-23

Summary:

The report updates Councillors on movements within the Corporate Risk Register (Appendix A) for the Council, which was last reported to this committee in January 2022.

Recommendation:

Councillors note the current status of the corporate risk register.

Reasons for recommendation

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

1. Introduction and background

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

2. The Report

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

- Risk owner: identifies the officer responsible for monitoring the risk. This is a member of the Leadership Team
 - Causes of the risk identified
 - Consequences of the risk identified
 - Controls and mitigating actions in place: identifies the required management action and controls which have been put in place to manage the risk. In line with the Risk Management Strategy, only risks with a current score of 12 or over require a formal action plan
 - Original risk rating: identifies the risk level before any treatment
 - Current risk rating: identifies the level at which the risk has currently been assessed, based on the likelihood and impact
 - Target risk rating: identifies the risk level the Council is working towards
- 2.2 Responsibility for reviewing and updating the risk register lies with Council officers. Whilst Veritau facilitates the risk management process by offering challenge and support it retains its independence and objectivity as it is not part of the risk management process (i.e. it does not assess or score risks nor does it operate controls or implement mitigating actions).
- 2.3 For the risks identified on the Corporate Risk Register there are controls or mitigating actions in place to manage these risks which are, and need to be, closely monitored on an ongoing basis.
- 2.4 The risks were reviewed and updated by officers in June and July 2022.
- 2.5 As of July 2022, there are 12 risks on the Council's Corporate Risk Register for 2022-2023. No new risks have been added.
- 2.6 The Corporate Risk Register includes 4 risks with a score of 12 or more (high risk). This is the same as at the time of the January 2022 update. The 'Local Government Reorganisation' (CRR_018) risk remains the most significant risk faced by the Council, with a score of 20, unchanged from the previous assessment.
- 2.7 The risks 'Failure to deliver corporate priorities' (CRR_003) and 'Organisational Capacity' (CRR_004) have both increased from a score of 12 to 16. The increase in both risk scores is due to the significant capacity challenges being faced by the Council, with key staff leaving and difficulties being experienced in recruiting.
- 2.8 The 'Economic Environment' (CRR_008) risk has also increased from a score of 6 to 9. This is a reflection of steep inflationary increases that threaten consumer confidence and of the continued challenges in the labour supply.
- 2.9 All other risk scores remain the same as the previous assessment in January 2022.

3. Implications

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

4. Conclusion

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

5. Background Documents

Risk Management Strategy

Contact Officer: Connor Munro; Assistant Director – Audit Assurance – Veritau Group

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Richard Smith; Deputy Head of Internal Audit - Veritau Group

richard.smith@veritau.co.uk




Appendices:

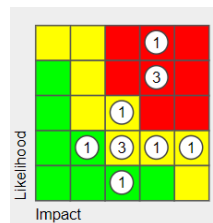
Appendix A – Corporate Risk Register, July 2022













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Selby District Council Corporate Risk Register 2022-2023


Overview: July 2022

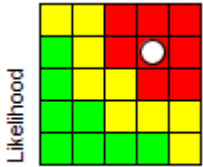
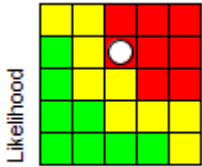

Risk Status	
	High Risk
	Medium Risk
	Low Risk




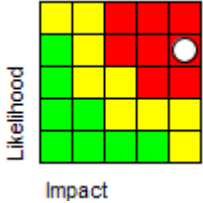
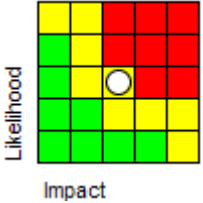
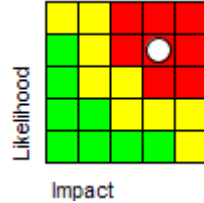
Status	Code	Previous Risk Score (January 2022)	Current Risk Score	Trend	Title
	SDC_CRR_018	20	20		Local Government Reorganisation
	SDC_CRR_003	16	16		Financial Resources
	SDC_CRR_000	12	16		Failure to deliver corporate priorities
	SDC_CRR_004	12	16		Organisational Capacity
	SDC_CRR_002	10	10		Health and Safety Compliance
	SDC_CRR_008	6	9		Economic Environment

Status	Code	Previous Risk Score (January 2022)	Current Risk Score	Trend	Title
	SDC_CRR_007	8	8		Fraud & Corruption
	SDC_CRR_006	6	6		Managing Customer Expectations
	SDC_CRR_014	6	6		Systems and Technology
	SDC_CRR_017	6	6		Managing Partnerships
	SDC_CRR_013	4	4		Information Governance/Data Protection
	SDC_CRR_001	3	3		Failure in corporate governance arrangements

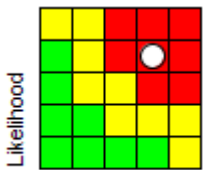
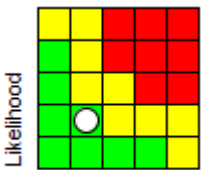
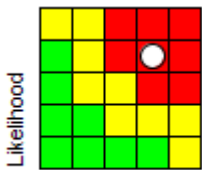
Status	Risk Score	Risk Title	Description	Risk Owner
	20	Local Government Reorganisation (SDC_CRR_018)	Failure to secure delivery of our priorities for the Selby district during the period leading up to and immediately following the commencement of the new unitary North Yorkshire Council in April 2023.	Chief Executive
Causes		<ul style="list-style-type: none"> • SDC voice not heard nationally or sub-regionally • Reduced staff capacity/reduced staff morale • Insufficient financial resources/resources not aligned to priorities • Lack of effective programme/project/performance management 	Consequences	<ul style="list-style-type: none"> • SDC ceases to exist and organisational priorities do not get delivered
Page 89 Controls or Mitigating Actions in Place		<ul style="list-style-type: none"> • Work with other districts - at senior levels - to ensure opportunities to influence outcomes beneficial to the Selby district are maximised • Carry out preparations for transitioning to any new unitary structure(s) in anticipation of a final govt decision. This will include engagement with the public, staff, key partners and the other NY districts. • Review the People Plan to increase support to staff - particularly around communications, engagement and skills - to ensure they are fully supported through the change process and in a position to take advantage of any opportunities presented by LGR • Review priorities in line with expected timescales of LGR and robust project and programme management to ensure council priorities are delivered • Update the MTFS to ensure financial resources are explicitly targeted at achieving priority outcomes in the time available • Engage effectively with any implementation process of whatever arrangements are finally determined by the Secretary of State in line with his timetable to ensure a reasonable balance of securing favourable new arrangements for residents of the district whilst ensuring core services and SDC short and medium term priorities are delivered • Review and prepare for specialist resources that may be required. 		


Risk Assessments			
Original Risk Rating		Target Risk Rating	Current Risk Rating
 Likelihood Impact		 Likelihood Impact	 Likelihood Impact
16		12	20
Notes			Review Date
<p>Risk score unchanged.</p> <p>LGR is creating capacity challenges: some staff are leaving due to the uncertainty; it is difficult to recruit - also due to uncertainty; and, whilst, SDC is playing its full part in the LGR implementation workstreams, this work is taking some staff away from the day jobs.</p> <p>We are working with our NY partners to try and mitigate but all councils are struggling with recruitment and retention. Backfilling using existing staff if helping to mitigate some of the most critical risks.</p> <p>The People Plan has been re-focused to support staff through this significant change and we have increased levels of staff engagement.</p> <p>Whilst the Structural Changes Order provided helpful clarity in March, including confirming that SDC will end on 31 March 2023 and providing a legal basis for the May elections, one impact has been to increase the complexity of decision making where significant sums of money are being committed..</p> <p>The May elections have clarified much of the political uncertainty.</p> <p>The MTFs has been refreshed to ensure SDC has a clear plan around what money is to be spent on linked to the councils stated priorities in the Delivery Plan.</p>			July 2022

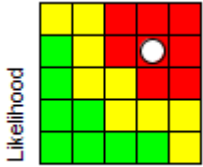

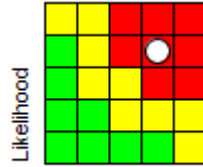
Status	Risk Score	Risk Title	Description	Risk Owner
	16	Financial Resources (SDC_CRR_003)	The Council's financial position is not sustainable beyond 2021.	Chief Finance Officer
Page 91		Causes	Consequences	
		<ul style="list-style-type: none"> • Unforeseen financial pressures as a result of Covid-19 • Poor financial planning • Funding cuts/ Investment Strategy • Non-delivery of savings • Poor spending • Poor decisions • Partnership contract (goes awry) • Fair Funding Review (demonstrate why costs) • Over commitment (i.e. Northamptonshire) • Economic - high inflation/increased demand • Loss of control in service delivery • Political environment changes 	<ul style="list-style-type: none"> • Unable to deliver its Corporate Plan ambitions and Statutory functions • Unable to meet financial commitments (long/medium/short term) • Unable to set a balanced budget as required by legislation. • Central Government intervention • Forced to make unplanned service reductions which impact on residents and businesses. • Significant reputational and political change. 	
		Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Financial support provided by central government. • Long term financial strategies (GF & HRA) setting out high level resources and commitments and owned by Council members. • 3 year budget underpinned by reasonable assumptions (inflation, interest rates etc). • Effective in year budget management arrangements in place. • Savings plan approved with supporting delivery plans for each saving. • Programme for Growth resourced with supporting business cases and action plans. Investment decisions supported by robust whole life (at least 5 years) business cases. 	


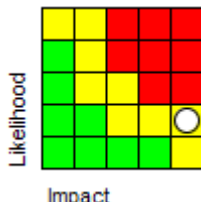
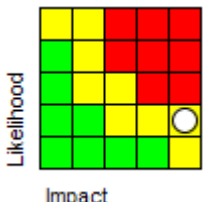
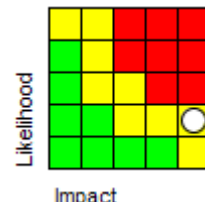
Risk Assessments			
Original Risk Rating		Target Risk Rating	Current Risk Rating
			
20		9	16
Notes			Review Date
No change to risk score although there are growing financial pressures from rising inflation. An assessment of in-year impacts is in progress and will be reported through Quarterly updates to Executive. During 22/23 the Council has access to contingency funds should these be required. Impacts on budgets for 22/23 and MTFS for new NY Council will be fed in through LGR budget work.			July 2022


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

Risk Assessments			
Original Risk Rating	Target Risk Rating	Current Risk Rating	
 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	 <p>Likelihood</p> <p>Impact</p>	
16	4	16	
Notes			Review Date
Likelihood increased to high. Significant capacity challenge due to staff in key roles leaving. Working with NY partners to try and mitigate but all 8 councils are experiencing challenges			July 2022


Status	Risk Score	Risk Title	Description	Risk Owner
	16	Organisational Capacity (SDC_CRR_004)	Lack of organisational capacity and resilience to effectively deliver agreed outcomes and objectives for now and for the future.	Director of Corporate Services and Commissioning
Causes Page 94		<ul style="list-style-type: none"> • Loss of staff • Pay scales • Skills • Wrong structure • Succession planning • Motivation • Culture • Poor leadership • Ineffective management • Failure to prioritise 	Consequences <ul style="list-style-type: none"> • Increased cost of delivery • High churn • Slowing pace • Loss of talent • Poor delivery of priorities • Impact on reputation • Political frustrations • Failure to deliver outcomes • Low resident satisfaction • Loss of confidence from partners and businesses • Staff stress and dissatisfaction • Poor services 	
		Controls or Mitigating Actions in Place <ul style="list-style-type: none"> • Organisational review resulting in the right people in the right posts doing the right things, doing them well and funded on a sustainable footing. • Working with partners to lever capacity and expertise – e.g. Better Together. • Utilising Programme for Growth to secure short/medium term capacity to deliver Council priorities – e.g. Economic Development function. • Assessment and review processes (e.g. Peer Challenge; Staff Survey; IIP Assessment) in place. • Organisational Development Strategy (People Plan) and Action Plan • Secure sufficient HR/OD capacity/resources to deliver. 		

Risk Assessments			
Original Risk Rating		Target Risk Rating	Current Risk Rating
 16		 8	 16
Notes			Review Date
<p>Likelihood increased to high.</p> <p>Significant capacity challenges due to combination of key staff leaving - partly due to uncertainty caused by LGR - and difficulty to recruit to key services such as planning and property services.</p> <p>We are working closely with NY colleagues to help mitigate but each council is facing similar challenges.</p> <p>Continuing to support staff through the key elements of the People Plan - around development and engagement.</p>			July 2022

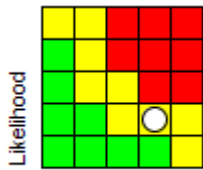
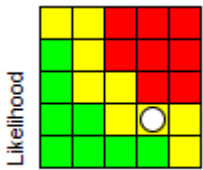
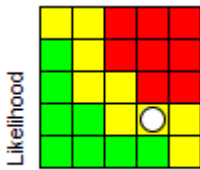
Status	Risk Score	Risk Title	Description		Risk Owner
	10	Health and Safety Compliance (SDC_CRR_002)	Failure to comply with Health and safety legislation.		Director of Corporate Services & Commissioning
Causes		<ul style="list-style-type: none">• Incident involving a member of staff, visitor or member of the public• Incident involving council property or on council owned land.• HSE or third-party investigation.• Non-compliance with Health and Safety legislation.• Non-compliance with govt guidance for Covid secure	Consequences	<ul style="list-style-type: none">• Actual or potential injury or loss of life.• Environmental degradation.• Financial loss / impact on value of assets.• Reputational damage.• Covid outbreak / loss of staff and reputational damage	
Controls or Mitigating Actions in Place		<ul style="list-style-type: none">• Health and Safety Policy and Plan has been reviewed and is in place led by SDC experts with NYCC providing expertise to provide advice to Managers and ensure Health and Safety procedures are rigorous.• Health and safety due diligence assessment on service areas and contractors.• Public liability and property insurance.• Risk management system in place to manage equipment, contractors, property and environmental and health & safety risks.• Health and safety performance monitoring of Delivery Partners to ensure HS&E compliance.• Risk assessing, and then managing accordingly, every property and asset.• Statutory checks to ensure regulatory HS&E Compliance.• Event Safety Plan for all events managed by external consultants.• Covid Secure risk assessments for all Council operations are in place and certified Covid Secure			
Risk Assessments					
Original Risk Rating		Target Risk Rating		Current Risk Rating	
					
10		10		10	
Notes					Review Date
No change.					July 2022


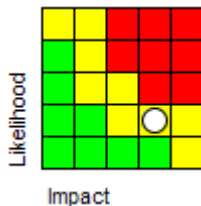
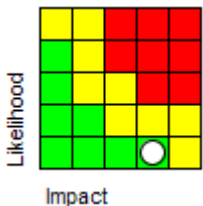
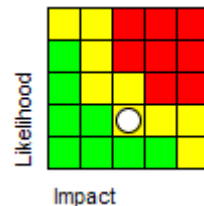
Status	Risk Score	Risk Title	Description		Risk Owner
	9	Economic Environment (SDC_CRR_008)	Poor net economic growth.		Director of Economic Regeneration and Place
Causes		<ul style="list-style-type: none">Selby District has performed well across a range of economic measures in recent times including low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


Risk Assessments			
Original Risk Rating		Target Risk Rating	Current Risk Rating
<p>12</p>		<p>4</p>	<p>9</p>
Notes			Review Date
<p>Investor confidence is high and demand for industrial premises is outstripping supply, particularly for smaller units. Developers are bringing forward major sites and are building large units speculatively. Town centre trading is also strong in Selby and Sherburn, with a range of new stores opening and Selby was included in the Sunday Times list of the best up and coming areas to invest in 2022. Selby District has also recently been named as the top area for population growth by % in Y&H in the 2021 census. Selby will also experience £26m of transformative investment in infrastructure and the public realm, with work starting on site in around 6 months time.</p> <p>However, high inflation threatens the economic environment and consumer confidence and there remain significant challenges to labour supply. This has the capacity to impact on growth and investment and the likelihood of this has been raised to significant in the latest risk rating.</p>			July 2022

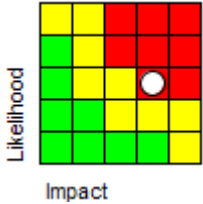
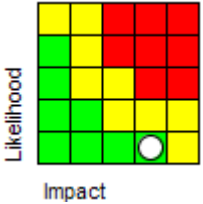
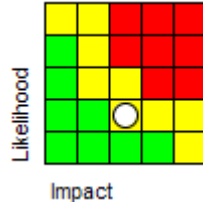
Status	Risk Score	Risk Title	Description	Risk Owner
	8	Fraud & Corruption (SDC_CRR_007)	Incident of fraud and/or corruption occurs within the Council.	Chief Finance Officer
Causes	<ul style="list-style-type: none"> • Low staff morale • Debt (Individual) • Lack of vigilance by staff • System weakness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

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Risk Assessments		
Original Risk Rating	Target Risk Rating	Current Risk Rating
		
8	8	8
Notes		Review Date
No change to previous assessment.		July 2022

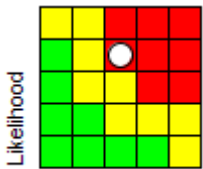
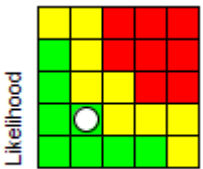
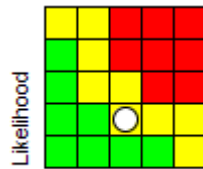
Status	Risk Score	Risk Title	Description		Risk Owner
	6	Managing Customer Expectations (SDC_CRR_006)	Inability to meet customers' demand for services.		Head of Business Development and Improvement; Chief Executive
Page 100	Causes	<ul style="list-style-type: none">• Lack of clear standards/standards not being met• Staff not demonstrating core values/behaviours• Poorly trained staff/ineffective learning• Staff not empowered to take decisions• Ineffective front:back office processes• Lack of resources/resources not aligned to priorities• Poor services	Consequences	<ul style="list-style-type: none">• Poor customer satisfaction.• Quality and timeliness of service suffers.• Sustainability of service.• Increased customer complaints.• Impact on Elected Members.	
	Controls or Mitigating Actions in Place	<ul style="list-style-type: none">• Increase community delivery.• Channel shift to self-service.• Re-design services using quality data.• Develop structured multi-agency partnerships.• Right first time services to remove avoidable work.			
Risk Assessments					
Original Risk Rating		Target Risk Rating		Current Risk Rating	
					
8		4		6	
Notes					Review Date
No change to risk score. Work underway to improve the customer services 'offer' at Selby Civic Centre - paper being brought to LT around improving the accommodation and increasing the availability of appointments					July 2022

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


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

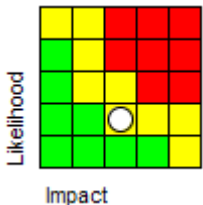
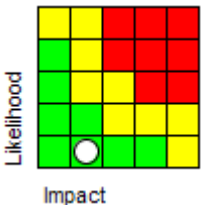
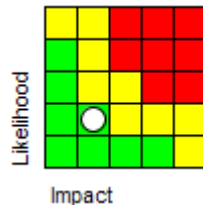
Notes	Review Date
<p>Risk score unchanged</p> <p>BT arrangement with NYCC to provide IT infrastructure support renewed until June 2023.</p> <p>Microsoft 365 project complete - including extensive SharePoint and Teams training and enhanced security.</p> <p>Continue to ensure we are on the most up to date versions of software.</p> <p>PSN Certificate renewed February 2022.</p> <p>Engaging fully with LGR IT workstream.</p>	<p>July 2022</p>


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

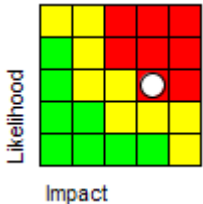
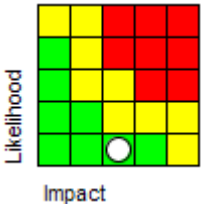
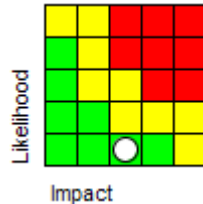
Risk Assessments			
Original Risk Rating		Target Risk Rating	Current Risk Rating
			
12		4	6
Notes			Review Date

<p>Current partnerships remain sound although with the Local Government Review due in April 2023, many partners are wanting to understand how to be involved to influence the shape and partnerships of the new authority but also to ensure that Selby as a locality is fully considered.</p> <p>Mitigations include a communications and engagement workstream for LGR, regular briefings, partners involved in LGR workstreams. Each workstream completes a stakeholder engagement plan to ensure inclusion in design.</p>	<p>July 2022</p>
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Status	Risk Score	Risk Title	Description	Risk Owner
	4	Information Governance/Data Protection (SDC_CRR_013)	Non-compliance with the Freedom of Information and General Data Protection Regulation acts.	Chief Finance Officer
Causes	<ul style="list-style-type: none"> • ineffective and/out of date policies • staff not aware and/or trained • ineffective communication • lack of an Information Asset Register and associated roles and responsibilities 		Consequences	<ul style="list-style-type: none"> • Loss or inappropriate use of personal data and information • Damaged reputation • Financial penalty
Controls or Mitigating Actions in Place	<ul style="list-style-type: none"> • Information governance action plan delivered to agreed timescales, including - policies and systems in place; training provided to officers and members • Breaches recorded, monitored and followed up 			

Page 105	Risk Assessments		
	Original Risk Rating	Target Risk Rating	Current Risk Rating
	 <p>6</p>	 <p>2</p>	 <p>4</p>
Notes			Review Date
<p>No change to score.</p> <p>Revised CIGG arrangements now embedded - with support from Veritau. Latest meeting 23 June.</p> <p>Survey undertaken to ensure awareness of risks linked to home working.</p> <p>First issue of a new, regular communication to staff issued 30 June.</p>			July 2022

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

Risk Assessments			
Original Risk Rating		Target Risk Rating	Current Risk Rating
			
12		3	3
Notes			Review Date
No change to risk profile from previous assessment.			July 2022