

Meeting: **AUDIT & GOVERNANCE COMMITTEE**  
Date: **WEDNESDAY, 29 MARCH 2023**  
Time: **4.00 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](http://www.selby.gov.uk).

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

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

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

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

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

To confirm as a correct record the minutes of the Audit and Governance Committee held on 25 January 2023.

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

### 5. **Audit and Governance Work Programme 2022-23 (Pages 9 - 12)**

To note the current Work Programme.

**6. External Audit Progress Report (A/22/17) (Pages 13 - 40)**

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

**7. Annual Report of the Head of Internal Audit 2022-23; Annual Counter Fraud Report; Annual Information Governance Report (A/22/18) (Pages 41 - 66)**

Members are asked to consider the Internal Audit, Counter Fraud and Information Governance Annual Reports.

**8. Annual Governance Statement (AGS) 2022-23 (A/22/19) (Pages 67 - 80)**

Members are asked to review, provide comments and approve the Annual Governance Statement 2022-23 for signature by the Chief Executive and Leader.

**9. Audit & Governance Committee Annual Report 2022-23 (A/22/20) (Pages 81 - 98)**

Members are asked to approve the 2022-23 Annual Report of the Audit and Governance Committee.



**Janet Waggott, Chief Executive**

Enquiries relating to this agenda, please contact Dawn Drury on 01757 292065 [ddrury@selby.gov.uk](mailto:ddrury@selby.gov.uk).

**Recording at Council Meetings**

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

## Minutes

### Audit & Governance Committee

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Venue:	Council Chamber - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 25 January 2023
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), G Ashton (Vice-Chair), J Mackman, K Franks and J Duggan
Officers present:	Karen Iveson (Chief Finance Officer), Suzan Harrington (Director of Corporate Services and Commissioning), Phil Hiscott (Strategic Asset Management and Property Services Manager), Ed Martin (Audit Manager, Veritau), Daniel Clubb (Counter Fraud Manager, Veritau), Andy Nutting (Audit Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources)

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#### 24 APOLOGIES FOR ABSENCE

Apologies for absence had been received from Councillor N Reader.

#### 25 DISCLOSURES OF INTEREST

There were no declarations of interest.

#### 26 MINUTES

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

#### RESOLVED:

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

## **27 AUDIT ACTION LOG**

The Committee reviewed the Audit Action Log. It was noted that responses to the four actions raised during the meeting on the 26 October 2022 in relation to current PDR completion figures, the accuracy of stage 1 corporate complaints data, the accuracy of some of the figures contained within the Statement of Accounts; and a breakdown of monies recovered versus officer time for the Counter Fraud work had been circulated to Members, therefore all the actions were complete.

### **RESOLVED:**

**To note the Audit Action Log.**

## **28 AUDIT AND GOVERNANCE WORK PROGRAMME**

Members were informed that two amendments had been made to the work programme contained within the agenda pack with the approval of the Chair.

It was confirmed that one additional meeting of the Committee had been added to the Committee Calendar on Wednesday 29 March 2023; and that the Information Requests Annual Report 2022 which should have come to this Committee had been incorporated into the Internal Audit, Counter Fraud and Information Governance Annual Reports and would be presented to Committee at the meeting in March 2023.

### **RESOLVED:**

**To note the Work Programme.**

## **29 EXTERNAL AUDIT ANNUAL REPORT (A/22/12) - APPENDIX A TO FOLLOW**

The Manager, Mazars LLP presented the report and highlighted that the Auditor's Annual Report summarised the external audit work undertaken for the year ended 31 March 2022.

The Committee heard that the external auditor had issued an unqualified opinion on the financial statements of the Council on the 30 November 2022, and in respect of the Council's value for money arrangements this work had now been completed, and Members were pleased to note that no significant weaknesses had been identified.

Members were informed that the National Audit Office (NAO) required Mazar's to complete the Whole of Government Accounts Assurance Statement in respect of its consolidation data. Due to a delay in the provision of instructions by the NAO, this return had not yet been submitted, however once the instructions were received the work would be completed.

In terms of the external auditor fees which had been set out in the Audit Strategy Memorandum, it was confirmed that the audit fee in respect of

2021-22 had not increased.

Members praised the finance team for their work and queried if the audit fees for 2022-23 would rise, the Chief Finance Officer confirmed that there would be an increase in the audit fees for 2022-23. The Officer explained that Mazars had been appointed as the external auditors for the new North Yorkshire Council, which was seen as a positive way forward as there would already be an existing working relationship in place.

In response to a query regarding the Housing Revenue Account and why the savings target had not been achieved, the Chief Finance Officer stated that the saving target had been based on full implementation of the housing management system. The implementation had experienced some challenges and had consequently been delayed, however the final phase of implementation was expected in quarter 4 of the financial year.

**RESOLVED:**

**To note the report.**

**30 INTERNAL AUDIT, COUNTER FRAUD & INFORMATION GOVERNANCE PROGRESS REPORT (A/22/13)**

The Audit Manager, Veritau presented the report which provided the Committee with an update on the delivery of the internal audit work plan for 2022-23, along with an update on the counter fraud and information governance work undertaken to date in 2022-23.

Member's attention was drawn to Annex 1 of the agenda pack which detailed the audit work finalised to date, and it was noted that five audit reports had been finalised since the last report to Committee in October 2022.

In terms of the overdue high priority action Performance Management, the Committee were informed that since the prioritisation of Personal Development Reviews (PDRs) communications had been issued to all managers and staff, and completion rates had been monitored closely by the Leadership Team with the result that at the 9 January 2023, the completion rate for PDRs had risen to 92%.

Members acknowledged the improvement made in the completion rate of PDRs and queried the completion rate for the Information Governance (IG) training, the Chief Finance Officer confirmed that the completion rate for IG training stood at 92%.

The Counter Fraud Manager, Veritau presented the section of the report related to the Council's counter fraud activity 2022-23, which provided an update on the reports of fraud and investigative activity to date, along with details of recent fraud awareness activities.

As had been highlighted at Committee in October 2022, Members were

reminded that an e-learning package for employees had been produced for all the Councils involved in local government reorganisation in North Yorkshire (LGR), this had raised awareness of the increased risk, and focused on threats that may be experienced before and after the new Council was formed. The package had been available for all staff on the Council's e-learning portal from September 2022.

The Committee heard that the counter fraud team had delivered a number of fraud awareness campaigns for Council staff, the first campaign in October 2022 was timed during cybersecurity awareness month and focussed on mandate fraud. This was followed by a general fraud awareness campaign for officers which took place during International Fraud Awareness Week in November 2022, and finally, a campaign to raise awareness of the council's anti-bribery and anti-money laundering policies took place in December 2022.

Members were informed that data had been submitted from a number of the Council's services to the newly formed Public Sector Fraud Authority for the National Fraud Initiative exercise for 2022-23; outputs from this national matching exercise would start to be released in February 2023.

In terms of investigative work, Members heard that a total of 88 referrals of suspected fraud had been received from Council staff and members of the public, with a number of cases still ongoing; as a result of this work the Council had achieved savings of £17.1k to date.

The officer highlighted that Covid grant investigations had begun to draw gradually to an end, with the focus now on the recovery of incorrectly obtained grants where debts were still outstanding and required re-paying to the authority.

The Committee queried if the investigations into the suspected cases of fraud which were still ongoing would have been completed before Selby District Council ceased to exist in April 2023. The Officer advised Members that some cases would have been concluded, however some investigations would still be ongoing and may require additional work to bring them to a conclusion, however this work would continue past vesting day and into the new North Yorkshire Council therefore, there would be no break in the audit services provided.

A Member queried what length of time in counter fraud man hours were needed for each investigation of suspected fraud, it was confirmed that there were a number of factors which made it very difficult to quantify as some cases were passed to other agencies, some referrals were not investigated, and some cases were not dealt with in consecutive working hours.

The Information Governance Manager, Veritau drew the Committee's attention to annex 3 of the report which provided an update on Information Governance matters, developments in the Council's Information Governance arrangements and compliance with relevant

legislation.

Members noted that due to LGR the Corporate Information Governance Group (CIGG) had agreed that no new actions would be included in the 2022-23 IG action plan and instead work would focus on the priority outstanding actions required to make the Council compliant with UK GDPR and the Data Protection Act 2018. Therefore, the key areas of focus were on completing the review of the Council's Privacy Notices and Information Asset Register, and ensuring all staff completed the Data Protection training.

The Committee were advised that a review of the consistency of district council privacy notices had begun in November 2022 and that once this work had been completed the same process would apply to the Information Asset Registers, this was to ensure alignment across the North Yorkshire district ahead of vesting day on 31 March 2023.

In terms of training, the Committee heard that 92% of Council staff had completed the mandatory Information Governance training and it was highlighted that this was very close to the target as some staff were on maternity leave or long-term sick leave. Training on Information Incident Management had also been delivered to sixty members of staff over three training sessions in November 2022, and it was noted that the LGR IG workstream were producing a short, recorded webinar of that training which would be available for staff to undertake.

**RESOLVED:**

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

**31 CORPORATE RISK REGISTER 2022-23 (A/22/14)**

The Committee received the report, presented by the Audit Manager, Veritau who explained that this report contained the twice-yearly update on movements within the Corporate Risk Register, which was last reported to the Committee in July 2022.

Members noted that the Leadership Team had collectively reviewed and re-assessed each of the Council's current risks in January 2023.

The Committee was informed that there was a total of 12 risks on the Council's Corporate Risk Register for 2022-2023, with no new risks being added. It was highlighted that the Corporate Risk Register included five risks with a score of 12 or more (high risk), this had increased by one since the Corporate Risk Register was last reported to committee in July 2022. It was confirmed that this was a result of the 'Economic Environment' risk having moved from a score of 9 to 12 due to high inflation and energy costs, as well as continued challenges accessing labour supply, all of which threatened investor and consumer confidence.

Members heard that the 'Local Government Reorganisation' (LGR) risk

remained the most significant risk faced by the Council, with a score of 20, unchanged from the previous assessment. It was explained that this was due to the work required to be undertaken by the Council as part of the transition, and the uncertainty associated with LGR continued to create significant capacity challenges.

Finally, the 'Managing Partnerships' risk had increased from a score of 6 to 9 due to the proximity of vesting date, and the challenge of successfully bringing existing arrangements into the new North Yorkshire Council (NYC). Members were informed that Council officers from Selby represented Selby District Council on the LGR Strategic Risk Management Group and had provided input into the new NYC Corporate Risk Register.

In terms of mandatory staff training a Councillor queried what percentage of staff had completed the mandatory health and safety training, and as a risk had been identified around the lack of a fire warden for the Civic Centre building, had this risk been addressed. The officer was unable to provide an answer to the queries but stated that he would speak with the officers concerned and circulate the information to the Committee.

One Member raised concerns and asked a number of questions in relation to the five risks which had been identified as high risk on the register and what he considered to be a failure to control those risks. Another Member commented that the report was very clear, that most of the risks were factors outside officer's control and that officers had acknowledged and identified the risks and put in place the necessary mitigating actions to plan for unforeseen circumstances.

The Chief Finance Officer confirmed that there were mitigating actions in place for the financial challenges which faced the Council, however circumstances changed on a regular basis and therefore the risks did not diminish. It was further confirmed that despite the challenges and pressures such as high inflation, energy costs, the impact of Covid-19 on income streams, the Council continued to perform and be financially sustainable.

In response to a query regarding the 'Economic Environment' risk and why leaving the European Union would present a risk to Selby, it was confirmed that there were businesses within the Selby district who operated in the European Union and the wider world, which presented a potential risk around uncertainty in trading conditions which could impact on those businesses and then on the local economy.

Discussion took place regarding inflationary pressure, wage growth, fluctuations in interest rates, the cost of living crisis and the Councils investment income. Members were informed that the risks were all covered in the wider economic environment and had been analysed and assessed, and controls implemented to reduce the impact of the risk.

**RESOLVED:**



**To note the status of the Corporate Risk Register.**

**32 REVIEW OF ANNUAL GOVERNANCE STATEMENT ACTION PLAN 2021-22 (A/22/15)**

The Committee received the report presented by the Chief Finance Officer, which asked Members to note progress on the Annual Governance Statement (AGS) 2021-22 Action Plan which had been approved by the Committee in October 2022.

It was highlighted that one action relating to Performance Management had been on the action plan for a period of over one year and had been given revised dates to be actioned by.

As the Committee had heard during an earlier agenda item, significant progress against the approved action plan had been made, with Performance Development Review (PDR) completion rates now at 92%, with actions in place to encourage the remaining outstanding PDRs to be completed.

In response to a query from the Chairman regarding the reason why a 100% completion rate had not been attained for the mandatory training, the Chief Finance Officer explained that some staff members were on maternity leave or long-term sick leave, with one or two other members of staff not having completed the training due to capacity within teams.

**RESOLVED:**

**To note the progress against the Action Plan for the Annual Governance Statement 2021-22.**

**33 PRIVATE SESSION**

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

**RESOLVED:**

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

**34 CONSIDERATION OF INTERNAL AUDIT REPORTS (A/22/16)**

The Audit Manager, Veritau presented the report, which advised that an audit had been completed on 17 January 2023 and the overall opinion was that the controls within the system only provided "Limited Assurance". As such, the findings had been brought to the Committee for presentation and discussion.

Members noted that actions had been agreed which were appropriate to address the risks identified and proportionate in view of Local Government Reorganisation.

The Committee asked a number of questions in relation to the audit, and it was confirmed that the service was working with Veritau to collate all the information that was currently held for the department in what would become a central blueprint; this in turn would support the ongoing work with the new information technology (IT) system currently being implemented.

Members were assured that appropriate action was being taken.

**RESOLVED:**

**To note the report.**

The meeting closed at 6.27 pm.



**Audit & Governance Committee Work Programme 2022-23**

<b>Date of Meeting</b>	<b>Topic</b>	<b>Action Required</b>
<b>27 July 2022</b>	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'

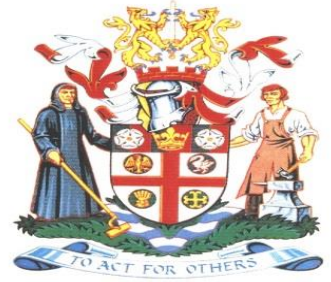
<b>26 October 2022</b>	Review of Action Log	To consider the latest Action Log
	Regulation of Investigatory Powers (RIPA)	To receive an update on the Regulation of Investigatory Powers
	Local Government and Social Care Ombudsman and Corporate Complaints Annual Review Letter 2021-22	To receive the Local 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
	Statement of Accounts 2021-22	To approve the Statement of Accounts for the financial year 2021-22
	Consideration of Internal Audit Reports	To consider any Internal Audit Reports that have concluded 'Limited Assurance' or 'No Assurance'

<b>25 January 2023</b>	Review of Action Log	To consider the latest Action Log
	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
	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

<b>29 March 2023</b>	External Audit Progress Report	To review the progress of the external auditor
	Internal Audit, Counter Fraud and Information Governance Annual Reports	To consider the Internal Audit, Counter Fraud and Information Governance Annual Reports.
	Annual Governance Statement (AGS) 2022-23	To review the Annual Governance Statement 2022-23
	Audit & Governance Committee Annual Report 2022-23	To approve the 2022-23 Annual Report of the Audit and Governance Committee

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# Agenda Item 6



**Report Reference Number: A/22/17**

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To: Audit and Governance Committee  
Date: 29 March 2023  
Author: Dawn Drury, Democratic Services Officer  
Lead Officer: Karen Iveson, Chief Finance Officer

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**Title: External Audit Progress Report**

## **Summary:**

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

## **Recommendations:**

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

## **Reasons for recommendation**

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

### **1. Introduction and background**

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

### **2. The Report**

2.1 The report is attached at Appendix A, which sets out an update on progress in delivering the 2021-22 audit; along with a summary of external audit work on the 2022-23 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 and Governance Committee March 2023

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1. Audit Progress
2. National publications
3. Revised ISA 315

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# 01

## Section 01: **Audit Progress**

# 1. Audit progress

## Purpose of this report

This report provides the Audit and Governance Committee with an update on progress in delivering our responsibilities as your external auditors. It also includes, at Section 2, a summary of recent national reports and publications for your information.

## 2020/21 Audit

The National Audit Office has issued its auditor instructions for the 2020/21 Whole of Government Accounts process and we will be submitting the required auditor's return shortly. NAO has not yet communicated the arrangements for the sample of authorities where they require additional audit procedures to be carried out. The Audit Certificate will be issued, and the audit formally closed, when NAO has confirmed their requirements and any further requested work has been completed.

## 2021/22 Audit

The position on the key elements of the 2021/22 audit is summarised below:

- **Financial Statements audit** – Our audit completion report was presented at October's Committee meeting and our follow up letter was issued on 30 November 2022. The audit report on the financial statements was issued on 30 November 2022.
- **Value for Money arrangements** - We presented our commentary in respect of the Council's arrangements to the January meeting of the Audit and Governance Committee via our Auditor's Annual Report.
- **Assurance work** – the Council engage us to carry out the assurance work in respect of housing benefit subsidy. This work has been completed and we issued our Reporting Accountants Report to the DWP on 3 March 2023.
- **Whole of Government Accounts** – the NAO has not yet issued its auditor instructions for 2021/22. We will carry out the work required when the instructions have been received and update the Committee at future meetings

# 1. Audit progress (continued)

## 2022/23 Audit

We are updating our risk assessments and completing our planning for the 2022/23 audit. We plan to issue our formal Audit Strategy Memorandum in late July and will continue to update members on progress.

At this stage we do not anticipate any significant changes in the scope of the audit opinion work or the approach. We have confirmed the requirements of the revised ISA 315 which applies to the Council's 2022/23 audit and underpins the work we are required to carryout to identify and assess the risks of material misstatement. This enhanced standard will require additional audit work and it is likely that we will need additional information and responses from the Council's management beyond those asked in previous audits. We have included a short summary of the key points from the revised ISA315 within Section 3 of this report and we will continue to liaise with management on the information required and any impact on our risk assessment.

NAO has confirmed that there are no changes to their requirements for the auditor's value for money commentary on the Council's arrangements for 2022/23.

# 02

Section 02:

## **National publications**

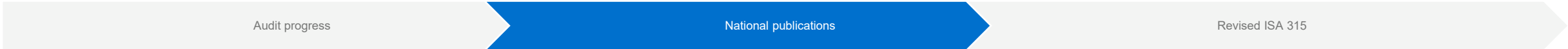
# 02 National publications

This section highlights recent national publications that may be of interest to Members of the Committee. If you require any additional information please contact any member of your engagement team.

We have, in the tables on the next two pages, provided a brief insight into the purpose/key points of the publications with indicative relevance and/or suggested action using the following RAG ratings:

- Action required
- Action suggested
- For information only.

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# National publications

	Publication/update	Key points	RAG rating
<b>Financial Report Council (FRC)</b>			
1	FRC Major Local Audit Inspection Report (October 2022)	Outcome of the FRC inspection of audit quality from 2020/21 audits	●
<b>Chartered Institute of Public Finance and Accountability (CIPFA)</b>			
2	CIPFA : Audit Committees Practical Guidance for local authorities and police (October 2022)	Guidance and resources for audit committee members.	●
3	Insourcing in the Public Sector: A Practical Guide (2022 edition) (December 2022)	Guidance for practitioners	●
4	Update to the Code and Specifications for future Codes for Infrastructure Assets and CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution (January 2023)	<p>An update to the 2021/22 Code, which also updates the 2022/23 Code and will apply to subsequent years until the 2024/25 Code.</p> <p>The bulletin covers the issues to be considered regarding the temporary solution set out in the Code update and the amended Regulations for the accounting and reporting issues relating to infrastructure assets</p>	●



# National publications

	Publication/update	Key points	RAG rating
<b>Public Audit Forum</b>			
5	Consultation responses to the revised Practice Note 10 (December 2022)	<p>The Public Audit Forum (PAF) oversees the development and publication of the Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom which was revised in 2022.</p> <p>PAF has now published the responses to the consultation and final draft amendments. These amendments were approved by the Financial Reporting Council in November 2022.</p>	●
<b>National Audit Office (NAO)</b>			
6	Guide to Corporate Finance in the Public Sector (September 2022)	The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities	●
7	Government Shared Services (November 2022)	The NAO published its report Government Shared Services which examines whether the government's latest Shared Services Strategy is on track to deliver.	●
8	Departmental Overview 2021-22 (December 2022)	The NAO has produced an overview of the Department for Levelling up, Housing & Communities' (DLUHC's) spending and performance for 2021-22	●
9	Progress Update: Timeliness of local auditor reporting on local government in England (January 2023)	The NAO published its report Progress update: Timeliness of local auditor reporting on local government in England which provides an update on developments.	●

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# National publications

	Publication/update	Key points	RAG rating
<b>Public Sector Audit Appointments Ltd (PSAA)</b>			
10	Publication of the 2022/23 fee scale (November 2022)	External audit fees for 2022/23	●
11	Directory of Auditor Appointments from 2023/24 (December 2022)	Auditor appointments for PSAA opted-in bodies	●
12	PSAA announces the number of audit opinions completed for the 2021/22 audits (December 2022)	PSAA has published this year's position on delayed audit opinions.	●
<b>Department for Levelling Up, Housing and Communities</b>			
13	Technical consultation on consequential changes to the homelessness legislation (December 2022)	This consultation aims to identify and understand the impacts these changes will have on the sector, to ensure local authorities can continue to deliver their homelessness duties effectively and give people the support they need.	●
14	Local government finance policy statement 2023-24 to 2024-25 (December 2022)	The policy statement sets out the government's intentions for the local government finance settlement for the next 2 years.	●
15	The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 (December 2022)	These amended Regulations provide local authorities with the temporary statutory override option to allow them to progress and resolve any issues relating to their accounting for Infrastructure Assets.	●

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# National publications

	Publication/update	Key points	RAG rating
<b>Local Government Association (LGA)</b>			
16	The role of councils in tackling digital exclusion (February 2023)	The Local Government Association commissioned DMS Research & Consulting to explore the links between various types of disadvantage and the availability and usage of digital infrastructure, and to consider the role of councils in tackling digital exclusion.	●
17	Local government finance capacity and capability study (February 2023)	As part a sector support programme funded by the Department of Levelling Up, Housing and Communities (DLUHC), the LGA commissioned Local Partnerships to undertake research into capacity and capability in local government finance. The aim is that this report will support councils in understanding the pressures and challenges finance teams are facing, and the actions they can take.	●

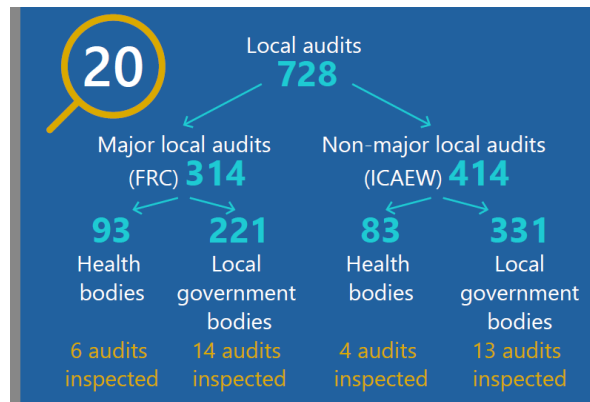
# NATIONAL PUBLICATIONS

## Financial Reporting Council

### 1. FRC Major Local Audit Inspection Report - October 2022

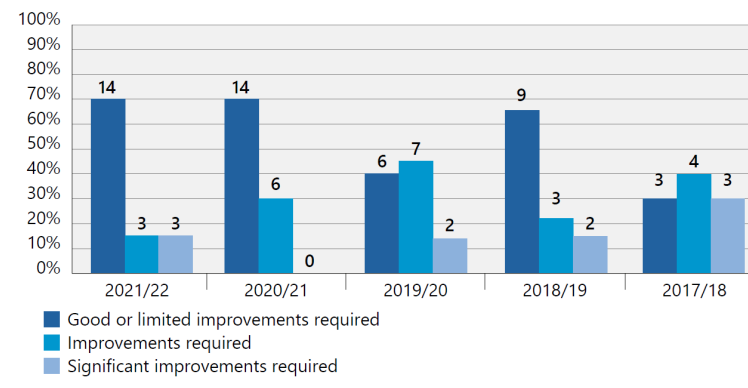
The FRC is responsible for monitoring the quality of the audits of the largest health and local government entities (called Major Local Audits or MLAs). They do this by annually inspecting a sample of MLAs from each of the audit firms who deliver this work. In their most recent publication, they reported on their review of 20 MLAs, three of which related to Mazars. The ICAEW also reviewed 17 non-MLAs (none from Mazars).

Audit firms undertaking local audits	Number of major local audits (within scope of AQR inspection)	Market share %	Reviewed by AQR in 2021/22
Grant Thornton UK LLP	125	39.8%	7
Ernst & Young LLP	72	22.9%	4
Mazars LLP	55	17.5%	3
KPMG LLP	24	7.7%	2
BDO LLP	21	6.7%	2
Deloitte LLP	17	5.4%	2
<b>Total</b>	<b>314</b>		<b>20</b>



Overall, the FRC found that the number of audits categorised as good or limited improvements required has remained consistent with the prior year. However, there was an increase in the number of audits assessed as requiring significant improvements and they deemed this as unacceptable.

All financial statement reviews – for the firms inspected



For Mazars, the FRC found that all 3 2021.22 files reviewed met the expected standards.

This was the second successive year of 100% compliance for Mazars.

Whilst the sample size is small and focused on the higher risk audits, these strong outcomes reflect the investment we have made in people, technical expertise, specialists (such as building an in-house valuation team) and strengthening our audit methodology. Maintaining and improving audit quality is a key objective of the firm and our investment will continue.

# NATIONAL PUBLICATIONS

## CIPFA

### 2. CIPFA : Audit Committees Practical Guidance for local authorities and police 2022 edition – October 2022

The guidance and suite of publications (only available for those with a subscription) has separate guidance resources for audit committee members in authorities, members of police audit committees, and a supplement for those responsible for guiding the committee. New aspects include legislation changes in Wales and new expectations in England following the Redmond Review.

The link to the publication is here: <https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

### 3. Insourcing in the Public Sector: A Practical Guide (2022 edition), December 2022

The guide is an information source for public bodies to help widen their understanding of insourcing and support internal discussion on whether services should be brought back in-house and, if so, how they should be brought back in. In recent times, several outsourced arrangements have failed due to poor quality and unreliability of providers. It is important to note that while insourcing does not require a public body to run a full procurement process, it still needs to follow a process and undertake key steps (for example, TUPE and asset transfer) and is equally reliant on the public body having expert and skilled personnel to manage this.

This practical guide will support public sector practitioners in understanding key areas to focus on when considering insourcing as part of future delivery models.

<https://www.cipfa.org/policy-and-guidance/publications/i/insourcing-in-the-public-sector-a-practical-guide-2022-edition>

# NATIONAL PUBLICATIONS

## CIPFA

### 4. Update to the Code and Specifications for future Codes for Infrastructure Assets (November 2022), and CIPFA Bulletin 12 Accounting for Infrastructure Assets Temporary Solution (January 2023)

This November 2022 publication is an Update to the 2021/22 Code, but it also updates the 2022/23 Code and will apply to subsequent years until the 2024/25 Code, though these specifications will also be included in the 2023/24 and 2024/25 Codes for completeness. This Update to the Code and future specifications for the Code must therefore be considered against these editions of the Code, or where necessary earlier editions.

<https://www.cipfa.org/-/media/files/policy-and-guidance/cipfa-lasaac/ifrs-based-code-update-infrastructure-assets.pdf>

The January 2023 CIPFA Bulletin 12 provides further practical guidance and covers the issues to be considered regarding the temporary solution for the accounting and reporting issues relating to infrastructure assets. The Bulletin takes into account the matters set out in the amended regulations published in December 2022 (see item 15 later in this report). The objective of the bulletin is to provide guidance on the temporary solution for accounting for infrastructure assets, focussing on the reporting of the derecognition provisions where there is replacement expenditure and particularly for highways infrastructure assets

The temporary solution includes the Update to the Code and Specifications for Future Codes for Infrastructure Assets (Update to the Code) from 1 April 2021 to 31 March 2025 which features a temporary relief not to report gross cost and accumulated depreciation for infrastructure assets and the statutory prescriptions from England and Wales and Scotland

The Bulletin also includes guidance on accounting for the pattern of consumption of economic benefits and service potential i.e. depreciation.

The Bulletin includes guidance on materiality, an overview of different elements of the temporary solution, the accounting requirements for derecognition including the statutory prescription, the impact on accounting policies and the reporting requirements for disclosure of gross cost and accumulated depreciation.

<https://www.cipfa.org/policy-and-guidance/cipfa-bulletins/cipfa-bulletin-12-accounting-for-infrastructure-assets-temporary-solution>

# NATIONAL PUBLICATIONS

## Public Audit Forum

### 5. Consultation on Practice Note 10 (Revised 2022): Summary of Responses and Proposed Amendments – December 2022

The consultation on the exposure draft of the 2022 revision of Practice Note 10 Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (PN 10) closed on 16 September 2022 and this document summarises the responses to the consultation and the amendments the Public Audit Forum (PAF) proposes to make to the final draft as a result.

Part 1 of PN 10 provides guidance on applying auditing, quality management and ethical standards in the public sector. It is important to consider potential changes to PN 10 in the context of PN 10's status as a Statement of Recommended Practice (SORP): a set of sector-driven recommendations on (in this case) auditing practices for the public sector which guide auditors on how to apply the underlying standards, including International Standards on Auditing (UK) (ISAs (UK)), in the specialised context of the public sector. The PAF has no role in determining the principles or requirements which are included in the ISAs (UK). The PAF also has no direct role in setting the financial reporting frameworks for public sector entities (although member bodies of the PAF maintain dialogue with the framework setters).

As set out in the summary of responses included in the report, respondents commented on a range of issues faced by auditors of public sector entities. By far the most-cited issue was the current situation in local audit in England and current delays in completing audits of local authorities. A number of respondents suggested various ways in which the consultation draft of PN 10 might be amended so as to ameliorate some of these issues by reducing the audit effort in particular areas. There were suggestions that the proposed changes to the guidance on applying ISA (UK) 320 Materiality in planning and performing an audit may have a significant impact on local auditors' approach to materiality judgements.

<https://www.public-audit-forum.org.uk/wp-content/uploads/2022/12/Practice-Note-10-Consultation-Response-2022.pdf>

# NATIONAL PUBLICATIONS

## National Audit Office

### 6. Guide to Corporate Finance in the Public Sector - September 2022

The NAO recently published a guide to corporate finance in the public sector. The guide uses insights from NAO stakeholder engagement and draws on NAO experience of auditing government interventions and corporate finance activities. It covers 14 themes over three core areas:

- Principles and concepts
- Organisations and functions
- Transactions

The interactive guide contains insights from 139 NAO reports and sets out key questions for senior decision-makers to consider when overseeing corporate finance activities. It may also be of interest to professionals supporting the government to deliver a range of transactions, including commercial investments, loans and guarantees. While not directly focussed on local public services the guide may be of interest to local auditors and audited bodies.

<https://www.nao.org.uk/insights/guide-to-corporate-finance-in-the-public-sector/>

### 7. Government shared services – November 2022

The NAO published its report Government Shared Services which examines whether the government's latest Shared Services Strategy is on track to deliver. It aims to answer the following questions:

- Has the government made progress since we last reported on shared services in 2016? (Part One)
- Are the right conditions in place for the government to deliver its proposed efficiencies and savings? (Part Two).
- Has the government put in place mitigating actions to address the future challenges it faces in delivering its strategy? (Part Three)

The report concludes the government's previous shared services strategies failed to deliver their intended cost savings and other benefits. Its new Shared Services Strategy is highly ambitious and, while most departments consider the cluster model a sensible approach, there are several fundamental elements yet to be put in place that are jeopardising the success of the strategy. For example, the Cabinet Office is still unclear on the extent of the benefits this programme can be expected to bring. It is difficult to judge what progress has been made on enablers such as process and data convergence.

The reports highlights concerns that these gaps cause uncertainty for departments and mean that the Cabinet Office will repeat past failures. The NAO, therefore, cannot conclude that this programme is on track to demonstrate value for money.

<https://www.nao.org.uk/reports/government-shared-services/#downloads>



# NATIONAL PUBLICATIONS

## National Audit Office

### 8. Departmental Overview 2021-22: Department for Levelling Up, Housing & Communities - December 2022

The NAO has produced an overview of the Department for Levelling up, Housing & Communities' (DLUHC's) spending and performance for 2021-22. DLUHC spends nearly £38 billion each year to support economic growth and housing across the country, in collaboration with local authorities. It has overall responsibility in central government for local authorities' funding. Along with other bodies, DLUHC oversees the core accountability system for local authorities.

The guide summarises the key information and insights that can be gained from the NAO's examinations of DLUHC and related bodies in the sector in England, and DLUHC's Annual Report and Accounts.

<https://www.nao.org.uk/overviews/departmental-overview-2021-22-department-for-levelling-up-housing-communities/>

### 9. Progress update: Timeliness of local auditor reporting on local government in England January 2023

Local government audit provides transparency and accountability to both taxpayers and their local elected representatives. It provides authorities with accurate and reliable financial information with which to plan and manage their services, and finances, effectively. It also provides assurance to the wider public sector, supporting the audit of certain central government departments and the Whole of Government Accounts.

The arrangements for local audit in England changed significantly following the abolition of the Audit Commission in 2015. From 2018-19, local government bodies appointed private firms to undertake their audits, either directly or through a national scheme. Other responsibilities for regulation and standard setting were spread across multiple organisations. The Department for Levelling Up, Housing & Communities (DLUHC) also sought to compress the timetable for accounts production and audit from 2017-18, to increase public interest in local accounts and encourage more rigorous in-year monitoring.

Since 2017-18 there has been a significant decline in the number of local government body accounts including an audit opinion published by the deadlines set by government. We first reported on this in 2021, when 45% of accounts for 2019-20 were published by the deadline, down from 97% in 2015-16. This report provides an update on developments.

<https://www.nao.org.uk/reports/progress-update-timeliness-of-local-auditor-reporting-on-local-government-in-england/>

# NATIONAL PUBLICATIONS

## Public Sector Audit Appointments Ltd

### 10. News release: Publication of the 2022/23 fee scale – November 2022

PSAA has published the 2022/23 audit fee scale following consultation. Information on the fee scale and consultation is available. Most audit work under this fee scale will be undertaken from April 2023 onwards.

The fee scale applies for the audit work to be undertaken by appointed auditors in respect of the 2022/23 financial statements at relevant principal authorities that have opted into PSAA's national auditor appointment arrangements for the period 2018/19 to 2022/23.

Auditors will undertake their work under the requirements of the Code of Audit Practice and supporting guidance published by the National Audit Office on behalf of the Comptroller and Auditor General, the financial reporting requirements set out in the Code of Practice on Local Authority Accounting published by CIPFA/LASAAC, and the professional standards applicable to auditors' work.

Under the Local Audit (Appointing Person) Regulations 2015, the 2022/23 fee scale must be published by 30 November 2022 and cannot be amended after that date. Any subsequent changes in national requirements or local circumstances relating to the 2022/23 audits will therefore be the subject of fee variations.

The 2022/23 fee scale is the last in the current appointing period which is under the 2017 audit contracts. New contracts will apply from the 2023/24 audit following a procurement during 2022. PSAA will consult on the fee scale for the 2023/24 audit in early autumn 2023.

<https://www.psa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

### 11. Directory of Auditor Appointments from 2023/24 – December 2022

PSAA has published its Directory of Auditor Appointments from 2023/24 following the completion of the 2022 procurement. The Board agreed the appointments at its meeting on 16 December 2022.

<https://www.psa.co.uk/2023/01/directory-of-auditor-appointments-from-2023-24/>

# NATIONAL PUBLICATIONS

## Public Sector Audit Appointments Ltd

### 12. PSAA announces the number of audit opinions completed for the 2021/22 audits – December 2022

This year’s position on delayed audit opinions underscores the scale of the huge challenge that local audit is facing. At the publishing date of 30 November 2022, only 12% of local government bodies’ 2021/22 audit opinions have been given. Although this is slightly higher than last year’s 9%, this year’s publishing date is two months later than the 30 September target for delivery of 2020/21 opinions.

The table below highlights a comparison with previous years.

Year of Account	Publishing Date	Opinions given at the publishing date
2021/22	30 November 2022	12%
2020/21	30 September 2021	9%
2019/20	30 November 2020	45%
2018/19	31 July 2019	57%

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What makes the latest position increasingly alarming is that more than 220 opinions from prior years remain outstanding. As opinions have been given at fewer than 60 bodies for 2021/22, this means that a total of more than 630 opinions are currently late. This year the position has been made more difficult by uncertainties concerning the valuation of infrastructure assets, adding to significant ongoing challenges of recruiting and retaining sufficient staff with the requisite knowledge, skills and experience to both prepare and audit the accounts to the required standard.

<https://www.psa.co.uk/appointing-auditors-and-fees/list-of-auditor-appointments-and-scale-fees/2022-23-auditor-appointments-and-audit-fee-scale/>

# NATIONAL PUBLICATIONS

## Department for Levelling Up, Housing and Communities

### 13. Technical Consultation on Consequential changes to the homelessness legislation – December 2022

This consultation seeks views on the consequential amendments to homelessness legislation as a result of the Renters Reform Bill, namely, the removal of section 21 evictions, assured shorthold tenancies and fixed-term tenancies and aims to identify and understand the impacts these changes will have on the sector, to ensure local authorities can continue to deliver their homelessness duties effectively and give people the support they need.

The scope of the consultation is limited to responses on the legislative technical amendments. The majority of the amendments to the legislation are minor and, while the consultation is open to everyone, most responses are expected to be from local authorities and charities in the homelessness space.

The consultation will run for 7 weeks.

<https://www.gov.uk/government/consultations/technical-consultation-on-consequential-changes-to-the-homelessness-legislation/technical-consultation-on-consequential-changes-to-the-homelessness-legislation>

### 14. Local government finance policy statement 2023-24 to 2024-25 – December 2022

The local government finance policy statement sets out the government's intentions for the local government finance settlement for the next 2 years, providing councils with greater certainty on key aspects of their funding to inform their budget setting process and help them to plan for the future.

For the core settlement the Business Rates Multiplier for 2023-24 will be frozen at 49.9p and Revenue Support Grant (RSG) will increase in line with CPI.

For council tax the bespoke council tax referendum principle of up to 3% or £5, whichever is higher, for shire districts remains.

In respect of the remaining settlement grants, the Rural Services Delivery Grant will remain unchanged, in recognition of the inflationary pressures across the sector the Lower Tier Services Grant will be repurposed along with a proportion of the expired New Homes Bonus legacy payments to create a new one-off, funding guarantee. This will ensure that all authorities will see at least a 3% increase in their Core Spending Power before any decision they make about organisational efficiencies, use of reserves, and council tax levels. There will also be new rounds of New Homes Bonus (NHB) payments in 2023-24.

These proposals are subject to consultation which will last for 4 weeks from 19 December 2022 to 16 January 2023.

<https://www.gov.uk/government/publications/local-government-finance-policy-statement-2023-24-to-2024-25/local-government-finance-policy-statement-2023-24-to-2024-25>

### 15. The Local Authorities (Capital Finance and Accounting) (England) (Amendment) Regulations 2022 – December 2022

These amended regulations came into force 25 December 2022. New regulation 30M (3) provides that where a local authority replaces a component of an infrastructure asset, the authority has a choice of how to identify the carrying amount to be derecognised in respect of that component (ie either a nil amount or to follow the Code). Regulation 30M applies to statements of accounts for financial years beginning on or before 1 April 2024, and to those statements of accounts that have not already been certified by a local auditor. The accompanying explanatory memorandum sets out the government's expectation in interpreting the statutory provision which is that where local authorities determine the carrying amount to be derecognised at nil value, no further evidence is required to support this. The government has indicated that 'determination' should be interpreted as a choice by an authority. As set out in the Local Government Act 2003 S.21 (3), where there is conflict between accounting practices specified in regulations and those in Code, the practices in regulations take precedent. The government has indicated that the intent of the Regulations and the Update to the Code is to mitigate the risks of further audit delays or the qualification of accounts due to issues relating to infrastructure assets, as described.

<https://www.legislation.gov.uk/uksi/2022/1232/introduction/made>

# NATIONAL PUBLICATIONS

## Local Government Association (LGA)

### 16 . The role of councils in tackling digital exclusion

Digital exclusion remains an important issue for many local communities and a priority for councils to help residents overcome. This study explores the correlations between thousands of pairs of connectivity and socio-economic variables and how connectivity has changed over time – for example by rural urban classification and in terms of the distribution across output areas and/or council areas.

<https://www.local.gov.uk/publications/role-councils-tackling-digital-exclusion>

### 17 . Local government finance capacity and capability study

The issues facing local government finance functions are not unique in terms of recruiting and retaining staff and dealing with the consequences that the COVID-19 pandemic, the cost of living, and economic contraction, are having on their organisations.

There are changes which can be made that will help alleviate some of the current problems over the longer term and collaboration on certain aspects such as sharing sought-after skills and aligning practices on flexible working and market supplements that may help some recruitment and retention issues in the short term.

There are also opportunities for Government and other external bodies to help in terms of alleviating some workload pressures, specifically relating to financial reporting, external audit and grant administration.

However, sufficiency of funding underpins the findings and recommendations and, until that problem is addressed, then it is difficult to see how the growing risks of financial failure across councils, as a result of capacity and capability issues, recede.

<https://www.local.gov.uk/publications/local-government-finance-capacity-and-capability-study>

# 03

Section 03:  
**Revised ISA 315**

## 2. Revised ISA 315

### Revised auditing standard for Identifying and assessing the risks of material misstatement: ISA (UK) 315 (Revised 2019)

*(Effective for audits of financial statements for periods beginning on or after December 15, 2021)*

ISA (UK) 315 (Revised 2019) introduces major changes to the auditor's risk identification and assessment approach, which are intended to drive a more focused response from auditors undertaking work to obtain sufficient appropriate audit evidence to address the risks of material misstatement. The main changes relevant to your audit are outlined below:

- **Enhanced risk identification and assessment**

The standard has enhanced the requirements for the auditor to understand the entity and its environment as well as the applicable financial reporting framework to identify the newly introduced inherent risk factors to drive risk identification and assessment (subjectivity, complexity, uncertainty, change, and susceptibility to misstatement due to management bias or fraud). Using these inherent risk factors, the auditor assesses inherent risk on the "spectrum of inherent risk", at which the higher end lies significant risks, to drive a more focused response to the identified risks. It should also be noticed that the standard requires the auditor to obtain sufficient, appropriate audit evidence from these risk identification and assessment procedures to form the basis of their risk assessment.

The standard also increases the focus on auditors identifying the assertions where the inherent risk lays. For clarity, we include a table of assertions:

Completeness	Is the balance complete?
Accuracy & valuation	Are transactions accurately recorded and assets and liabilities appropriately measured?
Classification	Is the balance classified correctly?
Occurrence	Did the transaction occur?
Existence	Does the item exist?
Rights & obligations	Does the entity own the item?
Cut-off	Is the item recorded in the correct financial year?
Presentation & disclosure	Is the item presented in the accounts appropriately?



## 2. Revised ISA 315

### Consideration of account balances and assessing inherent risks

Under the revised ISA 315 we will make an assessment of the inherent risks associated with the Council's transactions, balances and disclosures. We then determine whether each transaction, balance and disclosure is a 'significant account' (i.e. a significant class of transactions, balances and disclosures) and identify the assertions that are relevant. We then consider the controls the Council has in place and conclude whether or not we consider the audit risk associated to each item is significant, i.e. after taking into account the controls in place is there a significant risk of material misstatement in relation to the relevant assertion. In addition, the revised ISA requires auditors to document more closely the key business process associated with each significant account with a focus on the processes for how transactions are initiated, recorded, processed, and incorporated into the general ledger.

### Greater emphasis on IT

In response to constantly evolving business environments, the standard has placed an increased emphasis on the requirements for the auditor to gain an understanding of the entity's IT environment to better understand the possible risks within an entity's information systems. As a result, auditors are required to gain a greater understanding of the IT environment, including IT general controls (ITGCs). However, the standard acknowledges the fact that there is a need for scalability in gaining this understanding and provides more detailed guidance on how to approach the topic depending on the complexity of the commercial software and/or IT applications.

### Increased focus on controls

In addition to the above, the standard has also widened the scope of controls deemed relevant to the audit. Auditors are now required to increase their understanding of controls implemented by management, as well as assess the design and implementation of those controls, which include ITGCs.

### Impact on the audit of the Council

Our risk assessment procedures will be more granular than in the prior year and we will be seeking more information from the Council to ensure that we can document our detailed understanding of the Council and the environment that it operates in. This will build on the existing strong knowledge of the Council we already have in place from our previous years' audits. In documenting our risk assessment, we will need to input additional time to assess inherent risks of the spectrum that the auditing standard requires.

In terms of IT, we have established a good understanding of the Council's IT environment although we will need to update our assessment following the financial system changes in 2022/23. We will keep this under review as part of our planning and interim audits. We do not plan to test ITGCs as we have designed our approach to gain assurance from substantive testing, which in our view remains the most efficient approach to take.

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

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**Report Reference Number: A/22/18**

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**To: Audit and Governance Committee**  
**Date: 29 March 2023**  
**Authors: Ed Martin; Audit Manager – Veritau**  
**Daniel Clubb; Corporate Fraud Manager – Veritau**  
**Kirsty Bewick; Assistant Director Information Governance - Veritau**  
**Lead Officer: Karen Iveson; Chief Finance Officer**

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**Title: Annual Report of the Head of Internal Audit 2022-23; 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 2022/23 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 2022/23 and information governance work undertaken for the council in 2022/23.

**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 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 2022/23 and gives an opinion on the overall framework of governance, risk management and control in place within the council.
- 2.2 A summary of counter fraud work carried out during 2022/23 is included at annex 2. Investigative work resulted in £29.7k of savings being made, and key counter fraud messages were published throughout the year for staff and the public. The team has also supported the development of robust counter fraud policies and procedures as part of Local Government Reorganisation in North Yorkshire.
- 2.3 Annex 3 includes a summary of the information governance work carried out during 2022/23. The team's work resulted in the completion of a comprehensive review of Privacy Notices and Information Asset Register. Training on Information Incident Management was completed for staff together with ongoing work to support the Council with information requests and information incidents.

### **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 ongoing liaison with officers. However, in giving the opinion, we would note that preparations for local government reorganisation (LGR) have, over the last year, required a significant investment of time, effort and resources across the organisation. This has put strain on the Council's control environment and its business operations. The Council has had to operate during periods of uncertainty and substantial change all while maintaining service delivery and other key support functions. The unique circumstances and uncertainty brought about by the LGR transition have combined to create a very challenging operating environment. While the work of internal audit is directed to the areas that are considered most at risk, or to provide most value for the Council, it is not possible to conclude on the full extent of the impact of the LGR transition on the Council's operations.

## 5. Background Documents

Internal Audit, Counter Fraud and Information Governance Plans 2022/23

Internal Audit, Counter Fraud and Information Governance progress reports to Audit and Governance Committee in 2022/23

The Public Sector Internal Audit Standards 2017

6. **Annexes:**
- Annex 1: Annual Report of the Head of Internal Audit 2022/23**
  - Annex 2: Counter Fraud Annual Report 2022/23**
  - Annex 3: Information Governance Annual Report 2022/23**

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# ANNUAL HEAD OF INTERNAL AUDIT REPORT 2022/23

Date: 29 March 2023

ANNEX 1



## CONTENTS

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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.
- 2 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 2022/23

- 3 The financial year 2022/23 has been dominated by preparations for local government reorganisation (LGR). This was anticipated at the beginning of the year when the internal audit work programme was presented to this committee in April 2022.
- 4 The approach to internal audit delivery has been significantly different to previous years. This was intentional and designed to ensure that we could provide support but also assurance in areas of most importance from a risk or priority perspective, while recognising the demands on officers due to LGR. This has required, in some instances, careful programming and planning to deliver financial systems work and, in others, a need to be flexible and responsive, picking up and pausing audit work in response to pressures facing service areas.
- 5 In addition to internal audit work undertaken directly for Selby District Council, Veritau has supported all eight councils involved in the transition to North Yorkshire Council through its attendance at, and contributions to, various LGR workstreams throughout 2022/23. A portion of our time this year has been spent providing direct support and advice to these workstreams.
- 6 Senior managers at Selby District Council have continued to support delivery of internal audit work as far as they have been able during 2022/23. As in a typical year, work has been prioritised based on risk and the need to provide coverage of the Council's framework of governance, risk management and control. However, particular emphasis has been given to providing assurance on the continued effective operation of the

Council's key financial systems amidst the changes and pressures brought about by LGR.

- 7 Given the significant increase in LGR workloads on top of usual responsibilities, and the related impact on availability of Council staff throughout the year, as well as the earlier than usual reporting of our work to this committee<sup>1</sup> (our annual Head of Internal Audit report is usually presented in July) not all audits have been completed. A small number of audits identified as priority audits at the time the work programme was presented in April 2022 have not been undertaken.
- 8 Despite this, we have been able to deliver a body of internal audit work during the year which, overall, has resulted in good coverage of the Council's framework of governance, risk management and control.
- 9 The results of completed audit work have been reported to the responsible officers, the Chief Finance Officer and to the Audit and Governance committee during the year. An overview of our work in 2022/23 is included in appendix A.
- 10 Appendix B provides details of the key findings arising from the benefits audit, which has been finalised since the last meeting of this committee.
- 11 Appendix C provides an explanation of our assurance levels and priorities for management action.

## FOLLOW UP OF AGREED ACTIONS

- 12 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. As a result of this work, we are satisfied that sufficient progress has been made to address control weaknesses identified in previous audits. We anticipate that remaining outstanding actions will either have been satisfactorily completed prior to vesting day or that plans will be in place to address them within a reasonable time thereafter (as part of control improvements that are implemented locally but within the new North Yorkshire Council).
- 13 During 2022/23 issues were identified from work on information security and health and safety related to homeworking, and housing repairs and maintenance, with limited assurance opinion reports being presented to the Audit and Governance committee. The issues related to information security and health and safety have been satisfactorily addressed by management during the year. Issues identified in the housing repairs and maintenance audit are being addressed and progress has been made but

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<sup>1</sup> Regulation 11 of the Local Government (Structural Changes) (Further Transitional and Supplementary Provision and Miscellaneous Amendments) Regulations 2009/276 provides that each district council must, in accordance with Regulation 6 of the Accounts and Audit Regulations 2015, prepare and approve an Annual Governance Statement (AGS) prior to the reorganisation date. This must be signed by the district council Leader and its Head of Paid Service (Chief Executive). Internal audit's opinion on the adequacy and effectiveness of the Council's framework of governance, risk management and control is a key source of assurance in preparing the AGS and the reason why the annual report of the Head of Internal Audit is being presented at this meeting.

work needs to continue to ensure that sound systems of control are in place to effectively manage housing assets.

## PROFESSIONAL STANDARDS

- 14 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).
- 15 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 2018<sup>2</sup>. This concluded that Veritau internal audit activity generally conforms to the PSIAS<sup>3</sup>.
- 16 The outcome of the last QAIP (reported to this committee in July 2022) demonstrated that the service continued to conform to the PSIAS. The results of the self-assessment and QAIP for 2022/23 are not yet complete but will be available for review after April 2023. The full QAIP will be presented to a meeting of the Audit Committee of the new North Yorkshire Council in 2023/24.
- 17 The Internal Audit Charter sets out how internal audit at the Council will be provided in accordance with the PSIAS. The Charter was last reviewed in July 2022 and no changes were proposed. The current Charter will continue to guide and govern the performance of Veritau's internal audit work for the Council up until 31 March 2023.

## OPINION OF THE HEAD OF INTERNAL AUDIT

- 18 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

<sup>2</sup> Reported to the Audit and Governance committee in January 2019.

<sup>3</sup> PSIAS guidance suggests a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' is the top rating.

provides **Reasonable Assurance**. No reliance was placed on the work of other assurance providers in reaching this opinion.

- 19 In giving this opinion it is noted that weaknesses in the control environment were identified during a housing repairs and maintenance audit. The council has now made progress to improve the information held on the condition of its housing stock and has implemented a new housing system which should help improve the data quality and ability to manage the housing assets. Work is ongoing and is still needed to ensure a sound system of control is in place for housing repairs and maintenance but sufficient progress has been made that this is not a significant control weakness which needs to be considered for inclusion in the Annual Governance Statement.
- 20 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 with officers. However, in giving the opinion, we would note that preparations for local government reorganisation (LGR) have, over the last year, required a significant investment of time, effort and resources across the organisation. This has put strain on the Council's control environment and its business operations. The Council has had to operate during periods of uncertainty and substantial change all while maintaining service delivery and other key support functions. The unique circumstances and uncertainty brought about by the LGR transition have combined to create a very challenging operating environment. While the work of internal audit is directed to the areas that are considered most at risk, or to provide most value for the Council, it is not possible to conclude on the full extent of the impact of the LGR transition on the Council's operations.

## APPENDIX A: INTERNAL AUDIT WORK IN 2022/23

### Final reports issued

Audit	Reported to Committee	Opinion
Benefits	March 2023	Substantial Assurance
General Ledger	January 2023	Substantial Assurance
Contract Waivers	January 2023	Reasonable Assurance
Creditors	January 2023	Reasonable Assurance
Housing Rents	January 2023	Substantial Assurance
Council house repairs and maintenance	January 2023	Limited Assurance
Council tax & NNDR	October 2022	Substantial Assurance
Payroll	October 2022	Reasonable Assurance
Health and safety – homeworking	October 2022	Limited Assurance
Information security - homeworking	October 2022	Limited Assurance
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

### Other work in 2022/23

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- Certification of the Local Authority Test and Trace Contain Outbreak Management Fund Grant.
- Certification of the Local Authority Test and Trace Support Payment Scheme Grant.
- Ongoing review of key documentation and meeting minutes to help inform future work and provide insight for the annual opinion.
- Regular discussion with management, including ongoing discussions linked to local government reorganisation and in respect of the financial based audits, to help ensure sufficient coverage for the annual opinion.
- Involvement in a number of the local government reorganisation workstreams to help develop and understand new arrangements and share knowledge with management and officers.

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

System/area	Opinion	Area reviewed	Date issued	Comments	Management actions agreed
Benefits	Substantial Assurance	The audit reviewed systems for assessing and paying new claims, processing changes to existing claims and the management of overpayments, recovery and write offs.	March 2023	<p>It was found that systems were working well. Controls relating to assessing and processing claims were operating effectively. Appropriate recovery action was being taken to address overpayments.</p> <p>The one issue found related to writing off unrecoverable debt, with no write off exercise having been completed in 2022/23.</p>	All unrecoverable debt will be written off prior to LGR vesting day.

## APPENDIX C: AUDIT OPINIONS AND PRIORITIES FOR ACTIONS

Audit opinions	
<p>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.</p> <p>Our overall audit opinion is based on 5 grades of opinion, as set out below.</p>	
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.



# COUNTER FRAUD ANNUAL REPORT 2022/23

Date: 29 March 2023

Annex 2





## 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 year<sup>1</sup>. Financial loss due to fraud can reduce a council's ability to support public services and 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 update the Committee on counter fraud activity in 2022/23.



## FRAUD MANAGEMENT

- 4 Veritau undertakes a range of non-investigative activity to support the development of counter fraud arrangements at the council. Preparation for Local Government Reorganisation (LGR) in North Yorkshire has been a focus for Veritau in 2022/23. The counter fraud team has worked with all councils to ensure that strong counter fraud policies and procedures are in place when the new authority forms. An e-learning package designed to prepare staff for the threat of fraud was released in September 2022 and has been completed by key finance employees.
- 5 Raising awareness of fraud issues within the council is an important part of the work of the counter fraud team. In June 2022, Veritau raised awareness of whistleblowing and highlighted the importance of the role of managers in the process. In October, warnings about the latest methods and tactics used by cyber criminals were communicated to officers as part of Cybersecurity Awareness Month. During International Fraud Awareness Week in November, internal communications to staff and social media messaging for the public reinforced how to report concerns to the fraud team. In December we highlighted the importance of the council's anti-bribery and anti-money laundering policies.
- 6 To help the council meet obligations under the Local Government Transparency Code 2015, Veritau provided transparency data on counter fraud work completed in 2021/22. This information is published on the council's website.

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



## MULTI-AGENCY WORK

- 7 The National Fraud Initiative (NFI) is a large-scale data matching exercise that involves all councils and some other public sector bodies in the UK. Central government oversight of the NFI has now transferred to the new Public Sector Fraud Authority.
- 8 Matches from data uploaded in November 2022 have begun to be released. The review of matches will be undertaken by the counter fraud team and relevant council service areas.



## INVESTIGATIVE WORK

- 9 The counter fraud team has received 100 referrals of potential fraud. These relate to allegations of council tax support, business rates discounts/exemptions, housing, and internal fraud. The team works closely with staff and encourages members of the public to report any concerns they have about fraud affecting the council.
- 10 The counter fraud team has helped the council achieve £29.7k of savings in 2022/23. 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.
- 11 Information from new national data matches linked to awards of government funded Covid-19 grant payments to businesses helped identify potential fraud and error that cannot be detected by local records alone. Investigations of business rates resulted in savings of £14.1k
- 12 Investigations have led to three warning being issued. Two were issued to businesses that incorrectly received covid-19 grants payments, and a further warning was issued to a business for incorrectly obtaining a business rates exemption.
- 13 Nine investigations are ongoing. Any cases that remain open at the end of March 2023 will transfer to the new North Yorkshire Council.
- 14 A summary of investigative work is included in appendix A, below.

## APPENDIX A: SUMMARY OF INVESTIGATION ACTIVITY

Activity to date includes the following:

	<b>2022/23 (As at 28/02/23)</b>	<b>2022/23 (Target: Full Yr)</b>	<b>2021/22 (Actual: Full Yr)</b>
Amount of actual savings (quantifiable savings - e.g. repayment of loss) identified through fraud investigation	£29,735	£14,000	£8,757
% of investigations completed which result in a successful outcome (for example payments stopped or amended, sanctions, prosecutions, properties recovered, housing allocations blocked)	46%	30%	29%

Caseload figures for the period are:

	<b>2022/23 (As at 28/02/23)</b>	<b>2021/22 (Full Year)</b>
Referrals received	100	84
Number of cases under investigation	9	14 <sup>2</sup>
Number of investigations completed	26	14

<sup>2</sup> As at the end of the financial year (i.e. 31/03/2022)

### Work completed or in progress

The service promotes the use of criminal investigation techniques and standards to respond to any fraud perpetrated against the Council. Activity completed in 2022/23 includes the following:

- **Covid-19 related fraud** – No new cases of Covid-19 business grant fraud have been identified, and no cases are ongoing in this area. Seven investigations have been completed in 2022/23. Three businesses were identified as having incorrectly received Covid-19 grants. Warnings were issued to two of these businesses.
- **Council Tax Support fraud** – Two Council Tax Support investigations have been completed and three are ongoing. Investigation in this area has resulted in the recovery of £3.4k.
- **Council tax fraud** – Investigation of council tax fraud has helped the council recover £2.1k of incorrectly obtained single person discounts. Four allegations are under investigation and five cases have been completed.
- **Housing Fraud** – The team have completed four investigations into allegations of council houses being abandoned by tenants. No fraud was identified in these cases. There are no ongoing investigations in this area.
- **NNDR fraud** – Investigation of business rates fraud has helped the council recover £14.1k. Four investigations have been completed, one resulting in a warning being issued to a business that incorrectly received small business rates relief. Two further cases identified incorrect payments of small business rate relief which have now been stopped and amended bills have been issued. One case is ongoing.
- **External fraud** – Review of matches from the National Fraud Initiative identified three creditors that received duplicate payments. Payments totalling £10k have been recovered in full.
- **Internal fraud** – Two internal fraud investigations are ongoing.

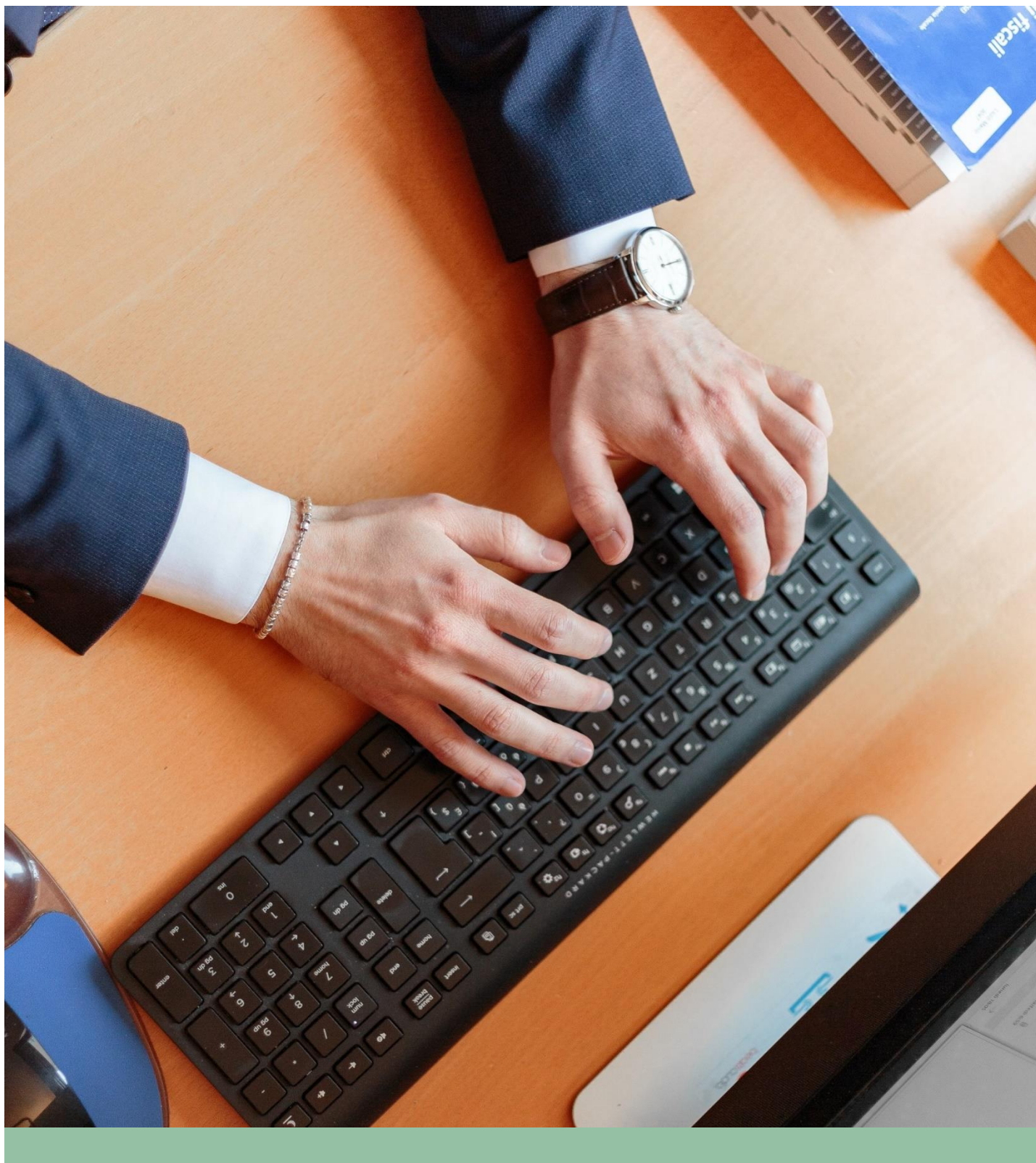
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# INFORMATION GOVERNANCE ANNUAL REPORT

Date: 29th March 2023

ANNEX 3



# CONTENTS

 Purpose of the report	3	 UK GDPR action plan update	3
 Training	4	 Information security incidents	4
 Subject access requests – internal reviews	5	 Data protection impact assessments	5
 Law enforcement	5	 Technology	6

- 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 Executive and provides overall leadership on all information governance matters. CIGG also includes the Information Risk Owner (the Chief Executive) and the Information Governance Officer (the Chief Executive). The group also includes representatives from all service areas.



## UK GDPR ACTION PLAN UPDATE

6 The 2022/23 UK GDPR action plan was reported to CIGG in March 2023. The action plan was updated as work was completed. No new actions were added to the 2022/23 action plan as CIGG has focused on the completion of outstanding work in the lead up to the 2023/24 financial year.

7 Veritau completed the process of applying relevant changes to the privacy notices via consultation with service areas. Privacy notices have been updated to the Council website including Planning Policy, Complaints and Explore Heart of Yorkshire. Updates have been applied to the corporate privacy notices for the following: Members of the Audit and Governance Committee, Chief Executive, Chief Finance Officer (S151 Officer)



privacy notice. Veritau has undertaken a further review to determine the consistency of all District Council Privacy Notices prior to Local Government Reorganisation to align notices providing information about core services and identify duplicate notices with North Yorkshire County Council. This exercise is now complete.

- 8 All policies required for the Council's IG Framework are complete and have been published on the Intranet.
- 9 A review of the Information Asset Register (IAR) was completed on 31<sup>st</sup> March 2022, which reflects UK GDPR compliance needs and now includes columns for law enforcement processing. The IAR along with those of other North Yorkshire councils will inform an IAR for the new North Yorkshire Council after vesting day.
- 10 Agreement was reached to align the process to review data processing contracts with the LGR workstream for Procurement. However, due to competing priorities for all areas of LGR it was decided that the work will be completed after vesting day.
- 11 An assessment of the Council's information sharing with other data controllers was undertaken in 2022. A gap analysis presented to CIGG highlighted some areas of concern. Like the Data Processing Contracts, a decision was made not to progress this work further and the intention is to undertake a further review by the new authority post vesting day.

## TRAINING

- 12 Sixty members of Council staff attended three workshops Veritau organised to provide training on Information Incident Management in November and December 2022. This training provided staff with information about how to recognise an information incident, what to do in the event that they experience one, and the importance in the Council acting quickly.
- 13 CIGG has proactively encouraged staff to complete the mandatory IG training during the year, and as of 2 March 2023, 95% have completed this. Taking into account long-term staff absences due to illness or maternity leave, this figure informs us that the vast majority of staff have now completed this essential training prior to LGR vesting day.

## INFORMATION SECURITY INCIDENTS (DATA BREACHES)

- 14 All information security incidents are assigned a risk rating. This is a five-level RAG 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 (that is the incident was a near miss).

- 15 Information Security Incidents have been reported to Veritau as required during the year. The number of Security Incidents reported to the Council and Veritau in 2022/23 are as follows:

	Very High	High	Moderate	Low	Very Low	White	Total
<b>Q1</b>					1		1
<b>Q2</b>				2	2		4
<b>Q3</b>				1	2	3	6
<b>Q4*</b>				1		1	2
<b>Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>5</b>	<b>4</b>	<b>13</b>

\* Information correct up to and including 2 March 2023

- 16 There has been an increase in the number of security incidents reported in 2022/23 from the 11 reported in 2021/22. However, no incident was risk assessed any higher than a low-risk incident and none were reportable to the Information Commissioner's Office.



## SUBJECT ACCESS REQUESTS - INTERNAL REVIEWS - FREEDOM OF INFORMATION

- 17 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 1 February 2022. As of 2 March 2023, Veritau has processed fourteen DPSARs on behalf of the Council and provided support on six complex FOI requests. In addition, Veritau has provided support to one Internal Review for a subject access request.



## DATA PROTECTION IMPACT ASSESSMENTS

- 18 Veritau supported the Council in completing several DPIAs in 2022/23 as well as providing advice on whether a DPIA was required for other projects.
- 19 Work is ongoing on a few DPIAs. These include MyView, CCTV for Selby town centre, 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). There are still important aspects to complete for each of these DPIAs and this work will continue within the new authority post vesting day.



## LAW ENFORCEMENT

- 20 The Council has completed all necessary work to ensure compliance with Part 3 of the Data Protection Act 2018 (Law Enforcement). Consideration will be given to a broader programme of training within the new authority during 2023/24.

## TECHNOLOGY

- 21 One of the key steps to prepare for the transfer to North Yorkshire Council is having all staff on the same Microsoft 365 system. Being on the same system allows everyone to work together effectively after vesting date. The work to move Selby District Council officers to the new Microsoft 365 system is scheduled to take place in the week commencing 13<sup>th</sup> March 2023. Work to transfer the other district councils will be complete by 1<sup>st</sup> April 2023. Once all Councils are on the same system then Veritau will begin to coordinate the application of retention management on documents held within the network.

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**Report Reference Number: A/22/19**

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**To: Audit and Governance Committee**  
**Date: 29 March 2023**  
**Status: Non-Key Decision**  
**Ward(s) Affected: All**  
**Author: Karen Iveson, Chief Finance Officer (s151)**  
**Lead Executive Member: Cllr Cliff Lunn, Lead Member for Finance and Resources**  
**Lead Officer: Karen Iveson, Chief Finance Officer (s151)**

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**Title: Annual Governance Statement 2022/23**

**Summary:**

This report presents the draft Annual Governance Statement (AGS) for 2022/23, which forms part of the draft Statement of Accounts. The audited accounts and AGS will be presented to the new North Yorkshire Council Audit committee at their meeting in September. There are no actions to carry forward into the new council.

**Recommendations:**

**Subject to comments from the Committee it is recommended that the Draft Annual Governance Statement (AGS) be approved for signature by the Chief Executive and Leader.**

**Reasons for recommendation**

To enable the Committee to approve the AGS for 22/23 ahead of the abolition of Selby District Council.

**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 AGS is set out at Appendix A. This forms part of the draft Statement of Accounts which will be submitted for audit. The audited accounts and AGS will be presented to a meeting of the North Yorkshire Council’s Audit Committee in September 2023.

**2.2** There are no outstanding actions to carry forward to the new council.

**2.3** Previous actions associated performance appraisals have been completed in 2022/23.

## **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 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 2022/23

***Contact Officer:***

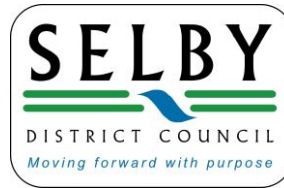
**Karen Iveson, Chief Finance Officer;**  
[kiveson@selby.gov.uk](mailto:kiveson@selby.gov.uk)

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# **Annual Governance Statement 2022/23**



## **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:-

## APPENDIX A

- The Council's key priorities during 2022/23 were reflected in its Council Plan 2020-30, which was approved by Full Council on 17<sup>th</sup> 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 have been increasingly directed towards preparing for this; nevertheless, its priorities during 2022/23 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.
- 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.

## APPENDIX A

- 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.

## APPENDIX A

- 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 .
  - 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;

## APPENDIX A

- 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;

## APPENDIX A

- 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. There were no specific investigations in the year.
  - Internal audit work during 2022/23 focussed on providing assurance on key financial systems and other key risk areas identified through discussions with officers.
  - 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 preparations for local government reorganisation (LGR) have, over the last year, required a significant investment of time, effort and resources across the organisation. This has put strain on the Council's control environment and its business operations. The Council has had to operate during periods of uncertainty and substantial change all while maintaining service delivery and other key support functions. The unique circumstances and uncertainty brought about by the LGR transition have combined to create a very challenging operating environment. While the work of internal audit is directed to the areas that are considered most at risk, or to provide most value for the Council, it is not possible to conclude on the full extent of the impact of LGR transition on the Council's operations.



- Issues relating to performance management have been reported to and reviewed by the audit and governance committee through 2022/23. They have now been satisfactorily addressed.
- During 2022/23 issues were found from internal audit work on information security and health and safety relating to homeworking and housing repairs and maintenance. Actions relating to the information security and health and safety weaknesses have already been taken and the issues satisfactorily addressed by management.
- 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 2022/23. Issues relating to performance management, information security and health and safety were resolved during the year.
- 5.3 Issues have been identified from an internal audit on housing repairs and maintenance. Progress has been made to address weaknesses and work is ongoing to ensure there are sound systems of governance and control in this area of the council's work.

**Janet Waggott**  
Chief Executive

**Councillor Mark Crane**  
Leader of the Council

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# Agenda Item 9



**Report Reference Number: A/22/20**

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**To: Audit and Governance Committee**  
**Date: 29 March 2023**  
**Author: Dawn Drury, Democratic Services Officer**  
**Lead Officer: Karen Iveson, Chief Finance Officer**

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**Title:** Audit and Governance Committee Annual Report 2022-23

**Summary:**

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

**Recommendations:**

- i. To approve the Audit and Governance Committee Annual Report 2022-23; and**
- ii. To delegate authority to the Democratic Services Officer in consultation with the Chair, to update the appendix prior to publication to reflect the work undertaken at the final meeting of the municipal year.**

**Reasons for recommendation**

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

**1. Introduction and background**

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

**2 The Report**

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

- 2.2 The Report has been structured in three sections:
- An introduction from the Chair
  - A summary of the membership, role and work of the committee
  - An appendix comprising a retrospective work programme and summary of decisions for 2022-23.
- 2.3 The Committee is asked to consider any amendments and approve the report for publication.
- 2.4 As there will be no further meeting of the Committee, Members are asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to amend the appendix prior to publication to reflect the business transacted at the March 2023 meeting.

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

- 3.1 None.

### **4. Conclusion**

- 4.1 The Committee is asked to approve the draft Annual Report 2022-23 to comply with the requirement of Article 6 of the Constitution.
- 4.2 The Committee is further asked to delegate authority to the Democratic Services Officer, in consultation with the Chair, to update the appendix to the Annual Report to reflect outcomes following the final meeting.

### **5. Background Documents**

None.

#### **Contact Officer:**

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Ext: 42065  
ddrury@selby.gov.uk

#### **Appendices:**

*A – Draft Audit and Governance Committee Annual Report 2022-23*



**Audit and Governance Committee**

**Annual Report 2022-23**

## Introduction from the Chair – Councillor Karl Arthur

I am pleased to present the Audit and Governance Committee Annual Report 2022-23.

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

The Committee was fortunate to again have excellent officer support to help guide it through complex reports and also excellent advice from both our Internal and External Auditors.

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

I am delighted to say that there were no items of business for the Standards Committee to investigate during the course of the 2022-23 municipal year. However, I would like to take this opportunity to thank Philip Eastaugh, Hilary Putman and Wanda Stables for continuing to volunteer as independent members in case it was needed.

I would like to thank all councillors who served on the Audit and Governance Committee during 2022-23, for their support and continued hard work. Over the years of Selby District Council's existence many people have contributed to the work and success of the committee, including officers and external partners. I would like to put on record my thanks to them.

I am confident that the audit and governance of Selby District Council is robust.



**Councillor Karl Arthur**  
Chair, Audit and Governance Committee

29 March 2023

# Audit and Governance Committee Annual Report 2022-23

The following Councillors sat on the Audit and Governance Committee during the 2022-23 municipal year:

8 Members

<b>Conservative</b>	<b>Labour</b>	<b>Selby Independents</b>
Karl Arthur (Chair)	John Duggan	Neil Reader
Georgina Ashton (Vice-Chair)	Keith Franks	
John Mackman		
Andrew Lee		
<b>Substitutes</b>	<b>Substitutes</b>	<b>Substitutes</b>
Keith Ellis	Paul Welch	
Richard Sweeting	Jennifer Shaw-Wright	
Mark Topping		

The Committee will have met four times during the year (27 July 2022, 26 October 2022, 25 January 2023 and 29 March 2023).

Council officer support during the year was provided by:

- Karen Iveson, Chief Finance Officer
- Alison Hartley, Solicitor to the Council and Monitoring Officer
- Dawn Drury, Democratic Services Officer

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

## The Role of the Audit and Governance Committee

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

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

- monitor and report on the effectiveness of the Council's Constitution;
- receive reports from the Monitoring Officer on the effectiveness of the Standards arrangements adopted by the Council;
- scrutinise and approve the Council's Annual Governance Statement, statement of accounts, income and expenditure and balance sheet or records of receipts and payments (as the case may be);
- be satisfied that the Council's assurance statements, including the Annual Governance Statement, have been properly developed and considered by councillors;
- to scrutinise and monitor the control systems, procedures and risk management systems operating at the Council;
- receive, but not direct, internal audit service strategy and plan and monitor performance;

- receive the annual report of the internal audit service;
- review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary;
- consider the effectiveness of the Council's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements;
- seek assurances that action is being taken on risk-related issues identified by auditors and inspectors;
- consider the reports of external audit and inspection agencies relating to the actions of the Council;
- ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted;
- review the financial statements, external auditor's opinion and reports to councillors, and monitor management action in response to issues raised by external audit;
- issue reports and make recommendations, where appropriate, and in relation to any matters listed above, for consideration by the Council, Executive or the relevant committee of the Council;
- monitor the Council's use of the Regulation of Investigatory Powers Act (RIPA) 2000 for the use of authorisation of surveillance.

## **2022-23 Work Programme**

During 2022-23 the Audit and Governance Committee reviewed and considered:

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

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

To assist the Committee in its work, an 'action log' was maintained throughout the year which listed issues and actions arising from each meeting.

## **Conclusion**

Throughout 2022-23, the Audit and Governance Committee exercised its delegations across a broad range of topics and had the opportunity to further develop the skills and knowledge of its members to ensure that the Council's control framework was adequately scrutinised.



## Audit and Governance Committee Work Programme Review – 2022-2023

27 July 2022	
Topic	Outcome
External Audit Progress Report	<p>The Committee considered the External Audit Progress Report, which set out a summary of external audit work completed to date on the 2020-21 financial statements along with the progress made on the 2021-22 audit planning work.</p> <p>The Committee were informed that in terms of the Audit Certificate for 2020-21, the external auditor had been awaiting guidance from the National Audit Office (NAO) regarding the testing required to be undertaken on the Council's Whole of Government Accounts (WGA) return. It was noted that the guidance had now been received and work had begun to complete the required testing; following completion the Audit Certificate for 2020-21 would be issued, and the 2020-21 audit would be formally closed.</p> <p>Members heard that work in respect of the Housing Benefit Subsidy return 2020-21 was complete, and the return had been submitted to the Department for Work and Pensions (DWP) on 19 May 2022.</p> <p>In terms of the financial statements audit for 2021-22, Members were informed that planning work was scheduled to commence in mid-August and the findings would be presented at the next meeting of the Audit and Governance Committee. Members had no questions and resolved to note the report.</p>
Draft Annual Governance Statement (AGS) 2021-22	<p>Members heard that the draft Annual Governance Statement provided an assessment of the governance environment for 2021-22 and would form part of the Statement of Accounts which would be brought to Committee in October 2022.</p> <p>Member's attention was drawn to the accompanying Action Plan which identified significant control issues, and it was highlighted that some progress had been made in the action relating to performance management, which had been on the action plan for a significant period.</p> <p>The Committee asked a number of questions in relation to Performance &amp; Development Review's (PDR's) in terms of the percentage of PDR's which had not been completed, the individual staff numbers involved, how this compared over previous years, and whether PDR's had not taken place within certain teams for a particular reason. Concerns were expressed that PDR's were not being undertaken in a timely manner, as it was felt that PDR's were an important factor not only in the retention, morale, and professional development of staff, but also a mitigating action against the risk of non-delivery of the Council's priorities.</p>

	<p>Members were assured that performance was monitored in other ways, and that both the Leader of the Council and the Chief Executive were aware and keeping a close watch on the situation. Members resolved to note the report.</p>
Annual Report of the Head of Internal Audit 2021-22	<p>The Committee noted the report which provided a summary of the internal audit work undertaken in 2021-22, along with an opinion on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control. The report also set out the counter fraud and information governance work carried out during the year 2021-22.</p> <p>It was confirmed that the overall opinion of the Head of Internal Audit on the governance, risk management and control framework operated by the Council was that it provided Reasonable Assurance.</p> <p>Members noted that at the beginning of 2021-22, the Council had been recovering from the impact of the Covid-19 pandemic on its working practices and, since then significant and increasing resource had been redirected to the preparations for Local Government Reorganisation (LGR).</p> <p>In terms of the Council's counter fraud activity in 2021-22, it was highlighted that actual savings of £16k had been achieved through fraud investigation; in addition, warnings were issued to two individuals for failing to provide information in relation to the Single Person Discount, and investigation work had assisted in the recovery of a council owned property.</p> <p>Members acknowledged that the threat of cybercrime had increased in 2021-22 as Councils and other organisations were targeted by increasingly sophisticated frauds. It was noted that to help combat this trend following an increase in mandate fraud noted both regionally and nationally, the counter fraud team had worked with officers to review and update processes within the Council to prevent fraudsters re-directing payments.</p>
Risk Management Annual Report 2021-22	<p>The Committee noted the Risk Management Annual Report which summarised the risk management activity during the year 2021-22, whilst also showing the proposed actions to be taken to embed sound risk management processes within the Council for the current 2022-23 municipal year.</p> <p>The Committee heard that the ambition for 2022-23 was to ensure that Selby District Council was represented at the LGR Strategic Risk Management Group to make sure that the Council was well positioned to influence and shape the risk management arrangements for the new authority. Members acknowledged that, against this backdrop of change, further development activity planned for the Council's own risk management arrangements would no longer take place.</p> <p>Members were advised that during the final year of operation for the Council the risk management activity would comprise of regular reporting of the corporate risk register to Extended Leadership Team</p>

	and to the Audit and Governance Committee, a continuation of risk drop-in and training sessions for officers and members; and ongoing support for the review and maintenance of service-based risk registers.
Corporate Risk Register 2022-23	<p>The Committee reviewed the Corporate Risk Register 2022-23, which provided an update on movements within the register, and were informed that there were a total of 12 risks on the Council's Corporate Risk Register for 2022-2023, with no new risks being added. It was highlighted that the Corporate Risk Register included four risks with a score of 12 or more (high risk), this was the same as reported in January however, three of the four risks had increased scores.</p> <p>Members noted that the risks "failure to deliver corporate priorities" and "organisational capacity" had both increased from a score of 12 to 16, it was explained this was due to the significant capacity challenges being faced by the Council, with key staff leaving and difficulties experienced when recruiting. Finally, the risk 'economic environment' had also increased from a score of 6 to 9, it was confirmed that this was a reflection of steep inflationary increases that threatened consumer confidence and of the continued challenges in the labour supply.</p> <p>A number of questions were raised in relation to the risks "failure to deliver corporate priorities" and "organisational capacity", as it was stated within the report that the mitigating action was that clear priorities must be cascaded via staff PDR's and one to one's. It was highlighted by the Councillor that, as had been discussed at agenda item 7, there was a lack of prioritisation and completion of PDR's by officers.</p>

<b>26 October 2022</b>	
<b>Topic</b>	<b>Outcome</b>
Applications for Use of Regulation of Investigatory Powers Act 2000: Oct 2021- Oct 2022 (RIPA)	Members received the report, presented by the Solicitor to the Council who explained that the Council had a duty under the Regulation of Investigatory Powers Act (RIPA) 2000 to demonstrate how requests for covert directed surveillance activities were determined and noted that there had been no applications for authorisations of the use of covert surveillance, pursuant to the Regulation of Investigatory Powers Act 2000, between the 1 October 2021 and the 1 October 2022.
Corporate Complaints & Compliments Annual Report, April	The Committee heard that the Corporate Complaints and Compliments Annual report was an opportunity to inform Members on individual service area improvement within the Council. It was

<p>2021 - March 2022 and Local Authority Ombudsman Annual Review Letter 2022</p>	<p>further explained that the Local Authority Ombudsman was the final stage for corporate complaints made against Local Authorities</p> <p>It was explained that for the year 2021-22 there had been an increase in the number of complaints escalated to the Ombudsman, however of those 12 complaints only 2 had been investigated, and neither complaint made against the Council had been upheld. Therefore, Members noted that the LGO had reported a nil return for complaints upheld for Selby District Council in 2021-22.</p> <p>The Lead Member for Health and Culture praised the Solicitor to the Council and reminded her of the comments made regarding the Corporate Complaints item at the Audit Committee held in September 2021. The Solicitor to the Council had stated at that meeting that the Council learned valuable lessons from the complaints received, this remark had been correct, as proved by the 100% record for 2021-22.</p> <p>Members queried why a large number of the complaints received were attributed to the planning service area, the Solicitor to the Council explained that this was not unusual for a local authority. The Committee were informed that the LGO provided training courses specifically for this service area, and that it would be recommended to North Yorkshire Council that planning officers attend any relevant LGO training available.</p> <p>Members noted the Corporate Complaints and Compliments Annual Report and the Local Authority Ombudsman Annual Review Letter 2022.</p>
<p>External Audit Completion Report 2021-22</p>	<p>The Committee heard that the external audit was still ongoing, however it was anticipated that an unqualified opinion, without modification, would be given on the financial statements; and that work was yet to be completed in respect of the Council's value for money arrangements, and that this would be reported to Members in the Auditors Annual Report in January 2023.</p> <p>It was highlighted that the Covid payments and Housing Revenue Account audits were now complete, however the work in relation to the year-end value for Selby Business Centre, capital commitments, earmarked reserves and long-term investment balances remained ongoing. In terms of the audit of pensions, to date the assurance letter that had been requested from the pension fund auditor had not been received.</p> <p>The Committee noted that in relation to the significant risks identified at section 4 of the report in terms of the valuation of property, plant and equipment (PPE), the net defined benefit liability valuation, the management override of controls, and NNDR appeals provision, additional procedures had been carried out; it was confirmed that the work had not identified any matters to bring to the attention of Members.</p>

	<p>At section 5 of the report, the Committees attention was drawn to errors which had been identified in 2020-21 following reconciliation of the fixed asset register to the statement of accounts, and it was confirmed that for the year 2021-22 no such discrepancies had been identified. It was further confirmed that a series of capital contracts, which at the time of the audit had not been signed, between Engie and the Council, had since been signed on 16 September 2022. Members noted the report.</p>
Statement of Accounts 2021-22	<p>The Committee received the Statement of Accounts, presented by the Chief Finance Officer, which enabled Members to undertake an examination of the Council's financial accounts for the financial year 2021-22.</p> <p>It was explained that the audit was still to be concluded as there were two significant matters outstanding, related to the current valuation of Selby Business Centre and Council Disclosures around Capital Commitments under Contract. The assurance letter from the North Yorkshire Pension Fund auditors also remained outstanding, however it had been indicated that this would be received in November 2022.</p> <p>In respect of the year end value of Selby Business Centre, the Committee noted that an updated valuation of the site had recently been performed, this had led to a revaluation of the asset to £1.11m, a proposed impairment of the asset in year of £1.56m; the audit work to verify the updated value remained ongoing.</p> <p>Members noted that with regards to Note 14. Commitments under Capital Contracts, the note currently showed £17.5m for modernisations to HRA land &amp; buildings, this figure represented the amount budgeted by the Council for the coming three years for these schemes. As at 31 March 2022 £632k of this amount was subject to committed agreements with suppliers, but with no formal value attached to the contract in terms of committed spend. Ongoing discussions were taking place with regards to which value was materially correct to include as a disclosure within the note depending on the treatment. It was further noted that any change between these values would be self-contained within this note, and presentational only.</p> <p>In relation to earmarked reserves from developer contributions received towards the provision of affordable housing, it was queried why the figure was so high when the spend was time limited. It was further queried if Selby District Council (SDC) had plans in the pipeline for the monies and if not, would the figure be transferred to North Yorkshire Council (NYC) on vesting day. It was confirmed that SDC did have plans to acquire a number of properties within the Staynor Hall development in Selby, and that any assets and liabilities that SDC held at the 31 March 2023 would become opening balances for NYC on the 1 April 2023.</p>

	The Committee approved the Statement of Accounts, subject to the completion of the audit.
Internal Audit, Counter Fraud and Information Governance Progress Report	<p>The Committee reviewed the report which detailed the audit work finalised to date, the priorities for the remainder of 2022-23; and provided a summary of key issues from the individual audits completed since the last meeting of the Committee in July 2022.</p> <p>It was explained that the key focus of the counter fraud work was in preparation for Local Government Reorganisation (LGR) in North Yorkshire, to ensure that strong counter fraud policies and procedures were in place for inception day of the new authority as there was the potential for an increased risk of fraud occurring in the run-up to LGR, as criminals may try to take advantage of the uncertainty caused by any change in administrative arrangements to commit fraud. It was highlighted that an e-learning package for employees had been produced at all the Councils involved in LGR, this raised awareness of the increased risk, and focused on threats that may be experienced before and after the new Council was formed.</p> <p>In terms of investigative work, Members heard that a total of 54 referrals of suspected fraud had been received in the financial year, to include potential council tax fraud, council tax support fraud, housing fraud and business rates fraud. In addition, investigatory work had resulted in amended business rates assessments for two businesses who had incorrectly received small business rate relief, and a warning was issued to a business which had inappropriately claimed a £10k Covid-19 grant.</p> <p>The Information Governance Manager, Veritau drew the Committee's attention to annex 3 of the report which provided an update on Information Governance matters, developments in the Council's Information Governance arrangements and compliance with relevant legislation.</p> <p>Members noted that following completion of the privacy notice review in 2020-2021, Veritau had, in consultation with the relevant service areas, applied the relevant changes to the privacy notices, and of the thirty four privacy notices in total, seventeen had been completed and uploaded to the Council website. A further seventeen privacy notices were subject to ongoing review before publication onto the website.</p> <p>In terms of Information Security incidents involving personal data, Members were informed that three such incidents had been reported to Veritau, one of which was assessed as very low risk, and two as a low risk after investigation.</p> <p>The Committee queried what was the cost to the Council in terms of counter fraud man hours to recover monies which had been identified as lost through fraud investigation. It was confirmed that there were a number of factors which made it very difficult to quantify the cost, however overall, the figures were similar across all local authorities both regionally and nationally. Members felt it would be useful to have a breakdown of the officer salary costs needed to investigate and recover the £8k of actual savings in 2021-22, to ensure value for money had been achieved.</p>

Consideration of Internal Audit Reports	<p>The Committee received the report, which advised that two audits had been completed on 13 October 2022 and the overall opinion was that the controls within the system only provided “Limited Assurance”. As such, the findings had been brought to the Committee for presentation and discussion.</p> <p>Members noted that actions had been agreed which were appropriate to address the risks identified and proportionate in view of Local Government Reorganisation; and that some of the actions were showing a significant improvement or had already been completed.</p> <p>The Committee asked a number of questions in relation to the audits, it was confirmed that Veritau were working with the Leadership Team to cascade key messages and provide hands on training to officers. Members were assured that appropriate action was being taken and noted the report.</p>
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25 January 2023	
Topic	Outcome
External Audit Annual Report	<p>The Committee considered the Auditor’s Annual Report which summarised the external audit work undertaken for the year ended 31 March 2022, and noted that the external auditor had issued an unqualified opinion on the financial statements of the Council on the 30 November 2022. The Council’s value for money arrangements work had now been completed, and Members were pleased to note that no significant weaknesses had been identified.</p> <p>In terms of the external auditor fees which had been set out in the Audit Strategy Memorandum, it was confirmed that the audit fee in respect of 2021-22 had not increased.</p> <p>Members praised the finance team for their work and queried if the audit fees for 2022-23 would rise, the Chief Finance Officer confirmed that there would be an increase in the audit fees for 2022-23. The Officer explained that Mazars had been appointed as the external auditors for the new North Yorkshire Council, which was seen as a positive way forward as there would already be an existing working relationship in place.</p> <p>In response to a query regarding the Housing Revenue Account and why the savings target had not been achieved, the Chief Finance Officer stated that the saving target had been based on full implementation of the housing management system. The implementation had experienced some challenges and had consequently been delayed, however the final phase of implementation was expected in quarter 4 of the financial year.</p>

<p>Internal Audit, Counter Fraud &amp; Information Governance Progress Report</p>	<p>Members noted the report which provided an update on the delivery of the internal audit work plan for 2022-23, along with an update on the counter fraud and information governance work undertaken to date in 2022-23.</p> <p>Member's attention was drawn to Annex 1 of the agenda pack which detailed the audit work finalised to date, and it was noted that five audit reports had been finalised since the last report to Committee in October 2022.</p> <p>In terms of the overdue high priority action Performance Management, the Committee were informed that since the prioritisation of Personal Development Reviews (PDRs) communications had been issued to all managers and staff, and completion rates had been monitored closely by the Leadership Team with the result that at the 9 January 2023, the completion rate for PDRs had risen to 92%.</p> <p>In terms of the Council's counter fraud activity in 2022-23, the Committee heard that the counter fraud team had delivered a number of fraud awareness campaigns for Council staff, the first campaign in October 2022 was timed during cybersecurity awareness month and focussed on mandate fraud. This was followed by a general fraud awareness campaign for officers which took place during International Fraud Awareness Week in November 2022, and finally, a campaign to raise awareness of the council's anti-bribery and anti-money laundering policies took place in December 2022.</p> <p>In terms of investigative work, Members heard that a total of 88 referrals of suspected fraud had been received from Council staff and members of the public, with a number of cases still ongoing; as a result of this work the Council had achieved savings of £17.1k to date.</p> <p>The officer highlighted that Covid grant investigations had begun to draw gradually to an end, with the focus now on the recovery of incorrectly obtained grants where debts were still outstanding and required re-paying to the authority. It was queried if the investigations into the suspected cases of fraud which were still ongoing would have been completed before Selby District Council ceased to exist in April 2023. The Officer advised Members that some cases would have been concluded, however some investigations would still be ongoing and may require additional work to bring them to a conclusion, however this work would continue past vesting day and into the new North Yorkshire Council therefore, there would be no break in the audit services provided.</p> <p>An update was given on Information Governance matters, and Members noted that due to LGR the Corporate Information Governance Group (CIGG) had agreed that no new actions would be included in the 2022-23 IG action plan and instead work would focus on the priority outstanding actions required to make the Council compliant with UK GDPR and the Data Protection Act 2018. Therefore, the key areas of focus were on completing the review of the Council's Privacy Notices and Information Asset Register, and ensuring all staff completed the Data Protection training.</p> <p>In terms of training, the Committee heard that 92% of Council staff had completed the mandatory Information Governance training and it was highlighted that this was very close to the target as some</p>
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	<p>staff were on maternity leave or long-term sick leave. Training on Information Incident Management had also been delivered to sixty members of staff over three training sessions in November 2022, and it was noted that the LGR IG workstream were producing a short, recorded webinar of that training which would be available for staff to undertake.</p>
Corporate Risk Register 2022-23	<p>The Committee was informed that there was a total of 12 risks on the Council's Corporate Risk Register for 2022-2023, with no new risks being added. It was highlighted that the Corporate Risk Register included five risks with a score of 12 or more (high risk), this had increased by one since the Corporate Risk Register was last reported to committee in July 2022. It was confirmed that this was a result of the 'Economic Environment' risk having moved from a score of 9 to 12 due to high inflation and energy costs, as well as continued challenges accessing labour supply, all of which threatened investor and consumer confidence.</p> <p>Members heard that the 'Local Government Reorganisation' (LGR) risk remained the most significant risk faced by the Council, with a score of 20, unchanged from the previous assessment. It was explained that this was due to the work required to be undertaken by the Council as part of the transition, and the uncertainty associated with LGR continued to create significant capacity challenges. Finally, the 'Managing Partnerships' risk had increased from a score of 6 to 9 due to the proximity of vesting date, and the challenge of successfully bringing existing arrangements into the new North Yorkshire Council (NYC). Members were informed that Council officers from Selby represented Selby District Council on the LGR Strategic Risk Management Group and had provided input into the new NYC Corporate Risk Register.</p> <p>One Member raised concerns and asked a number of questions in relation to the five risks which had been identified as high risk on the register and what he considered to be a failure to control those risks. Another Member commented that the report was very clear, that most of the risks were factors outside officer's control and that officers had acknowledged and identified the risks and put in place the necessary mitigating actions to plan for unforeseen circumstances.</p> <p>The Chief Finance Officer confirmed that there were mitigating actions in place for the financial challenges which faced the Council, however circumstances changed on a regular basis and therefore the risks did not diminish. It was further confirmed that despite the challenges and pressures such as high inflation, energy costs, the impact of Covid-19 on income streams, the Council continued to perform and be financially sustainable.</p> <p>Discussion took place regarding inflationary pressure, wage growth, fluctuations in interest rates, the cost of living crisis and the Councils investment income. Members were informed that the risks were all covered in the wider economic environment and had been analysed and assessed, and controls implemented to reduce the impact of the risk. Members resolved to note the report.</p>

<p>Review of Annual Governance Statement Action Plan 2021-22</p>	<p>The Committee noted the progress on the Annual Governance Statement (AGS) 2021-22 Action Plan which had been approved by the Committee in October 2022.</p> <p>It was highlighted that one action relating to Performance Management had been on the action plan for a period of over one year and had been given revised dates to be actioned by.</p> <p>As the Committee had heard during an earlier agenda item, significant progress against the approved action plan had been made, with Performance Development Review (PDR) completion rates now at 92%, with actions in place to encourage the remaining outstanding PDRs to be completed.</p> <p>In response to a query from the Chairman regarding the reason why a 100% completion rate had not been attained for the mandatory training, the Chief Finance Officer explained that some staff members were on maternity leave or long-term sick leave, with one or two other members of staff not having completed the training due to capacity within teams.</p>
<p>Consideration of Internal Audit Reports</p>	<p>The Audit Manager, Veritau presented the report, which advised that an audit had been completed on 17 January 2023 and the overall opinion was that the controls within the system only provided “Limited Assurance”. As such, the findings had been brought to the Committee for presentation and discussion.</p> <p>Members noted that actions had been agreed which were appropriate to address the risks identified and proportionate in view of Local Government Reorganisation.</p> <p>The Committee asked a number of questions in relation to the audit, and it was confirmed that the service was working with Veritau to collate all the information that was currently held for the department in what would become a central blueprint; this in turn would support the ongoing work with the new information technology (IT) system currently being implemented.</p> <p>Members were assured that appropriate action was being taken, and the report was noted.</p>

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

<p><b>29 March 2023</b></p>	
<p>External Audit Progress Report</p>	

Internal Audit, Counter Fraud & Information Governance Annual Reports	
Annual Governance Statement (AGS) 2022-23	
Audit and Governance Committee Annual Report 2022-23	

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