



**Audit and Governance Committee**

**Annual Report 2019/20**

## Introduction from the Chair – Councillor Karl Arthur

I am pleased to present the Audit and Governance Committee Annual Report 2019/20.

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. I would like to take this opportunity to thank our head of Internal Audit, Mr Phil Jeffrey for all his hard work with Selby District Council as Head of our Internal Auditor Veritau and welcome Mr Ed Martin to the role. The committee looks forward to working with him in the future.

As in recent years, the Committee continued to attend briefings prior to meetings, which were largely focussed on the most important item of business being considered at the subsequent meeting. This helped to further ensure that Committee members were able to fully undertake their scrutiny duties.

The Committee met three 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 2019/20 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 2019/20, for their support and continued hard work. Owing to elections in May 2019 we were able to welcome new members to the committee (I believe that Cllr. Judith Chilvers and I are the only members who sat on the committee from the previous council). I would like to take this opportunity to wish retiring members of the council or members who have moved to alternative committees well for the future and hope that the new members enjoy their time on this committee. Many people have contributed to the work of the committee, including officers and external partners. I would like to put on record my thanks to them.

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



**Councillor Karl Arthur**  
Chair, Audit and Governance Committee  
29 July 2020

# Audit and Governance Committee Annual Report 2019/20

The Audit and Governance Committee membership comprised the following members during the 2019-20 municipal year:

8 Members

| <b>Conservative</b>      | <b>Labour</b>        | <b>Yorkshire Party</b> |
|--------------------------|----------------------|------------------------|
| Karl Arthur (Chair)      | John Duggan          | Eleanor Jordan         |
| Neil Reader (Vice-Chair) | Keith Franks         | Dave Brook             |
| John Mackman             |                      |                        |
| Judith Chilvers          |                      |                        |
|                          |                      |                        |
| <b>Substitutes</b>       | <b>Substitutes</b>   | <b>Substitutes</b>     |
| John Cattanach           | Paul Welch           | Mike Jordan            |
| Ian Chilvers             | Jennifer Shaw-Wright |                        |
| Andrew Lee               |                      |                        |

The Committee met three times during the year (30 July 2019, 23 October 2019 and 29 January 2020) A further meeting was scheduled for 22 April 2020 however as a result of the Coronavirus crisis and national lockdown imposed on 23 March 2020 by the UK Government, all Selby District Council committee meetings were cancelled and therefore this meeting did not go ahead.

Council officer support during the year was provided by:

- Karen Iveson, Chief Finance Officer
- Bernice Elgot, Interim Solicitor to the Council and Monitoring Officer (up to September 2019) and Alison Hartley, Solicitor to the Council and Monitoring Officer (from 23 September 2019)
- 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.

## **2019/20 Work Programme**

During 2019/20 the Audit and Governance Committee reviewed and considered:

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

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

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

## **Member Development**

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

Member development included training sessions prior to Committee meetings.

Looking forward to 2020/21 the Committee is keen to further develop its skills and knowledge, with the theme of future training continuing to reflect the Committee's Work Programme. The Chair will encourage attendance at these member development sessions to ensure that the Committee is adequately equipped to fulfil its role effectively.

## **Committee Objectives for 2020/21**

The Committee seeks to improve and maintain the Council's focus on issues arising from risk management, internal control mechanisms, internal and external audit, and financial statements. The Committee will continue to meet with external auditors to monitor their services and activities to ensure that independence is maintained between the external auditor and the Council's management team, and to discuss their independent observations on management's ability to maintain strong internal controls and appropriate financial reporting.

Members will ensure that planned audits are performed in a timely and effective manner and that any internal audit recommendations that have been agreed by management are implemented.

The Committee will play a proactive role working with the Leadership team and auditors in creating and reviewing the Council's fraud prevention and detection program and ensuring that investigations are undertaken if fraud is uncovered.

To ensure the Council's ability to meet its financial and compliance responsibilities and that transparency is achieved in financial disclosures.

## **Conclusion**

Throughout 2019/20, 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 – 2019/20

| 30 July 2019  |  |
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| Topic   | Outcome  |
| Annual Report of the Head of Internal Audit 2018/19 | The Committee considered the Annual Report of the Head of Internal Audit (Veritau), which confirmed that the Council provided 'Reasonable Assurance' in respect of the governance, risk management, and control frameworks. It was further confirmed that a total of 96% of reports were completed to draft report stage by the end of April 2018, which exceeded the performance target for Veritau of 93%. The Committee noted that in relation to the Council's counter fraud activity in 2018-19, to date actual savings of £22k had been achieved through fraud investigation.  |
| External Audit Completion Report 2018/19            | The Committee considered the External Audit Completion Report, it was highlighted that some of the audits had still been in progress at the date the report had been published, however these audits had now been completed apart from Property, Plant and Equipment.<br>The Committee noted that in relation to the risk relating to Property, Plant and Equipment, an error had been identified in the value of Council Dwellings. For one group of Council Dwellings, the value in the asset register did not agree to the value provided by the valuer, this resulted in a £2.2m understatement in the valuation of Council Dwellings.<br>It was confirmed that the Council would be issued with a value for money conclusion for the 2018/19 financial year; no significant risks had been identified, and there had been no threats to Veritau's independence. |
| Statement of Accounts 2018/19                       | The Committee approved the Statement of Accounts 2018/19.  |
| Risk Management Annual Report 2018/19               | The Committee considered the Risk Management Annual Report for 2018/19 and noted that over the past year, in addition to supporting managers to review risks in their service areas, project risk management training had been delivered to the Council's corporate project managers; and a risk workshop had been held with the Extended Management Team which had resulted in a revised and refreshed Corporate Risk Register (CRR).   |
| Corporate Risk Register                             | The Committee reviewed the Corporate Risk Register 2018-19, which provided an update on the movements which had taken place within the Corporate Risk Register since it was last reported to the committee in January 2019; and endorsed the actions of officers in furthering the progress of risk management.  |
| Consideration of Internal Audit Reports             | The Committee considered the Internal Audit Report, which advised that an audit completed on 17 July 2019 expressed the overall opinion that the controls within the system only provided 'Limited   |

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|  | Assurance'. The Committee noted that actions had been agreed to address the issues identified, and that the priority one action had already been implemented: with the other actions in progress. The Committee was satisfied that appropriate action was being taken. |
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| <b>23 October 2019</b>  |   |
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| <b>Topic</b>  | <b>Outcome</b>  |
| Local Government and Social Care Ombudsman Annual Review Letter 2018/19 | The Committee considered the Local Government and Social Care Ombudsman Annual Review Letter 2018/19, which presented a summary of the complaints submitted in relation to Selby District Council and the associated decisions made by the Ombudsman. The Committee noted that the Council had received 15 complaints in the year 2018/19, of which only 3 cases had been progressed to a detailed investigation by the Ombudsman, of which 2 had been upheld.  |
| Internal Audit, Counter Fraud & Information Governance Progress Report  | The Committee reviewed progress against the Internal Audit, Counter Fraud and Information Governance Plan and noted progress to date. The Committee were informed that 88% of investigations completed had resulted in a successful outcome, achieving £4.8k of cash savings for the Council, and avoiding a £78k 'loss' in respect of a Right to Buy application being cancelled. The Committee were also informed that the Counter Fraud team, in conjunction with the Council's Communications team, had run a cybercrime awareness week, delivering cybercrime awareness information to Council employees, which had proved very successful.<br>The Committee were informed that in February 2019 CIPFA had published updated guidance on the application of the Public Sector Internal Audit Standards (PSIAS) in local government. To reflect the guidance a number of minor updates to the Internal Audit Charter had been proposed, which received approval from the Committee. |
| External Annual Audit Letter 2019                                       | The Committee noted that the External Annual Audit Letter was a formal report on the outcome of the external audit, and that the positive findings had been presented to the Committee at the previous meeting in July 2019. The Committee further noted that the Council had positive arrangements in place to ensure value for money. The Partner, Mazars LLP highlighted that the Council were in a fortunate position due to the annual windfall in business rates income arising from renewables at Drax power station.  |
| External Audit Progress Report  | The Committee reviewed the External Audit Plan, which provided a progress report in relation to the work and responsibilities of the external auditors. It was noted that the external audit for 2018-19 had been completed, and the report set out a summary of the planning work to be undertaken in relation to the 2019-20 external audit.  |

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| Admittance of Scarborough Borough Council to Veritau North Yorkshire | <p>The Committee heard that Veritau North Yorkshire (VNY) had been established in 2012 as a subsidiary of Veritau Limited, which was wholly owned by North Yorkshire County Council and City of York Council. At that time VNY was established with Veritau having 50% shareholding and five North Yorkshire district councils equally shared the remaining 50%, one of which was Scarborough Borough Council. In 2014 Scarborough Borough Council opted to leave the shared service and established its own in-house team for audit services, however as a result of subsequent budget cuts and vacancies the service was no longer sustainable and therefore Scarborough had asked to be re-admitted to Veritau North Yorkshire. The Committee was informed that Scarborough Borough Council would be asked to make a capital contribution of £10k, but there would be no financial impact on any of the existing district councils.</p> <p>The Committee noted that re-admitting Scarborough Borough Council into VNY, would add resilience and further efficiency to the Council's internal audit service, and were therefore supportive of the proposal.</p> |
| Consideration of Internal Audit Reports                              | <p>The Committee considered the Internal Audit Report, which advised that an audit had been completed on 2 October 2019 and the overall opinion was that the controls within the system only provided 'Limited Assurance'. The Committee noted that actions had been agreed to address the issues identified, and that many of the actions had already been completed. The Committee was satisfied that appropriate action was being taken.</p>   |

| <b>29 January 2020</b>                    |   |
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| <b>Topic</b>                              | <b>Outcome</b>  |
| Information Governance Annual Report 2019 | <p>The Committee considered the Information Governance Annual Report 2019, which provided an update on information governance matters during 2019. The Committee was satisfied with the content of the report, and noted that with regard to the General Data Protection Regulations (GDPR) a new Information Governance Strategy had been put in place; with a Corporate Information Governance Group (CIGG) consisting of internal officers and Veritau to monitor compliance. The Committee heard that all staff had received mandatory training in relation to data protection, and an information security check had been carried out at the Civic Centre by Veritau to test the systems in place; the audit had established that improvements had been made since the previous check.</p> |
| External Audit Progress Report            | <p>The Committee reviewed progress against the External Audit Plan and noted that the planning work for the 2019-20 external audit was underway. The Committee noted that the 2018/19 Housing Benefits</p>  |

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|  | <p>Subsidy report to the Department of Work and Pensions (DWP) had been submitted ahead of the deadline of 30 November 2019. In relation to the national publications listed within the report, and specifically the Chartered Institute of Public Finance and Accountancy (CIPFA), Financial Management Code the Chief Finance Officer informed the Committee that work was in progress to ensure that the Council met the first full year of compliance with the Code, in 2021-22, and that a report on the Code had been taken to the Leadership Team; a self-assessment document would be brought to Committee in due course.</p>  |
| Review of Risk Management Strategy                                     | <p>The Committee were informed that the Risk Management Strategy had been reviewed following consultation with the Leadership Team, and it was noted that the strategy remained largely unchanged following the review, however minor amendments had been made and an updated definition of risk management had been included. The Chief Finance Officer explained that the Council had individual service risk registers and a corporate risk register which were reviewed regularly to identify the possibilities for risk.</p>  |
| Corporate Risk Register 2019-20  | <p>The Committee reviewed the Corporate Risk Register 2019-20 and noted that there was a total of 12 risks on the Council's Corporate Risk Register for 2019/20. In response to a query regarding the risks defined as high risks relating to financial resources and economic environment, the Chief Finance Officer highlighted that financial uncertainty remained pending the reform of local government funding which was why the risk was considered to be high.</p>   |
| Internal Audit, Counter Fraud & Information Governance Progress Report | <p>The Committee reviewed progress against the Internal Audit, Counter Fraud and Information Governance Plan and noted progress to date. The Committee noted that savings of £9.4k had been achieved through fraud investigation, and that the Council had prosecuted a former tenant for subletting a council property over the course of two years; the tenant had pleaded guilty to all charges and was fined £1,400. The Corporate Fraud Assistant Director praised the work of the Council's legal team and thanked them for their help with the prosecution.</p>   |
| Annual Governance Statement 2018-19 – Action Plan Review               | <p>The Committee reviewed progress against the Action Plan for the Annual Governance Statement for 2018/19 and noted progress to date. The Committee heard that a review of Overview and Scrutiny arrangements had been completed, and the training needs of all Committee members was being monitored, along with quarterly discussions and the sharing of work programmes between the Executive and the Chairs of Scrutiny. In terms of Information Governance and Data Protection an action plan was now in place and significant progress had been made to address the implications of GDPR; however it was stressed that officers and Councillors must be vigilant to the importance of data security. The Committee were also informed that the Council had put an order in to purchase new software, Civica Pay, which would remove the software risks around compliance in relation to the Payment Card Industry Data Security Standard (PCI DSS).</p> |

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| Counter Fraud Framework Update | The Committee approved the updated Counter Fraud and Corruption Strategy Action Plan, which was reviewed annually to ensure that it was fit for purpose and noted the updated Counter Fraud Risk Assessment. The Committee noted that procurement fraud remained the highest perceived area of threat nationally, and although levels of housing fraud detected had fallen, the average loss per case remained high at £32k. To mitigate the risk, procurement and housing frauds were areas of focus for Veritau in 2020-21; along with raising awareness by working with officers to put stringent checks in place. |
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**The following items were due to be considered at the final meeting of the municipal year, as a result of the Coronavirus crisis and national lockdown imposed on 23 March 2020 by the UK Government, all Selby District Council committee meetings were cancelled, and decisions taken using urgency procedures.**

| <b>22 April 2020</b>   |  |
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| External Audit Progress Report   |  |
| External Audit Strategy Memorandum                                       |  |
| Internal Audit, Counter Fraud & Information Governance Progress Report   |  |
| Internal Audit, Counter Fraud & Information Governance Plans 2020-21     |  |
| Review of Local Government Ethical Standards on Standards in Public Life |  |
| Audit and Governance Committee Annual Report 2019-20                     |  |
| Work Programme 2020-21   |  |