



Audit and Governance Committee

Annual Report 2018/19

Introduction from the Chair – Councillor Karl Arthur

I am pleased to present the Audit and Governance Committee Annual Report 2018/19.

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. I was delighted to welcome the new External Audit Manager, Nicola Hallas, to help the committee with its deliberations, and would like to record my thanks to the previous External Audit Manager, Gavin Barker, for his hard work and diligence over the previous few years.

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 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 2018/19 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 2018/19 for their support and continued hard work. Many people have contributed to the work of the Committee, including officers and external partners. I would like to put on record my thanks to them.

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



Councillor Karl Arthur
Chair, Audit and Governance Committee
10 April 2019

Audit and Governance Committee Annual Report 2018/19

The Audit and Governance Committee

The membership of the Committee was not changed at Annual Council for the start of the municipal year, but changes were made to the membership on two occasions during the year. In July 2018 changes to the political composition of the Council resulted in Councillor Karl Arthur being appointed as Chair of the Committee, replacing Councillor Mike Jordan. Councillor John Cattanach was appointed to the Committee to replace Councillor Karl Arthur.

Conservative

Cllr. Karl Arthur (Chair) (*appointed to Chair from 5 July 2018*)

Cllr. Ian Reynolds (Vice-Chair)

Cllr. Mike Jordan (*Chair up to 5 July 2018*)

Cllr. Judith Chilvers

Cllr. Bryn Sage

Cllr. John Cattanach (*appointed July 2018*)

Labour

Cllr. Brian Marshall

Independent

Cllr. Mary McCartney

The Committee met four times during the year.

Council officer support during the year was provided by:

- Karen Iveson, Chief Finance Officer
- Gillian Marshall, Solicitor to the Council (*up to 14 December 2018*)
- Alice Courtney, Democratic Service Officer (*up to May 2018*)
- Dawn Drury, Democratic Services Officer (*from 2 July 2018*)

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.

2018/19 Work Programme

During 2018/19 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 2019/20 the Committee is keen to further develop its skills and knowledge. To help achieve this, the Committee will continue to attend training sessions before each meeting. The theme of the training will continue to reflect the Committee's Work Programme. The Chair will encourage attendance at these member development sessions to ensure that the Committee is adequately equipped to fulfil its role effectively.

Conclusion

Throughout 2018/19, 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 – 2018/19

25 July 2018	
Topic	Outcome
Risk Management Annual Report 2017/18	The Committee considered the Risk Management Annual Report for 2017/18 and noted the proposed actions.
Corporate Risk Register	The Committee reviewed the Corporate Risk Register 2018-19, which had been refreshed following a risk workshop with the Extended Leadership Team. The Committee noted that the Risk Register contained more information on how, once identified, risks would be mitigated, managed and monitored. Members of the Committee highlighted that they found the scoring easier to understand, and endorsed the actions of officers in furthering the progress of risk management.
Annual Report of the Head of Internal Audit 2017/18	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. The Committee noted that to date 41 fraud investigations had been completed with actual savings achieved of £22,194. The Committee was informed that following a successful bid, Selby District Council was one of seven authorities chosen to take part in the National Fraud Initiative to look at business rates fraud; it was noted that the results of the pilot were expected in September 2018.
Consideration of Internal Audit Reports – Payment Card Industry Data Security Standard (PCI DSS)	The Committee considered the Internal Audit Report relating to PCI DSS, which advised that an audit completed on 12 July 2018 expressed the overall opinion that the controls within the system only provided 'Limited Assurance'. The Committee noted that an actions proposal to improve the situation would be developed and presented to the Leadership Team. The Committee was satisfied that appropriate action was being taken.
External Audit Completion Report 2017/18	The Committee considered the External Audit Completion Report, it was highlighted that the financial statements had been received ahead of the deadline, which was a great achievement and officers were praised for their excellent work and assistance with the Audit. The Committee noted that the External Auditors had not encountered any significant difficulties in completing the Audit.
Annual Governance Statement 2017/18	The Committee approved the Annual Governance Statement 2017/18. It was confirmed that the Statement provided assurance that the Council had a sound system of internal control to help manage and control risks.
Statement of Accounts 2017/18	The Committee approved the Statement of Accounts 2017/18, and were pleased to note that it had been a very positive year.

The General Data Protection Regulation (GDPR) – Update on Implementation	The Committee noted that following the introduction of the GDPR legislation in May 2018, a working group had been set up, and key work on policies and procedures and updating the Information Asset Register had been completed. It was highlighted that at the time of the April 2018 meeting of the Committee progress on implementation had stood at 29%, whilst current progress was at 82%. The Committee was assured that once full compliance was achieved, it would continue to be monitored and maintained to ensure that the Council remained compliant. The Committee noted that further updates would be included in the Information Governance Annual Report in January 2019.
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24 October 2018	
Topic	Outcome
Local Government and Social Care Ombudsman Annual Review Letter 2017/18	The Committee considered the Local Government and Social Care Ombudsman Annual Review Letter 2017/18, 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 23 complaints in the year 2017/18, of which only 5 cases had been progressed to a detailed investigation by the Ombudsman, of which none were upheld.
Internal Audit and Counter Fraud Progress Report 2018/19	The Committee reviewed progress against the Internal Audit and Counter Fraud Plan and noted progress to date. The Committee noted that £4,900 in Council savings had been achieved through fraud investigation to date.
External Annual Audit Letter 2018	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 2018. The Committee noted that the forward look at the financial outlook was good and that the Council had continued to make good progress in addressing the financial challenges from public sector austerity. The Committee endorsed the work of the External Auditors.
External Audit Progress Report	The Committee reviewed progress against the External Audit Plan.

30 January 2019	
Topic	Outcome
Information Governance Annual Report 2018	The Committee considered the Information Governance Annual Report 2018, which included an action plan and an update on information governance matters during 2018. The Committee was satisfied with

	the content of the report and the action plan, and noted that with regard to the General Data Protection Regulations (GDPR) a new Information Governance Strategy had been put in place; with a Central Information Governance Group (CIGG) consisting of internal officers and Veritau to monitor compliance.
External Audit Progress Report	The Committee reviewed progress against the External Audit Plan, and noted that the planning work for the 2018/19 external audit was underway. The Committee noted that the 2017/18 Housing Benefits Subsidy return required amendments, with detailed finding reported in a qualification letter to the Department of Works and Pensions dated 29 November 2018.
Review of Risk Management Strategy	The Committee noted the amendments to the Risk Management Strategy, which remained largely unchanged following the review, however, minor amendments had been made in some sections to improve readability; and also to dates and references where appropriate. The Committee endorsed the actions of officers in furthering the progress of risk management.
Corporate Risk Register 2018-19	The Committee reviewed the Corporate Risk Register 2018-19 and noted that no new risks had been added to the register since it was previously reported to the Committee in July 2018. The Committee endorsed the actions of Officers in furthering the progress of risk management.
Internal Audit and Counter Fraud Progress Report	The Committee reviewed progress against the Internal Audit and Counter Fraud Plan and noted progress to date. The Committee noted £10,000 worth of fraud had been detected in relation to Council Tax Support to date; and officers had recovered a property which was being fraudulently sub-let. The Committee also heard that the Council had fallen victim to a “mandate fraud”.
Annual Governance Statement 2017/18 – Action Plan Review	The Committee reviewed progress against the Action Plan for the Annual Governance Statement for 2017/18 and noted progress to date. The Committee heard that a Quarterly Work Programme Liaison Group between the Executive and the Chairs of Audit and Governance, Scrutiny and Policy Review Committees had been established, training had been delivered; and role profiles for the Chairs developed, agreed and adopted into the Constitution at the meeting of Council in July 2018. The Committee was informed that positive progress had been made in relation to the Action Plan.
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 Procurement Fraud remained the highest perceived area of threat nationally, to mitigate the risk in relation to this Veritau used data matching; along with raising awareness by working with officers to put stringent checks in place.
Annual Review of the Constitution	The Committee noted the amendments to the Constitution, which had been undertaken to ensure that it was up to date and fit for purpose, prior to its consideration at Full Council in March 2019.

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

10 April 2019	
Topic	Outcome
External Audit Progress Report	
External Audit Strategy Memorandum	
Internal Audit and Counter Fraud Progress Report	
Internal Audit and Counter Fraud Plan 2019/20	
Consideration of Internal Audit Reports	
Review of Local Government Ethical Standards on Standards in Public Life	
Information Governance	
Audit and Governance Committee Annual Report 2018/19	
Work Programme 2019/20	