



## Audit and Governance Committee

Monday, 28 June 2021 at 6.30pm

in the Belle Vue Suite, Belle Vue Offices, Skipton

**Committee Members:** The Chair (Councillor Hull) and Councillors Barrett, Handley, Harbron, Lis, Mercer, Noland, Place and Wheeler.

**Independent Person:** Greg Robinson

### AGENDA

1. **Apologies for Absence** – To receive any apologies for absence.
2. **Minutes** – To approve the minutes of the meeting held on 22 March 2021.
3. **Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests.

(Note: Declarations should be in the form of:

a “**disclosable pecuniary interest**” under Appendix A to the Council’s Code of Conduct, or “**other interests**” under Appendix B or under Paragraph 15 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate.

A Member of Council who has a disclosable pecuniary interest must leave the room and not take part in the discussion or vote. When declaring interests under Appendix B or Paragraph 15 of the Code, Members must move to the public seating area, not vote, and speak only if members of the public are also allowed to speak at the meeting.)

5. **S106 Audit Final Report** – Internal Audit.  
  
Purpose of Report – To present the final S106 Audit undertaken as part of the annual audit plan for 2020/21.
6. **CDC Parking Income Final Report** – Internal Audit.

Purpose of Report – To present the final CDC Parking Income Audit.

**7. Internal Audit Plan 2021/22** – Report of the Internal Audit Manager.

Purpose of Report – To present the proposed Internal Audit Plan for 2021/22 for consideration and approval.

**8. Annual Audit Report** – Report of the Internal Audit Manager.

**REPORT TO FOLLOW**

**9. Internal Audit Recommendations (Progress at Q1 2021)** – Report of the Chief Finance Officer s151.

Purpose of Report – To update committee members on progress against recommendations made by the Internal Audit team.

**10. Risk Action Plan** – Report of the Chief Finance Officer s151.

Purpose of Report – To update committee members on the proposed Action Plan to address the findings of the recent Internal Audit report on Risk Management.

**11. Performance Framework** – Report of the Chief Finance Officer s151.

Purpose of Report – To update committee members on the Council's Performance Framework for the coming 2 financial years, and to agree dates and reporting mechanisms.

**12. Draft Annual Governance Statement** – Report of the Chief Finance Officer s151.

Purpose of Report – To update committee members on the Council's Annual Governance Statement for 2020/21 and seek approval for inclusion in the Statement of Accounts.

**13. Contract Procedure Rules and Exemption Report** – Report of the Chief Finance Officer s151.

Purpose of Report – To report on exemptions granted from the Contract Procedure Rules in Quarter 1 2021/22.

**14. Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.

**15. Date and Time of Next Meeting** – Monday, 26 July or Wednesday, 28 July at 6.30pm.

**Agenda Contact Officer:**

Hannah Scales, Democratic Services and Scrutiny Officer  
E-mail: [hscases@cravenc.gov.uk](mailto:hscases@cravenc.gov.uk)

## **AUDIT AND GOVERNANCE COMMITTEE**

22 March 2021

**Present** – The Chairman (Councillor Hull) and Councillors Barrett, Handley, Lis, Mercer, Noland, Place, Wheeler and Independent Person Greg Robinson.

**Officers** – Chief Finance Officer (s151 Officer), Solicitor to the Council and Monitoring Officer, Finance Manager, External Audit Manager, Internal Audit Manager and Democratic Services and Scrutiny Officer.

Apologies for absence were received from Councillor Harbron.

Start: 6.30pm

Finish: 8.12pm

**Resolved** – That the minutes of the meeting held on 21 September 2020 were approved as a correct record.

### **Minutes for Report**

AC.392

#### **Review of Budget Process**

The Chief Finance Officer introduced a report which outlined the Council's approach to budget planning. Members were reminded that the Council was legally required to set a balanced budget and approve a level of Council Tax. In order to meet this requirement, the Council maintained a Medium Term Financial Plan which covered a 3 to 5 year period attempting to estimate the potential budgets position each year based on numerous informed judgements and assumptions.

The Chief Finance Officer and Finance Manager gave a detailed presentation which set out the annual timetable and sequence of events leading up to the approval of the annual budget. The presentation summarised the Council's revenue budget and compared the position from February 2020 to the latest forecast. Covid-19 had a significant impact (income loss, additional costs, collection fund, savings) however Members were pleased to note that the core assumptions had proved reasonably sound, that there was confidence that the process was robust and reliable, the use of reserves was within normal parameters and the government grants, reliefs and compensation had stabilised the position.

**Resolved** – That, the content of the report and presentation are noted.

AC.393

#### **Audit Strategy Memorandum**

External Audit (Mazars) presented the Audit Strategy Memorandum for the year ending 31 March 2021. The report summarised the audit approach, highlighted significant audit risks and areas of key judgements. Members noted the appendix which detailed key communication points.

**Resolved** – That, the Audit Strategy Memorandum for the year ending 31 March 2021 and Appendix are noted.

**Contract Exemptions Granted**

The Chief Finance Officer (s151) introduced a report which presented Members with the exemptions granted from the Contract Procedure Rules in Quarter 3 and Quarter 4 2020/21. Exemptions were granted for a contract of increased value to Bruynzeel Storage Solutions for the Craven Museum Fit-out, a contract to LDN Architects Ltd for architectural works for improvements to the Town Hall frontage and for a new 1-year contract to RICOH UK Products Ltd, for the lease provision of Multi Function Devices.

**Resolved** – That, the three exemptions granted from the Contract Procedure Rules in Quarters 3 and 3 202/2021 are noted.

**Minutes for Decision**

Chairman.



---

**Audit Services Report  
S106  
Report ref: C5/2020**

---

Report Issued      Draft:      09/02/2021  
   Final:      19/04/2021

Good Level of Assurance

## Contents

1	Background	4
2	Audit Scope	5
3	Audit Opinion	7
4	Detailed Findings & Action Plan	8

### Distribution:

<b>Position</b>
Chief Executive
Strategic Manager
Planning Manager (Development Management)
Planning Enforcement Team Leader
Chief Finance Officer
Finance Manager
Communications, Customer Services & Partnership Manager
Strategic Housing Manager
Legal Services Manager
Assistant Legal Officer

# 1 Background

1.1 The S106 audit has been undertaken as part of the annual audit plan for 2020/21 to provide assurance that income is received per agreements and expended per legislation.

S106 agreements are often referred to as 'developer contributions' or 'planning obligations'. Section 106 of the Town & Country Planning Act 1990, as amended, enables planning authorities to seek to negotiate a contribution from developers towards the cost of meeting the infrastructure necessary to support their development. These agreements are attached to a planning permission as follows:

“required to make development acceptable which would otherwise be unacceptable in planning terms,

- directly relate to the development and
- are fairly and reasonably related in scale and kind to the development.”

S106 agreements are the mechanism which allows CDC to collect commuted sums from developers/applicants. The calculation of which is by a standardised formula and set out by policy size thresholds.

In 2010 the Government introduced a new mechanism that local planning authorities can use for charging developers called the Community Infrastructure Levy (CIL). CIL involves local authorities setting charges according to floor space of a development, which can be varied according to the type of development (e.g. housing, leisure, retail or employment). CDC have undertaken some exploratory work relating to introducing CIL but currently the Council has not taken a decision on whether to progress this. Therefore financial contributions from developers for infrastructure are obtained through S106 agreements.

CDC act as the planning authority for the part of the Craven District that falls outside the Yorkshire Dales National Park Authority, this area covers 370 square kilometres and therefore is responsible for negotiating S106 agreements.

CDC adopted and formally introduced the Craven Local Plan 2012 to 2032 on the 12<sup>th</sup> of November 2019. Policy documents relating to S106 (planning obligations) are included within the local plan and detailed below:

The Craven Local Plan includes the following policies relating to the formula for calculation of S106 agreements and planning obligations:

H2: Affordable Housing

INF1: Planning Obligations

INF2: Community Facilities and Social Spaces

INF3: Sport, Open Space and Recreation Facilities and Appendix A and Open Space Calculator

INF6: Education Provision and Appendix B

INF7: Sustainable Transport and Highways.

The value of planning obligation receipts for the previous 3 financial years is as follows:

2017/18 £97,209

2018/19 £178,627  
2019/20 £0.

- 1.2 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, or other irregularities which may exist.

- 1.3 Internal Auditing is an independent, objective assurance and consulting activity to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 Audit Scope

- 2.1 The scope of the audit is to involve the review of the key controls, listed below, by undertaking compliance testing as well as documentation review and discussion with staff. A random selected sample of planning applications approved between January 2020 and September 2020 will form part of testing, alongside planning applications considered under delegated powers for reasons of S106 agreements/planning obligations for the period October 2018 to September 2020.

KC01: That CDC maximise opportunities under the planning act in respect of S106 agreements

KC02: S106 (Commutated Sum) Income is allocated to the correct service in CDC

KC03: S106 (Commutated Sum) Schemes are fully reconciled and expended as per legislation



### 3 Audit Opinion

3.1 A summary of Internal Audit’s opinion levels and their definitions is provided below:

Level	Definition
<b>Significant Level of Assurance</b>	The system of internal control is designed to support the Council’s corporate and service objectives and controls are consistently applied in all the areas reviewed.
<b>Good Level of Assurance</b>	There is generally a sound system of control designed to support the Council’s corporate and service objectives. However, some improvements to the design or application of controls is required.
<b>Partial Level of Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council’s corporate and service objectives at risk in the areas reviewed.
<b>No Level of Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

3.2 This audit has been awarded a good level of assurance. Based on the testing carried out, Audit Services are satisfied that 1 out of 3 control objectives were met. 2 out of the 3 were partially met. A total of 10 recommendations have been made – 2 priority 2 and 8 priority 3. Further details can be found in section 4 of this report.

Under Data and Transparency Open Data CDC publish details of S106 receipts and distributions analysis from 2009 to 2019 on its website.

The S106 process involves a number of services with CDC namely Planning, Legal, Housing, Communications, Customer Services & Partnership (CCS&P) and Finance. Procedure notes are in place, but some were outdated and no document/work flow document was in place to cover the full process.

Temporary changes to key personnel have taken place within the CCS&P service who are essential in the assessment and inclusion of planning obligations relating to Parks and Open Space. The service have taken this opportunity to undertake a review of processes to enhance the recording and monitoring of planning gain within this area. Audit acknowledge that review work is still on-going.

Current monitoring of S106 agreements, to ascertain when planning gain income is due to CDC, enables the authority to identify monies due in a timely manner. A lot of work is undertaken by the enforcement officer within Planning service. Recommendations shown within section 4 of the report seek to enhance this current system.

The process for identifying the nearest parks and open space area is a manual process with the use of a number of ICT aids and policy documents. If the number of planning applications requiring S106 agreements increase it would be advisable for CDC to look into procuring a computerised system for the calculation and allocation of planning gain.

Audit testing had to be revised during the audit due to the failure of the planning service to provide information relating to planning applications. A number of requests were made over a 3 month period relating to:

- Planning applications refused under delegated authority due to failure to reach conclusion for S106 agreements.
- Details of planning applications that were subjected to S106 agreements (executed or pending). Details can be found within Section 4 Findings and Action Plan.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows:

Priority 1 – These relate to significant gaps in the Internal Control Framework

Priority 2 – These relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls

Priority 3 – These relate to minor issues of non-compliance with controls

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
<b>To ensure that CDC benefits fully from government legislation relating to S106 agreements</b>					
No 1 (MK ref 413)	<p><b>Identifying the need for S106 agreements.</b></p> <p>A number of guidance/procedure notes were ascertained to be in place but a number are outdated with key officers changed since they were produced. No guidance/workflow detailing the overall process linking the work/involvement of all sections exists. A sample of planning applications were tested to show, where appropriate, that the aforementioned policies were applied and appropriate S106 agreements were entered into; for planning applications considered during the period January 2020 to September 2020. Testing undertaken was reduced due to restricted information provided to the auditors, however the testing was sufficient for audit to form an opinion.</p> <p>Testing showed that the process of identify planning obligations</p>	<p><b>Priority 3</b></p> <p>Process would benefit from CDC developing an overall guidance/workflow document, which would identify and highlight the processes that are in place within CDC relating to the entire S106 process. This guidance document should be reviewed regularly and updated as required.</p>	<p>CDC doesn't benefit in full from current planning legislation (in respect of S106 agreements)</p>	<p>No management response received.</p>	<p>Planning Manager</p> <p>01/04/2022</p>

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	had been fully complied with on all occasions.				
No 2 (MK ref 421)	<p><b>Determination of Planning Applications under Delegate authority.</b></p> <p>No list of planning applications was provided to Audit relating to consideration under delegated powers for reasons relating to S106 agreements, where planning permission was refused (for the period October 2018 to September 2020); due to failure to reach a conclusion for S106 agreements. This information was requested from the Planning Manager (Development Management) over a 3 month period. Audit were not able to assess this area of work and therefore can't offer any assurance relating to this element of the S106 process.</p> <p><i>The overall audit opinion on this report therefore excludes this element of the process.</i></p>	<p><b>Priority 2</b></p> <p>A review of planning applications which under delegated authority were refused planning permission due to failure to reach conclusion for S106 agreements for October 2018 to September 2020 be undertaken.</p>	CDC doesn't benefit in full from current planning legislation (in respect of S106 agreements)	No management response received.	Planning Manager 01/09/2021
No 3 (MK ref 422)	<p><b>Appendix A: Open Space Calculator</b></p> <p>Individual assets such as playgrounds, sporting provision etc, are initially identified as being in need of investment from S106 planning gain, this is set out in the Council's Open Space Assessment, Playing Pitch Strategy and Sports Built Facilities Assessment 2016, which is supported by annual progress reports relating to the specific action plans set out within each of these assessments.</p> <p>These assessments set out the robust needs and evidence base for future provision of open space, playing pitches and built sports facilities in the District. INF3 and accompanying Appendix A: Open Space calculator performs a calculation, in line with policy, for the overall contribution for developers, but also breaks this down into the individual areas which will benefit from the potential S106 gain. During audit testing it was highlighted that whilst the TOTAL contribution included on the S106 agreements was correct, the breakdown to individual assets didn't reconcile</p>	<p><b>Priority 3</b></p> <p>The error found in the internal allocation of planning gain, relating to Parks and Open Space should be addressed and corrected. Work has commenced in relation to this recommendation.</p>	S106 agreements and resulting planning gain sums are incorrectly calculated resulting in financial loss to the authority and district.	<b>Implemented</b>	The error within the Open Space Calculator has been corrected.

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>to the total contribution figure. The service started reviewing this error during the fieldwork on the audit.</p> <p>Audit testing ascertained that these policies had consistently been implemented for both Parks and open spaces and affordable housing. No issues were found.</p>				
No 4 (MK ref 419)	<p><b>Trigger Points Identified</b></p> <p>Monitoring of the trigger points is the responsibility of the planning service who utilise a number of working relationships with partner organisations and information held within CDC.</p> <p>Testing was undertaken to ascertain that triggers for payment had been promptly identified and planning gain had been efficiently collected.</p> <p>This work identified the following:</p> <ul style="list-style-type: none"> <li>• 17% planning gain was received prior to trigger being reached</li> <li>• 33% immediately after trigger reached</li> <li>• 11% 4 to 6 months after trigger reached</li> <li>• 11% 7 months to 12 months after trigger reached</li> <li>• 17% where triggers have not yet been reached, but evidence found of monitoring of developments</li> <li>• 11% where the developer is in legal dispute with CDC relating to S106 agreement, stating there was an omission but were prepared to pay a reduced sum as a gesture of goodwill. The dispute started in 2019.</li> </ul>	<p><b>Priority 2</b></p> <p>The on-going legal dispute should be resolved as soon as possible. Where the resolution is against CDC;</p> <ul style="list-style-type: none"> <li>• Existing processes should be reviewed and amended to remove practices that would lead to similar disputes.</li> <li>• Review signed S106 agreements and deeds of variations to establish and resolve similar instances.</li> </ul>		No management response received.	<p>Planning Manager</p> <p>01/09/2021</p>
No 5 (MK ref 420)	<p>Audit ascertained that the recording of planning gain receipts was not included against the individual planning application/corresponding S106 agreement on Uniform (software system). Recording of planning gain was recorded by the individual service areas of housing (affordable housing) or</p>	<p><b>Priority 3</b></p> <p>CDC should assess the feasibility of introducing clauses, within S106 agreements, relating to responsibilities of developers informing the planning authority of commencement</p>	<p>CDC do not collect all monies due under S106 agreements, forming a reputational risk and loss of monies due.</p>	<p>Legal are happy to review this process. Although the developer is not usually party to the agreement and we cannot ask them to be if they have no interest in the land at the time of the planning application/obligation.</p>	<p>Assistant Legal Officer</p> <p>31/12/2021</p>

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	CCS&P (parks and open space). All officers use different systems to record and monitor commuted sum information.	and dates triggers had been reached.			
<b>To ensure that income is allocated correctly within CDC</b>					
No 6 (MK ref 418)	<p><b>Allocation of planning gain to relevant services</b></p> <p>Testing identified within CDC financial management system (Agresso) there is no differential made for planning gain to different services. Planning gain follows the same coding structure for all elements. The only separation being into individual agreement references which contains elements for both housing and parks and open spaces.</p> <p>From the Agresso data audit ascertained that 100% of the expenditure related to the correct service; corresponding to the various planning obligations.</p>	<p><b>Priority 3</b></p> <p>The council's financial management system (Agresso) should be revised to ensure that all planning gain from S106 agreements are identifiable to the service they relate too. Work has commenced in relation to this recommendation.</p>	<p>S106 monies received are allocated to incorrect service within CDC. Therefore leading to income funding expenditure other than that set out in the legal agreement.</p>	<p>The introduction of Council wide process/workflow map would ensure Finance are informed of expected receipts. This can then be allocated to the correct Service/Site code.</p> <p>A change to the current coding structure will add a further attribute under each Site code to apportion the receipts/payments of AH/POS or other Services, for clarity of reporting.</p>	<p>Finance Manager,</p> <p>31/03/2021</p>
<b>To ensure that S106 monies used for correct purpose and within timescales set out in agreement</b>					

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
No 7 (MK ref 414)	<p><b>Monitoring of S106 agreements</b> Audit ascertained that monitoring is undertaken independently, in respect of planning gain, by Finance, Housing and CCS&amp;P.</p> <ul style="list-style-type: none"> <li> <b>Finance</b> Internal monitoring documents provided during the audit highlighted that planning gains are subject to a full reconciliation once a year during the final accounts process. This led to issues relating to spending with services not knowing the balance of funds available to spend. During the audit, copies of a number of "Gateway" reports which contain indicative capital funding requirements (including S106 required) were gained. Details of borrowing required were included, rather than detailing balances of S106/planning gain. Where the balance of planning gain is not known this information could be factually incorrect, leading to inefficiencies, and missed opportunities for investing or making best use of S106 gain. In respect of affordable housing, opportunities could be missed to provide affordable housing. Housing have highlighted this area of concern to finance, both services are currently working together to ensure adequate monitoring is in place to enable Housing to maximise investment opportunities. </li> <li> <b>Housing</b> monitoring information relates to completions of properties, together with a forward programme detailing Local Housing Authorities rent and Shared Ownership properties. </li> <li> <b>CCS&amp;P</b> revisions to monitoring documents is a current work in progress, following temporary changes in key personnel. The aim of CCS&amp;P is to produce a comprehensive, understandable document. Versions of this document, provided during the audit and discussions with officers show a good understanding of relevant information to be included. </li> </ul>	<p><b>Priority 3</b></p> <p>Finance should introduce financial monitoring to the relevant service on a regular basis which would show, by individual obligation:</p> <p>Details of receipt of planning obligation Details of expenditure and commitments Up to date balance remaining.</p> <p>Ensure that this information is included in reports seeking approval to spend. Work has commenced in relation to this recommendation.</p>	<p>Monies are not spent within the time scales set in the original S106 agreement leading to developers requesting monies be returned.</p>	<p>Although a full reconciliation is only conducted once a year, the updating of the monitoring sheets happens when we are notified of receipt – but as presented above this notification is not consistent or prescribed.</p> <p>From the above the balances of S106 funds available for Housing can be presented, however I would still recommend showing the costs associated with borrowing to carry out the projects, as an alternative delivery method – this has been provided on the financial analysis of a number of the latest gateway reports.</p> <p>Opportunities are unlikely to be missed as a consequence of this, as if they were sound projects they would be progressed,</p>	<p>Finance Manager, 31/08/2021</p>

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
No 8 (MK ref 415)				regardless of S106 balances.	
		<p><b>Priority 3</b> CCS&amp;P monitoring document, for POS, which is a current work in progress should be completed to include:</p> <ul style="list-style-type: none"> <li>• Detailed instructions/explanation sheet.</li> <li>• Details of planning gain calculations undertaken.</li> <li>• Evidence relating to allocation of planning gain included on S106 agreements</li> <li>• Details of S106 agreements entered into.</li> <li>• Details of triggers for collection of S106 agreement.</li> <li>• Details of planning gain due and those received.</li> <li>• Details of schemes against individual elements of planning gain.</li> <li>• Ability to ascertain for each scheme the number of planning gain that have contributed and the level of planning gain.</li> <li>• Details of recipients of planning gain per scheme</li> </ul>		<p><b>Implemented</b></p> <p>Work had already begun before the audit on the more monitoring document. This has been revised further to incorporate the recommendations made in the audit report and this has now been completed.</p>	

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
		<p>and S106 agreement.</p> <ul style="list-style-type: none"> <li>Progress of scheme, with completion and inspection dates.</li> </ul> <p>Work has commenced in relation to this recommendation.</p>			
No 9 (MK ref 416)	<p><b>Expenditure Timescales Inclusion Within S106 Agreements</b></p> <p>Guidance relating to planning obligations issued by the Ministry of Housing, Communities and Local Government (published 19 May 2016, last updated 1 September 2019) includes the following statement:</p> <p>“S106 Agreements should normally include clauses stating when and how the funds will be used by and allow for their return, after an agreed period of time, where they are not.”</p> <p>Current CDC practices are timescales are only included in S106 agreements at the request of instructing officers within Housing and CCS&amp;P and external bodies (such as NYCC).</p> <p>Testing reviewed a sample of S106 agreements in order to ascertain if clauses were included relating to expenditure timescales and the return of unused funds.</p> <p>Audit ascertained that:</p> <ul style="list-style-type: none"> <li>62% of the agreements had no reference to the agreed period of time for expenditure.</li> <li>38% included a timescale. For those agreements that included a timescale; 100% of money was spent within stated timescales.</li> </ul>	<p><b>Priority 3</b></p> <p>To comply with Ministry of Housing, Communities and Local Government advice; agreements should include clauses stating when and how the funds will be used by and allow for their return, after an agreed period of time, for any remaining balances. Any unused balances should be repaid to the developer.</p>	Monies are not spent within the timescales set in the original S106 agreement leading to developers requesting monies be returned.	No management response received.	<p>Planning Manager</p> <p>01/04/2021</p>
No 10 (MK	<b>Compliance with Councils Procurement Rules and Financial Rules and Regulations for Parks and Open Space Projects funded by planning obligations.</b>	<b>Priority 3</b>	Financial loss through breach of	<b>Implemented</b>	



Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
ref 417)	<p>Contract Procurement Rules for CDC (relevant between September 2015 and mid October 2020) state the requirements for quotes to be received depending on the estimated value of expenditure.</p> <p>Projects are mainly undertaken by 3rd parties (parish councils, sporting organisations, community organisations).</p> <p>Testing was undertaken to ascertain compliance with procurement rules. From evidence provided; where quotes were required – in 60% of cases no quotes were evident. Audit were therefore unable to confirm if quotes had either not been gained by the spending bodies or whether the quotes had not been retained by the relevant service.</p> <p>Further Audit testing was undertaken to establish if copies of relevant invoices had been submitted/retained prior to the release of funds to 3<sup>rd</sup> party organisations:  88% of transactions, showed relevant invoices stating works had been completed, and were retained.  12% of transactions, a quote relating to the works was kept on file (quote was prior to commencement of works), was retained.</p> <p>CCS&amp;P officers recently introduced a standard letter to be issued to the spending organisations stating the requirements of CDC relating to expenditure. The letter states payment can only be made once evidence of spending has occurred i.e. invoice or contract payment schedule. No direct reference to expenditure thresholds and needs for quotes is referred to.</p>	<p>Processes should be introduced to ensure compliance with current procurement rules. Any evidence to show compliance with the rules, together with copies of invoices and evidence that the works meet the minimum standards should be retained for a period of 2 years following:</p> <ul style="list-style-type: none"> <li>• End of timescales included in the S106 agreement.</li> </ul> <p>OR</p> <ul style="list-style-type: none"> <li>• Repayment of funds to the developer.</li> </ul>	<p>CDC procurement rules and regulations.</p>	<p>S106 Award Letter has been amended to ensure includes requirement to adhere to CDC procurement rules and specifically state expenditure thresholds and need to obtain quotes. As part on internal processes invoices will need to be submitted before payment is released as well as photographic evidence of work having taking place</p>	

Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 (ext) 58573.

Audit Services would like to thank the officers involved for their assistance during this audit.



---

## Audit Services Report Car Parking Income Report ref: C2/2020

---

Report Issued    Draft:01/04/2021  
                          Final:27/04/2021

Significant Level of  
Assurance

## Contents

1	Background	3
2	Audit Scope	4
3	Audit Opinion	4
4	Detailed Findings & Action Plan	5

### Distribution:

	<b>Position</b>
	Chief Executive
	Parking Manager
	CIO and Head of Assets & Commercial
	Finance Manager
	Chief Finance Officer

# 1 Background

1.1 The Authority operates 23 car parks across the district of Craven, of these 11 car parks are pay and display and have a range of tariffs.

The pay and display machines allow payments to be made by:

Cash - this is collected, from all fee generating car parks, by an outsourced collection agency G4S Cash Services (UK) Limited.

Card - both credit and debit cards.

Revenue is also collected from the sale of season tickets which are issued centrally by the Council's Business Support Service.

Total revenue from these income streams, pre COVID19 levels, was approximately £1.6m per year.

Penalty Charge Notices in respect of car parking are outsourced to Harrogate Borough Council and do not form part of this audit.

The last audit relating to Car Park income was undertaken in the audit year 2017/18 and was awarded a significant level of assurance.

1.2 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

We endeavour to plan our work so that we have a reasonable expectation of detecting significant control weaknesses and, if detected, we shall carry out additional work directed towards identification of consequent fraud or other irregularities. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that fraud will be detected.

Accordingly, our examinations as internal auditors should not be relied upon solely to disclose fraud, defalcations or other irregularities which may exist.

1.3 Internal Auditing is an independent, objective assurance and consulting activity to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 2 Audit Scope

- 2.1 The scope of the audit involved the review of key controls by undertaking compliance testing on randomly selected transactions for the period January 2020 to December 2020. The testing strategy also included documentation review in addition to discussion with staff.

As part of this review Audit Services identified the following objectives:

To ensure that car park machines are accounting for cash correctly

To ensure that all electronic car park income is being accurately accounted for

To ensure that the performance of the car parking service is being monitored

To ensure that car park machine break downs are minimal.

## 3 Audit Opinion

- 3.1 A summary of Internal Audit's opinion levels and their definitions is provided below:

Level	Definition
<b>Significant Level of Assurance</b>	The system of internal control is designed to support the Council's corporate and service objectives and controls are consistently applied in all the areas reviewed.
<b>Good Level of Assurance</b>	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
<b>Partial Level of Assurance</b>	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.
<b>No Level of Assurance</b>	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

- 3.2 This audit has been awarded a Significant Level of Assurance. Based on the testing carried out, Audit Services are satisfied that 3 out of 5 control objectives were met in full, and 2 out of the 5 were partially met. Further details can be found in section 4 of this report.

Current reconciliation processes exist for both cash and card payments which offer a high level of assurance. A segregation of duties was found, relating to the reconciliation process. Variances, either over, or under an acceptable level, were investigated.

Machine breakdowns are minimal, these are documented and rectified quickly. All but one car park has multiply machines ensuring that when breakdowns occur CDC do not lose parking income.

## 4 Detailed Findings & Action Plan

The audit findings are detailed in this section on an exception basis only for the attention of management, therefore KCO's with adequate controls based on the samples examined are not included.

Recommendations are prioritised as follows:

Priority 1 – These relate to significant gaps in the Internal Control Framework

Priority 2 – These relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls

Priority 3 – These relate to minor issues of non-compliance with controls

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
<b>To ensure that the performance of the car parking service is being monitored</b>					
No 1 (ref MK 434)	<p>The Local Government Transparency Code 2015 states that the following information should be published annually, in respect of parking:</p> <p>Parking Account - a breakdown of income and expenditure on the authority's parking account. A breakdown of how the authority has spent a surplus on its parking account.</p> <p>Parking Spaces - the number of marked out controlled parking spaces within their area, or an estimate of the number of spaces where a controlled parking space is not marked out in individual parking bays or spaces.</p> <p>The code also sets out the following information recommended for publication, in respect of parking:</p> <p>Free parking spaces available in the local authority's area and which are provided directly by the local authority, and parking spaces where charges do apply that are available in</p>	<p><b>Priority 3</b></p> <p>The up to date strategy should be finalised and published as soon as possible. Future strategies should be implemented and updated to ensure that CDC have a strategy in place that covers all years.</p>	Management are unaware of whether objectives are being achieved	Agreed, currently planned to be put to next policy committee (June).	CIO and Head of Assets & Commercial July 2021

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>the local authority's area and which are provided directly by the local authority.</p> <p>Where parking spaces are not marked out in individual parking bays or spaces, local authorities should estimate the number of spaces available for the categories mentioned above.</p> <p>Audit testing ascertain that information published on CDC website complied with the above requirements.</p> <p>Alongside this Craven Parking Strategy is published. The current document covered the period 2014-2019. Officers are currently updating the strategy document which is in the final stages of adoption and will published once the formal approval process has been finalised.</p> <p>Prior to the release of the draft audit report the aforementioned strategy had received SLT approval and is to be presented to Policy Committee in June 2021. Following the formal approval process the strategy will be made available on the CDC website.</p>				
No 2 (ref MK 435)	<p>Car parking income is monitored against budget throughout the financial year. It is reported to services and then separately to members. Members requested detailed analysis of Car Parking income, which now forms appendices to the Revenue Budget Monitoring Report and contains detailed analysis of income generated by the pay and display machines, net of VAT. It is categorised as follows:</p> <ul style="list-style-type: none"> <li>• Individual car park.</li> <li>• Previous year's income.</li> <li>• Current year's income.</li> <li>• Budget for year.</li> </ul> <p>The actual income figures don't take into account any</p>	<p><b>Priority 3</b></p> <p>The monitoring of parking income, which forms the appendices to the quarterly Revenue Budget Monitoring Report should be revised to reflect the true income position against budgets.</p>	<p>Management are unaware of whether objectives are being achieved</p>	<p><b>Parking Management:</b> Finance will provide figures of Monies repaid to Craven pool quarterly and they will be included on the quarterly report to reflect the true income.</p> <p><b>Finance Comments:</b> The information required from finance</p>	<p>Parking Manager liaising with Finance Sept 2021</p>



Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>adjustments undertaken, which In 2019/20 would have shown parking income as being £38k under budget rather than the £7.6k shown in the above report. The main area for adjustments relate to Craven Leisure Centre car park, where the cost of parking can be offset against certain purchases within the leisure centre. Adjustments are made within CDC accounting processes to transfer the income from parking to the leisure service.</p>			<p>needs to be requested by Parking Management in sufficient time to ensure that the figures can be provided by finance, within enough time for them to be reflected in the figures provided by the Parking Manager for the Committee reports.</p>	
<b>To ensure fees and charges are approved and accurately applied.</b>					
<p>No 3 (ref MK 436)</p>	<p>Audit testing ascertained that the Fees and Charges relating to car parks were submitted, considered together with appropriate approval within CDC.</p> <p>In a comparison between the Fees and Charges report and: CDC website 93% of charges/tariff bands were as stated in the fees and charges report. 7% of charges/tariff bands were not as stated in the fees and charge report. Tariff Boards (located in the individual car parks) - 93% of charges/tariff bands were as stated in the fees and charges report. 7% of charges/tariff bands were not as stated in the fees and charges report.</p> <p>Audit noted that CDC have amended a number of variances highlighted above. Leaving only 2 items to be amended.</p>	<p><b>Priority 2</b></p> <p>CDC officers review and correct variances between the Fees and Charges report/Website/Tariff boards.</p>	<p>Customers are incorrectly charged. Income is not maximised and budgetary expectations are not realised.</p>	<p>The 2 outstanding items will be amended in Fees and Charges in October</p>	<p>Parking Manager November 2021</p>

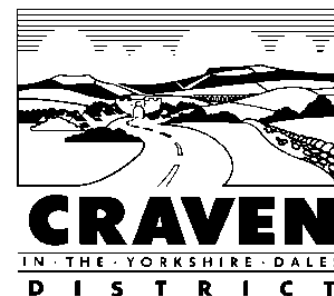
Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 (ext.) 58573.

Audit Services would like to thank the officers involved for their assistance during this audit.

**Audit and Governance Committee**  
**28<sup>th</sup> June 2021**

**Draft Internal Audit Plan 2021/22**

**Report of the Audit Services and Fraud Manager**  
**(Shared Internal Audit Services)**



**Lead Member for Financial Sustainability – Cllr Patrick Mulligan**

Ward(s) affected: All

**1. Purpose of Report**

- 1.1 The purpose of this report is to present the proposed Internal Audit Plan for 2021/22 for consideration and approval.

**2. Recommendations**

- 2.1 That the Audit & Governance Committee considers and approves the Internal Audit Plan for 2021/22 as set out in this report and attached Appendices.

**3. Supporting Information**

- 3.1 The draft Audit Plan for 2021/22 is attached at Appendix A and sets out the areas, functions or activities at Craven which are to be reviewed together with an estimated number of days for each.

**4. Report**

- 4.1 Under the Public Sector Internal Audit Standards, the Chief Audit Executive must give an overall opinion on the adequacy and effectiveness of their authority's internal controls, risk management and governance arrangements. The 2021/22 Internal Audit Plan must therefore include a sufficient range of audit work for this opinion to be given at the year-end in the Annual Internal Audit Report.
- 4.2 As all of the key financial systems within the Council have either been awarded "significant" or "good" levels of assurance with regards to the internal control environment, the approach from now on will be to adopt a more risk based approach whereby other internal controls are assessed. The focus for this year's audit work will be based on risks identified during the Covid-19 pandemic, it's effect on the Authority, and the recovery process following. Part of the audit plan will be allocated to work relating to the allocation of the business support grant funds.

- 4.3 The draft Internal Audit Plan for 2021/22 is attached at Appendix A. The number of days allocated to specifically provide the Audit Services Manager with the evidence for the opinion on the control environment is 180 with an additional 20 days available for any ad hoc, consultancy or unforeseen work. This split is in line with the contractual terms of the Shared Internal Audit Agreement and payment is only requested for the additional 20 days if the Chief Executive or s151 Officer agrees that they should be used.
- 4.4 The draft Internal Audit Plan has been developed in consultation with members of Craven District Council's Corporate Leadership Team (CLT) including the s151 Officer, and takes into account:
- Risks of the Authority
  - Corporate Priorities
  - Proposed audit areas identified by the Institute of Internal Auditors
  - The effect and recovery process of Covid-19.
- 4.5 Progress against the plan will be monitored throughout the year and key issues/findings will be reported to CLT and members of Audit & Governance Committee.

## **5. Financial and Value for Money Implications**

- 5.1 The Council pays a daily fee to Harrogate Borough Council as its contribution towards the cost of the Shared Service which is hosted by Harrogate.

## **6. Legal Implications**

None.

## **7. Contribution to Council Priorities**

- 7.1 The delivery of an Internal Audit Service contributes to the Councils transformation.

## **8. Risk Management**

- 8.1 The Internal Audit function is an integral part of internal control
- 8.2 The major risks to the provision of the service to Craven include:-
- Insufficient resources and capacity – for example due to long-term sickness or vacant posts arising. If the situation arises, it will be addressed by the Internal Audit Shared Service Partnership Board, reporting to the respective Audit Committee of the two Councils if necessary.

- The need for a major investigation which will mean that some planned work will have to be deferred or an increase in the days provided at an additional cost to Craven.

### **8.3 Chief Finance Officer (s151 Officer) Statement**

### **8.4 Monitoring Officer Statement**

## **9. Equality Impact Analysis**

- 9.1 The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

## **10. Consultations with Others**

- 10.1 Corporate Leadership Team  
Chief Finance Officer (s151 Officer)  
Management

## **11. Background Documents**

None

## **12. Appendices**

Appendix 1 – Draft Annual Audit Report 2021/22

## **13. Author of the Report**

Alison Johnson  
Internal Audit Services and Fraud Manager (Shared Internal Audit Services)

Telephone: 01423 500600  
E-mail: Alison.johnson@harrogate.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

## Appendix A

### 2021/22 DRAFT INTERNAL AUDIT PLAN

AUDIT	DAYS	COMMENTS
Housing Benefits	10	3 year rolling programme to give assurance on the adequacy and effectiveness of internal controls in place to ensure the integrity and operation of systems. To include recovery of housing benefit overpayments.
Payroll	10	3 year rolling programme to look at the controls in place in relation to the payroll system. Focus will be on the accuracy of the new self-serve system that is now operated locally.
Accounts Payable	10	To give assurance on the adequacy and effectiveness of systems and internal controls, review the financial records for accuracy and identify any potential risk or fraud.
Accounts Receivable	10	To give assurance that all income due to the authority is properly identified, collected and accounted for under management control. Identification of risks, and any potential fraud.
Post Business Support Grant Verification	10	To give assurance that the business support grants (including discretionary payments) have been paid accurately, within an expected timeframe, post payment assurance and recovery processes.

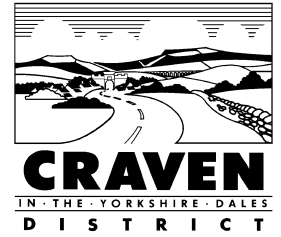
Project Management	12	To ensure project management processes are consistent across the authority. Reporting lines and authorisations are in line with Policy. Anticipated delays to projects are reported and managed effectively.
Health and Safety	10	An audit to confirm compliance with health and safety legislation, reporting priorities, recording of information/incidents and training.
Empty Properties/High Street Recovery	10	To provide assurance that a programme of work is in place and is effective to target recovery of those areas most affected by the covid-19 pandemic and loss of business/income opportunities.
Recording and Inspection of Assets	10	To ensure that assets are recorded and inspected in accordance with an approved programme, condition checks are ongoing and accurate records are maintained and up to date.
Climate Change	10	An assessment of the current processes for monitoring and reporting requirements of the impact of climate change. (Postponed from 2020/21)
Data Breaches	8	An audit of the processes in relation to identified and reported data breaches to ensure compliance with GDPR and Data Protection requirements.
Procurement Rules	8	

		Requested by s151 for verification purposes following updated rules in 2020.
Contingency	20	A pool of days that can be drawn down during the year for special investigations or additional audit work requested on approval.
Duplicate payments work	2	To identify any duplicate payments made quarterly and annually. To report back any findings to the finance section so they can make steps to recover monies.
Follow up of previous audit recommendations	20	New responsibility for monitoring and reporting to A&G of all recommendations to sit with Internal Audit.
Management time/Committee Meetings etc.	20	Includes preparation and monitoring of the Audit Plan, review of audit files, preparing reports plus attendance at meetings.
<b>TOTAL</b>	<b>180</b>	

<b>AUDIT</b>	<b>DAYS</b>	<b>COMMENTS</b>
Contingency available (if required)	20	Made available within the Shared Audit Services Plan for CDC to use to cover any unexpected or ad hoc pieces of work. To be charged for separately.
<b>TOTAL</b>	<b>20</b>	



# Audit & Governance Committee – 28<sup>th</sup> June 2021



## Internal Audit Recommendations – Progress Report

### Report of the Chief Finance Officer

### Lead Member – Councillor P. Mulligan

Ward(s) affected: All

1. **Purpose of Report** – To update committee members on progress against recommendations made by the Internal Audit team.

2. **Recommendations** – Members are recommended to:

2.1 Note progress against Internal Audit recommendations

3. **Background Information**

The Council's Internal Audit team carries out an agreed programme of work to ensure that the Council's

During 2020/21, the Internal Audit team focused on ensuring that the arrangements for Covid-19 financial support were robust and that the risk of fraud was minimised. This resulted in fewer Internal Audit recommendations relating to other areas of work than would normally be expected. The majority of outstanding Internal Audit recommendations from 2019/20 have been addressed over the past year.

There are 3 recommendations outstanding, none of which are Priority 1 recommendations. 2 recommended actions are expected to be completed during Q2 2021/22. One action is currently being reviewed.

The regular Internal Audit programme has now restarted. Two substantial audits completed during Q4 2020/21 (relating to the Section 106 processes, and to the Council's Risk Management arrangements, have resulted in a further 19 recommendations. These recommendations are detailed in the attached report.

*Table 1 – Summary of Internal Audit recommendations*

	Priority 1	Priority 2	Priority 3
Audit Recommendations completed	1	6	1
Audit Recommendations outstanding		2	1
New Audit Recommendations		8	11

4. **Financial and Value for Money (vfm) Implications** – An effective programme of Internal Audit is a key component of the Council's Performance Framework and assurance activity, preventing financial loss and ensuring value for money.

**5. Legal Implications – none**

**6. Contribution to Council Priorities**

6.1 No direct impact on Council Priorities. Effective Risk Management improves the likelihood of the successful delivery of Council Priorities

6.2 **Impact on the declared Climate Emergency** – No specific impact on the declared Climate Emergency

**7. Risk Management**

The Internal Audit programme includes regular review of the Council's Risk Management arrangements. Recommendations relating to Risk Management are described in this report.

**7.2 Chief Finance Officer (s151 Officer) Statement**

It is pleasing to see good progress has been made and that all Priority 1 recommendations have been addressed.

**7.3 Monitoring Officer Statement**

A Monitoring Officer statement is not required for this report

**8. Equality Analysis – not applicable**

**9. Consultations with Others**

CLT, SLT members with assigned recommendations, Internal Audit team

**10. Background Documents**

**11. Appendices –**

Appendix I – 'Internal Audit Recommendations – Progress at Q1 2021/2'

**12. Author of the Report**

Rob Atkins, Exchequer and Performance Manager

Telephone: 01756 706464

e-mail: ratkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

## Internal Audit Recommendations – Progress Update, Quarter 1 2021/22

### Internal Audit – Recommendations addressed since the previous report (March 2021)

Action Name	Priority Level	Action Service	Comment
Threat warnings should offer consistent validation advice to establish a company's official phone number from its website.	2	Information Services	A standard template is now used by all staff.
Indicators of suspicious activity to be reviewed with Service Managers in Q4	2	Information Services	Indicators of suspicious activity were reviewed with Service Managers in Q4.
Zoom instructions should be amended to state that the "Waiting Room" should be enabled and "Join Before Host" disabled.	2	Information Services	Zoom instructions have been updated to reflect this recommendation.
The Council should obtain relevant copies of all respective safety certificates to evidence compliance	1	Property Services	All relevant copies of safety certificates have been obtained and this is now being routinely monitored.
Best value for money should be achieved in the service, the normal operations should be completed within normal working hours at unenhanced rates (Waste Management)	2	Waste Management	New arrangements which include posts with weekend working responsibilities at unenhanced rates have now been implemented, with savings in respect of overtime and agency costs as a result.
Introduce a contract between Craven DC and the apprentice which complies with government guidance.	2	Human Resources	Completed - a compliant contract has been drawn up and is being used for Apprenticeship appointments.
The Procurement Card policy should be reviewed and updated.	3	Financial Services	All policy documentation relating to the use of Procurement Cards has now been reviewed and updated.

A reconciliation should be performed by an independent person between all Land Charges searches completed and all payments made for a sample period.	2	Planning / Building Control	Regular reconciliation, sampling and tracking started during 2020 and is now being routinely maintained.
--	---	-----------------------------	--

**Internal Audit – Recommendations remaining outstanding from previous reporting period**

Action Name	Priority Level	Action Service	Status	Due Date	Expected Date	Comment
An annual statement of Health & Safety, including past performance, incident summary, any issues and outlining priorities for the upcoming year, should be re-introduced for reporting to the Council.	2	Legal Services	Amber	Mar 2020	Jul 2021	The statement has now been drafted by the Council's Health & Safety advisor and an annual process drawn up. Verification from CLT and publication on the Intranet are pending, however the statement should be available during July 2021.
A sundry debt policy should be introduced.	2	Financial Services	Amber	Sep 2019	Jul 2021	Near complete but delayed to resource requirements during pandemic - now due for completion in July 2021
The authority should develop a consistent approach to procurement and communicate it to all managers (Agency Staff)	3	Human Resources	Amber	Feb 2019	Oct 2021	A procurement exercise to improve compliance for the procurement of agency staff was included in the 2020/21 Procurement Strategy but was not started due to resource availability caused by the pandemic. Resource is now unlikely to be available for the approach originally considered (i.e. to develop a local framework for agency staff appointments), which may also no longer be the most appropriate course of action due to Local Government Reorganisation. We are reviewing our approach. We will report on the new approach that we are taking in the next quarter.

**Internal Audit – New recommendations arising from audits completed during this reporting period**

Action Name	Priority Level	Action Service
CDC should develop an overall guidance/workflow document, which would identify and highlight the processes that are in place within CDC relating to the entire S106 process. This guidance document should be reviewed regularly and updated as required.	3	Planning
A review of planning applications which under delegated authority were refused planning permission due to failure to reach conclusion for S106 agreements for October 2018 to September 2020 be undertaken.	2	Planning
The error found in the internal allocation of planning gain, relating to Parks and Open Space should be addressed and corrected.	3	CCS&P
<p>The on-going legal dispute should be resolved as soon as possible. Where the resolution is against CDC;</p> <ul style="list-style-type: none"> <li>• Existing processes should be reviewed and amended to remove practices that would lead to similar disputes.</li> <li>• Review signed S106 agreements and deeds of variations to establish and resolve similar instances.</li> </ul>	3	Planning
CDC should assess the feasibility of introducing clauses, within S106 agreements, relating to responsibilities of developers informing the planning authority of commencement and dates triggers had been reached.	3	Legal
The council's financial management system (Agresso) should be revised to ensure that all planning gain from S106 agreements are identifiable to the service they relate too.	3	Finance
Finance should introduce financial monitoring to the relevant service on a regular basis which would show, by individual obligation:	3	Finance
Details of receipt of planning obligation		

---

Details of expenditure and commitments  
Up to date balance remaining.

Ensure that this information is included in reports seeking approval to spend.

---

CCS&P monitoring document, for POS, which is a current work in progress should be completed to include:

- Detailed instructions/explanation sheet.
- Details of planning gain calculations undertaken.
- Evidence relating to allocation of planning gain included on S106 agreements
- Details of S106 agreements entered into.
- Details of triggers for collection of S106 agreement.
- Details of planning gain due and those received.
- Details of schemes against individual elements of planning gain.
- Ability to ascertain for each scheme the number of planning gain that have contributed and the level of planning gain.
- Details of recipients of planning gain per scheme and S106 agreement.
- Progress of scheme, with completion and inspection dates.

Work has commenced in relation to this recommendation.

3 CCS&P

---

To comply with Ministry of Housing, Communities and Local Government advice; agreements should include clauses stating when and how the funds will be used by and allow for their return, after an agreed period of time, for any remaining balances. Any unused balances should be repaid to the developer.

3 Planning

---

Processes should be introduced to ensure compliance with current procurement rules. Any evidence to show compliance with the rules, together with copies of invoices and evidence that the works meet the minimum standards should be retained for a period of 2 years following:

- End of timescales included in the S106 agreement.
- OR
- Repayment of funds to the developer.

3 CCS&P

---

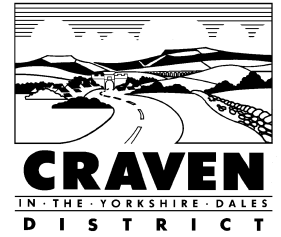
Training surrounding Risk should be arranged for Members of Audit & Governance Committee

2 Finance

---

Training surrounding Risk should be arranged for those officers for whom it is currently outstanding	2	Finance
Risk Management guidance documentation should be reviewed and updated and published on the intranet together with the Risk Management training documentation	2	Finance
Arrangements should be introduced which enable proactive risk identification and submission	2	Finance
The Risk Management Strategy should be reviewed, updated where necessary, reported to A&G for approval and made available on the intranet	2	Finance
Realistically achievable implementation dates should be established where further mitigating actions are required and revised implementation dates established where necessary	2	Finance
The threshold for which an action plan is required should be clarified and such plans noted on the risk register, or, if applicable, it is stated that no action is possible	2	Finance
Care should be taken to ensure that the appropriate RAG status of risk scores is applied	3	Finance
The Risk Management Strategy refers to SLT and Service Managers providing updates on progress against action plans and quarterly reporting to both CLT and Audit & Governance However, there is little evidence of such reporting, contrary to the Strategy.	3	Finance

# Audit & Governance Committee – 28<sup>th</sup> June 2021



## Action Plan to address recommendations from the Internal Audit report on Risk Management

Report of the Chief Finance Officer

Lead Member – Councillor P. Mulligan

Ward(s) affected: All

1. **Purpose of Report** – To update committee members on the proposed Action Plan to address the findings of the recent Internal Audit report on Risk Management.

2. **Recommendations** – Members are recommended to:

2.1 Note the contents of the proposed Action Plan to address the findings of the Internal Audit report on Risk Management

2.2 Agree the actions contained in the proposed Action Plan.

3. **Background Information**

During April 2021, the Council's Internal Audit team completed a review of the Council's Risk Management strategy, policy and activity. This review gave only Partial Assurance. Partial Assurance means that 'Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.'

There are 9 separate recommendations. The recommendations cover 2 broad areas of improvement:

- Training, support and reference materials require refreshing and updating
- We need to ensure that our policies are reviewed regularly enough and we need to implement checks to ensure they are applied consistently

In addition to this, all items on our risk registers should be reviewed to ensure completeness and consistency with new policies.

The attached plan describes our approach to addressing these recommendations, to ensure that our Risk Management activity is consistent and effective by October 2021.

4. **Financial and Value for Money (vfm) Implications** – Better management of risk improves the likelihood of achieving value for money objectives and reduces the risk of suffering financial loss.

5. **Legal Implications** – none

6. **Contribution to Council Priorities**

6.1 No direct impact on Council Priorities. Effective Risk Management improves the



likelihood of the successful delivery of Council Priorities

6.2 **Impact on the declared Climate Emergency** – No specific impact on the declared Climate Emergency

7. **Risk Management** – This report relates entirely to Risk Management

7.2 **Chief Finance Officer (s151 Officer) Statement**

The Internal Audit review highlighted a number of procedural issues to be addressed. The Council's response has been to take action swiftly as detailed in the attached document.

7.3 **Monitoring Officer Statement**

A Monitoring Officer statement is not required for this report.

8. **Equality Analysis** – not applicable

9. **Consultations with Others**

CLT, Internal Audit team, contracted Insurance Brokers

10. **Background Documents**

11. **Appendices** –

Appendix I – 'Risk Management – Improvement Action Plan'

12. **Author of the Report**

Rob Atkins, Exchequer and Performance Manager  
Telephone: 01756 706464  
e-mail: ratkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.

## Background

Risk Management is the process which helps organisations understand, evaluate and take action on all their risks with a view to increasing the probability of success and reducing the likelihood of failure.

An Internal Audit review of Craven District Council's Risk Management arrangements completed in April 2021 gave only Partial Assurance. Partial Assurance means that 'Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the areas reviewed.'

There are 9 separate recommendations. The recommendations cover 2 broad areas of improvement:

- Training, support and reference materials require refreshing and updating
- We need to ensure that our policies are reviewed regularly enough and we need to implement checks to ensure they are applied consistently

In addition to this, all items on our risk registers should be reviewed to ensure completeness and consistency with new policies.

## Action Plan

### 1: Review Risk Management policies and procedures

- Officer group convened to review all existing documentation including policy, templates and guidance
- Revised documentation presented to special meeting of the Risk Management Group
- Agreed, revised documentation presented to Audit & Governance Committee for sign-off
- Documentation published and shared to all staff and members and on the Intranet

*New processes must include:*

- *new, improved internal controls for verifying compliance*
- *an Action Plan template*
- *a quarterly Risk Management Group meeting with clear terms of reference and membership with a template and timetable for onwards reporting to Audit & Governance*
- *a clearly defined process (and explicit expectation) for live reporting risks as they arise*

## **2: Hold revised Risk Management training**

- Arrange a programme of online risk management training to include sessions for Members (particularly Members of Audit & Governance Committee); Service Managers; and all staff with risk identification responsibilities.
- Prepare an accessible 'how to' support guide to be shared via the Intranet.

## **3: Review and update registers**

### *Following updates to processes*

- Thoroughly review all risks on the risk register.
- Hold risk review sessions with each service area with multiple risks on the register.
- Present revised registers to Risk Management Group for review.

## **Key Dates**

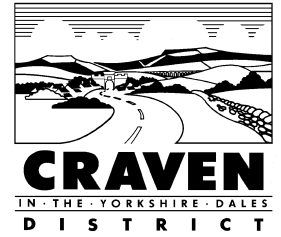
<b>By end July 2021</b>	Revised, agreed Risk documentation published and shared
<b>By end August 2021</b>	Updated, revised risk registers available
<b>By end September 2021</b>	New Risk Management training attended by Officers and Members

## Appendix – Summary of Internal Audit recommendations

<b>R1:</b> Training surrounding Risk should be arranged for Members of Audit & Governance.
<b>R2:</b> Training surrounding Risk should be arranged for those officers for whom it is currently outstanding.
<b>R3:</b> Risk Management guidance documentation should be reviewed and updated and published on the intranet together with the Risk Management training documentation.
<b>R4:</b> Arrangements should be introduced which enable proactive risk identification and submission.
<b>R5:</b> The Risk Management Strategy should be reviewed, updated where necessary, reported to A&G for approval and made available on the intranet.
<b>R6:</b> Realistically achievable implementation dates should be established where further mitigating actions are required and revised implementation dates established where necessary.
<b>R7:</b> The threshold for which an action plan is required should be clarified and such plans noted on the risk register, or, if applicable, it is stated that no action is possible.
<b>R8:</b> Care should be taken to ensure that the appropriate RAG status of risk scores is applied
<b>R9:</b> The monitoring, review and reporting cycle of actions should be adhered to.

# Audit & Governance Committee – 28<sup>th</sup> June 2021

## Council Performance Framework 2021/23



### Report of the Chief Finance Officer

### Lead Member – Councillor P. Mulligan

Ward(s) affected: All

1. **Purpose of Report** – To update committee members on the Council's Performance Framework for the coming 2 financial years, and to agree dates and reporting mechanisms.

2. **Recommendations** – Members are recommended to:

2.1 Note the monitoring and reporting mechanisms described in the Council's Performance Framework for the Financial Years 2021/22 and 2022/23

2.2 Agree the described reporting arrangements for 2021/22, including the dates included in the Performance Framework document

3. **Background Information**

The Council's Performance Framework monitors the Council's progress and performance against stated objectives and statutory requirements.

The Framework describes the arrangements in place for reporting against:

- Council Plan delivery actions
- Service Plan objectives, including any major projects
- Improvement recommendations from the Internal Audit service
- Progress in achieving actions identified in the Climate Emergency Strategic Plan
- Budget Monitoring arrangements (Revenue and Capital Budgets)
- Risk Management monitoring arrangements

The attached plan describes monitoring and reporting arrangements under each of these headings, including how assurance is achieved and key dates and meetings for reporting.

4. **Financial and Value for Money (vfm) Implications** – The monitoring and reporting activity covered by the Performance Framework is key to ensuring that Value for Money is achieved in the delivery of Council services.

5. **Legal Implications – none**

## **6. Contribution to Council Priorities**

6.1 No direct impact on Council Priorities. Effective Performance Management improves the likelihood of the successful delivery of Council Priorities

6.2 **Impact on the declared Climate Emergency** – Progress on addressing the actions in the Council's Climate Emergency Strategic Plan is reported as part of the Council's Performance Framework

## **7. Risk Management –**

Reporting on Risk Management is covered as part of the Performance Framework. Details of key reports and meetings are included in the attached framework document.

### **7.2 Chief Finance Officer (s151 Officer) Statement**

It is crucial that the council has an appropriate and well defined performance framework as part of it's overall governance structure.

### **7.3 Monitoring Officer Statement**

A Monitoring Officer statement is not required for this report

## **8. Equality Analysis – not applicable**

## **9. Consultations with Others** CLT

## **10. Background Documents**

## **11. Appendices –**

Appendix I – 'Performance Management Framework 2021/23'

## **12. Author of the Report**

Rob Atkins, Exchequer and Performance Manager  
Telephone: 01756 706464  
e-mail: ratkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.



Craven District Council

## Performance Framework 2021/2023

### Introduction

The Council's Performance Framework monitors the Council's progress and performance against stated objectives and statutory requirements.

The Framework describes the arrangements in place for reporting against:

- Council Plan delivery actions
- Service Plan objectives, including any major projects
- Improvement recommendations from the Internal Audit service
- Progress in achieving actions identified in the Climate Emergency Strategic Plan
- Budget Monitoring arrangements (Revenue and Capital Budgets)
- Risk Management monitoring arrangements

### Contact:

Rob Atkins, Exchequer and Performance Manager – [ratkins@cravenc.gov.uk](mailto:ratkins@cravenc.gov.uk)

Charlotte Steel, Senior Exchequer and Performance Officer – [csteel@cravenc.gov.uk](mailto:csteel@cravenc.gov.uk)

## Performance Reporting and Progress Monitoring – Council Plan / Service Plans

There are two monitoring mechanisms for assessing progress on delivering the Council Plan:

- Quarterly qualitative progress reports on Council Plan actions from Service Managers
- Quarterly performance statistics providing a quantitative assessment of progress against targets for Council Plan actions

Statistics are collected directly from a named, responsible member of staff in each service area.

The data source and method of calculation are agreed and signed off by the responsible Service Manager at the start of each reporting year.

Performance reports are verified via the Committee Reporting process, ahead of discussion are reviewed and approved at Policy Committee. The Calendar for 2021/2022, and projected calendar for 2022/23, are shown below.

<b>Quarter 4/End of Year Performance Report 2020/21</b>	27 July 2021
<b>Quarter 1 Performance/Target Setting Report 2021/22</b>	14 September 2021
<b>Quarter 2 Performance Report 2021/22</b>	30 November 2021
<b>Quarter 3 Performance Report 2021/22</b>	1 March 2022
<b>Quarter 4/End of Year Performance Report 2021/22</b>	<i>Policy – July 2022</i>
<b>Quarter 1 Performance/Target Setting Report 2021/22</b>	<i>Policy – September 2022</i>
<b>Quarter 2 Performance Report 2021/22</b>	<i>Policy – December 2022</i>
<b>Quarter 3 Performance Report 2021/22</b>	<i>Policy – March 2023</i>
<b>Quarter 4/End of Year Performance Report 2021/22</b>	<i>Policy – July 2023</i>

Service Managers are responsible for managing and monitoring progress against Service Plans. Progress against any major projects identified in Service Plans is regularly reported to the Council Leadership Team.

The Council's Performance Management Framework is reviewed as part of the Internal Audit process, and governance arrangements are reported to External Auditors via the Council's Annual Governance Statement which is presented alongside the Council's Annual Statement of Accounts.



## Improvement Recommendations from the Internal Audit Service

The Council is responsible for ensuring it complies with the law and proper standards to carry out its business. As such, the Council is responsible for ensuring that a sound system of internal control is in place in order to achieve value for money in the use of its resources which includes arrangements for managing risks.

The Internal Audit service, shared with Harrogate Borough Council, reviews the Council's systems of internal control and their implementation, making recommendations for improvement based on legislation, guidance and best practice.

New Internal Audit reports are verified with Service Managers and signed off by the Council's Section 151 Officer before reporting to the Audit & Governance Committee on a Quarterly basis.

All reports contain graded recommended actions for improvement.

For 2021/23, Internal Audit recommendations will be followed up by the Internal Audit Team and progress reported to the Audit & Governance committee. This approach ensures that progress and sign-off against recommendations is independently verified.

The Calendar for 2021/2022, and projected calendar for 2022/23, are shown below.

<b>Quarter 4 Internal Audit progress report 2020/21</b>	22 June 2021
<b>Quarter 1 Internal Audit progress report 2021/22</b>	20 September 2021
<b>Quarter 2 Internal Audit progress report 2021/22</b>	6 December 2021
<b>Quarter 3 Internal Audit progress report 2021/22</b>	21 March 2022
<b>Quarter 4 Internal Audit progress report 2021/22</b>	June 2022
<b>Quarter 1 Internal Audit progress report 2022/23</b>	September 2022
<b>Quarter 2 Internal Audit progress report 2022/23</b>	December 2022
<b>Quarter 3 Internal Audit progress report 2022/23</b>	March 2023
<b>Quarter 4 Internal Audit progress report 2022/23</b>	June 2023

## Progress against the Climate Emergency Strategic Plan

Craven District Council declared a Climate Emergency in August 2019. A Climate Emergency Strategic Plan describing the Council's approach to working towards Carbon Neutrality for the Council's own operations and, working with others, across the District of Craven, was agreed by Council in February 2020.

The Council committed to a full annual review of progress against the plan and a light-touch review every 6 months.

In addition to this, a quarterly update on Climate Emergency actions identified in Service Plans is presented as part of the Council's Quarterly Performance Update to Policy Committee.

The planned reporting calendar for progress updates is shown below.

<b>Climate Emergency – 6-month update 2021/22</b>	19 October 2021
<b>Climate Emergency – Annual Review 2021/22</b>	18 January 2022
<b>Climate Emergency – 6-month update 2022/23</b>	<i>Policy – October 2022</i>
<b>Climate Emergency – Annual Review 2022/23</b>	<i>Policy – January 2023</i>

## Budget Monitoring arrangements (Revenue and Capital Budgets)

The Council conducts routine reviews of both the Revenue and Capital Budget programmes. This is conducted at a Cost Centre Level to provide meaningful detail for the stakeholders. The basis of this review is regularly comparing actual income or expenditure to planned income or expenditure to identify whether corrective action is required. This also includes detailed analysis of salary, agency and key areas of income.

The output of these reviews are reported to Senior Management and to the Council's Committees as appropriate. They are also used by Budget Holders to better inform decision making and planning for the future.

## Risk Management monitoring arrangements

Risks to the Council's operations are monitored via an annual data collection exercise and via regular quarterly monitoring as part of the performance reporting process. A Risk Register describing both operational and strategic risks, and any mitigating controls, is maintained by the Financial Services team. In addition to this, detailed records of any Health & Safety risks are maintained by the Council's appointed Health & Safety Advisor.

The governance of the Council's Risk Management processes is monitored by the Council's Risk Management Group, which consists of the Chair of the Audit and Governance Committee, one other appointed Member, the Council's S151 Officer, Chief Information Officer, Director of Services and Performance and Exchequer Manager. The Risk Management Group meet quarterly, in advance of Audit & Governance Committee meetings where decisions about risk governance are verified and agreed.

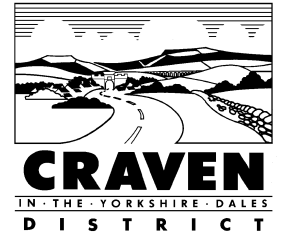
The Risk Management Group recommends any updates to the Council's Risk Appetite Statement, and monitors progress against any Action Plans identified to address required improvements to risk controls.

Service Managers and other Responsible Officers are required to continually assess risks associated with their Service Plans and projects, particularly when any changes occur. Updates to risks are reported to the Financial Services team to be included in the Council's Risk Registers.

<b>Q1 Risk Management Group (Risk Register Review) 2021/22</b>	24 August 2021
<b>Q1 Risk Report to A&amp;G (Risk Register Review) 2021/22</b>	20 September 2021
<b>Q2 Risk Management Group 2021/22</b>	16 November 2021
<b>Q2 Risk Report to A&amp;G 2021/22</b>	6 December 2021
<b>Q3 Risk Management Group (Appetite Statement Review) 2021/22</b>	15 February 2022
<b>Q3 Risk Report to A&amp;G (Appetite Statement Review) 2021/22</b>	21 March 2022
<b>Q4 Risk Management Group (End of year report) 2021/22</b>	May 2022
<b>Q4 Risk Report to A&amp;G (End of year report) 2021/22</b>	June 2022
<b>Q1 Risk Management Group (Risk Register Review) 2022/23</b>	August 2021
<b>Q1 Risk Report to A&amp;G (Risk Register Review) 2022/23</b>	September 2022
<b>Q2 Risk Management Group 2022/23</b>	November 2022
<b>Q2 Risk Report to A&amp;G 2022/23</b>	December 2022
<b>Q3 Risk Management Group (Appetite Statement Review) 2022/23</b>	February 2022
<b>Q3 Risk Report to A&amp;G (Appetite Statement Review) 2022/23</b>	March 2023
<b>Q4 Risk Management Group (End of year report) 2022/23</b>	May 2023
<b>Q4 Risk Report to A&amp;G (End of year report) 2022/23</b>	June 2023

# Audit & Governance Committee – 28<sup>th</sup> June 2021

## Draft Annual Governance Statement 2020/21



### Report of the Chief Finance Officer

### Lead Member – Councillor P. Mulligan

Ward(s) affected: All

1. **Purpose of Report** – To update committee members on the Council’s Annual Governance Statement for 2020/21 and seek approval for inclusion in the Statement of Accounts.
2. **Recommendations** – Members are recommended to:
  - 2.1 Note the content of the Draft Annual Governance Statement, including progress against actions and the actions proposed for 2021/22
  - 2.2 Approve the inclusion of the Annual Governance Statement in the 2020/21 Statement of Accounts

### 3. **Background Information**

Craven District Council is responsible for conducting its business in accordance with the law, and for ensuring that public money is used efficiently and properly accounted for. The Council is responsible for putting in place governance arrangements to ensure it exercises its duties and functions with proper regard to legislation and guidance. These arrangements include financial controls, risk management, audit and performance management.

The Council’s Governance Framework describes the systems, processes cultures and values, by which the Council is directed and controlled.

The Annual Governance Statement describes the Council’s assessment of progress in respect of fulfilling these responsibilities and describes the action that the Council is taking where improvement is required.

A final version of the Annual Governance Statement is included with the Council’s Statement of Accounts. Members are requested to review the draft of this statement, which is pending review and approval from the Council’s auditors.

4. **Financial and Value for Money (vfm) Implications** – An effective programme of Internal Audit is a key component of the Council’s Performance Framework and assurance activity, preventing financial loss and ensuring value for money.
5. **Legal Implications – none**

## **6. Contribution to Council Priorities**

- 6.1 Describes governance arrangements which impact on the successful delivery of all Council priorities.
- 6.2 **Impact on the declared Climate Emergency** – Describes governance arrangements relating to the Climate Emergency Strategic Plan objectives.

## **7. Risk Management**

Risk Management is a key part of the Council's governance framework and the Annual Governance Statement highlights activity being undertaken to improve this important area of work.

### **7.2 Chief Finance Officer (s151 Officer) Statement**

It is important that the Audit & Governance Committee reviews the draft AGS before publication in the Council's accounts. The Statement highlights where progress has been made and where further attention is required. It is evident that, even with the difficulties and significant additional workloads faced as a consequence of the pandemic, the council's governance structure has remained robust and effective.

### **7.3 Monitoring Officer Statement**

A Monitoring Officer statement is not required for this report

## **8. Equality Analysis – not applicable**

## **9. Consultations with Others** CLT, Internal Audit team

## **10. Background Documents**

## **11. Appendices –**

Appendix I – 'Draft Annual Governance Statement 2020/21'

## **12. Author of the Report**

Rob Atkins, Exchequer and Performance Manager  
Telephone: 01756 706464  
e-mail: ratkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.



Craven District Council

## **Annual Governance Statement 2020/21**

**DRAFT for Audit & Governance Committee**

## **Contents**

1.1	Scope and Purpose	3
1.2	Annual Review of Effectiveness	3
1.3	Specific Assurances	4
1.4	Local Government Ombudsman	5
1.5	Performance against the Local Code of Corporate Governance	5
2	Review of actions from the Annual Governance Plan 2020/21	6
3	Review of effectiveness for 2020/21	8
4	Summary of governance actions taken in response to Covid-19	12
5	Summary of improvement actions for 2021/22	13

## 1.1 Scope and Purpose of the Governance Framework

Craven District Council is responsible for conducting its business in accordance with the law, and for ensuring that public money is used efficiently and properly accounted for.

The Council is responsible for putting in place governance arrangements to ensure it exercises its duties and functions with proper regard to legislation and guidance. These arrangements include financial controls, risk management, audit and performance management.

The Council's Governance Framework describes the systems, processes cultures and values, by which the Council is directed and controlled.

The Council has approved and adopted a Local Code of Governance (the Code), which is consistent with the principles of the CIPFA/SOLACE Framework Delivering Good Governance in Local Government.

A copy of the Local Code and a description of our governance arrangements can be obtained from the Council's website at <https://www.cravenc.gov.uk/the-council/corporate-governance/>

or by writing to:

Financial Services, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.

This Statement describes how Craven District Council has complied with this Code and meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015, which require the Council to prepare an Annual Governance Statement.

This statement gives assurances on compliance with Craven District Council's governance framework for the year ending 31 March 2021 and up to the date of approval of the Statement of Accounts for 2021/2022.

## 1.2 Annual Review of Effectiveness

Craven District Council must conduct, at least annually, a review of the effectiveness of its governance framework.

The Council has reviewed the effectiveness of its governance mechanisms as outlined in the Local Code of Governance.

The purpose of the review is to identify and evaluate the controls in place to manage key risks, evaluate any assurances received from responsible Officers, and identify gaps in controls and assurances. Areas of improvement have been identified and are outlined in the Statement.

Review of the governance framework is overseen by the Council's Chief Finance Officer (s151 Officer) and undertaken by members of the Corporate Leadership Team (CLT) and representatives of the service managers that form the Council's Senior Leadership Team (SLT). Changes are reviewed and confirmed by the Council's Audit & Governance Committee.



The review of effectiveness is informed by the work of the Corporate Leadership Team (CLT) who have responsibility for developing and maintaining the governance environment, the Internal Audit Services Manager's annual report. The report considers recommendations made by external auditors as well as feedback from other review agencies and inspectorates including the LGA Peer Review process.

The outcomes of the review are considered and approved by the Audit and Governance Committee. The Audit and Governance Committee has overall responsibility for ensuring the effective development and operation of corporate governance within the Council.

Issues identified in the Annual Governance Statement and management actions to reduce risks have been reported to Audit & Governance Committee and/or Policy Committee and/or Council. These reports where appropriate have also included new issues for consideration.

### **1.3 Specific Assurances**

The following specific assurances have been obtained to support this statement:

**Chief Finance Officer, Section 151 Officer:** The CIPFA statement on the role of the Chief Financial Officer requires them to provide assurance on financial decision making, financial accounting and reporting, internal control, and risk management. These assurances have been considered through the review of our governance arrangements. The Council's arrangements conform to CIPFA requirements.

**Chief Information Officer:** Craven District Council maintains externally verified (annually) compliance with the Governments PSN (Public Services Network) and the Payment Card Industries PCI-DSS (Payment Card Industries – Data Security Standards). Compliance with these standards provides confidence that services used over the technical network will work without problems, gives assurance that our data and our customers data is protected in accordance with our Information Assurance (IA) commitments and ensures that in the event of things going wrong they can be quickly put right. In the case of PCI-DSS it also ensures that adequate controls are in place surrounding the storage, transmission and processing of customer payment card data.

**Audit Services Manager:**

*To be updated for 2020/21*

**External Audit:**

*To be updated for 2020/21*

### **1.4 Local Government Ombudsman**

A Local Government Ombudsman Annual Review letter for Craven was published in July 2020. The report considered 1 complaint referred to the Ombudsman in for the year ended 31 March 2020. This complaint was not upheld.

The letter is published online at

<https://www.lgo.org.uk/documents/councilperformance/2020/craven%20district%20council.pdf>

The Local Government Ombudsman has also reported on an investigation into the allocation of two payments as part of a Covid-19 discretionary business grant scheme. The LGO, in arriving at the findings in his public interest report, has made recommendations for the Council to consider in respect of the administration of this scheme which operated during the summer of 2020. The Council's Policy Committee will consider the LGO's report and respond accordingly.

### **1.5 Performance against the Local Code of Corporate Governance**

The Council considers that its governance arrangements continue to be fit for purpose and compliant with our Local Code of Corporate Governance. In undertaking our review of effectiveness we have assessed our performance against the detailed arrangements set out in the code.

The Council has assessed and confirms that arrangements detailed within the Local Code are in place and no significant weaknesses to our governance arrangements have been identified. However, in doing so we have identified a number of areas for improvement to form part of our Governance Improvement Plan.

It is stressed that no system of control can provide absolute assurance against material mis-statement or loss. This statement is intended to provide reasonable assurance.

The following pages detail our assessment of compliance with the arrangements we have in place to meet the governance principles as set out in our Local Code, along with our Governance Improvement Plan.

## 2. Review of Actions from the Annual Governance Plan, 2020/21

Action to Improve Governance Arrangements

Update

GS 20/21/01

GS 20/21/02

### **Economic, Social and Environmental Impacts**

Implement well-planned and comprehensive arrangements for the recovery phase of the local covid-19 pandemic, that meet all legal requirements and national guidance, to safeguard the health and wellbeing of residents.

A working group was formed to improve the Council's approach to service planning, including ensuring that considering and measuring longer-term outcomes is a part of our planning process. This work has started but is not yet complete.

This action was **completed**. Further action is planned for 2021/22 as the pandemic recovery continues.

Ensure that progress against the Climate Emergency Strategic Plan is accurately monitored via the Performance Framework

Progress monitoring for actions taken to address the Climate Emergency are now fully embedded in the Council's Performance Framework.

This action was **completed**.

GS 20/21/03

GS 20/21/04

### **Health & Safety / Covid-19**

Ensure that our review of all Health & Safety risk assessments against covid-19 governance and legislation is completed to a high standard.

Specific Health & Safety risk assessments were completed relating to safe operations during the covid-19 pandemic. Confirmation of implementation of these recommendations was supported by a successful HSE inspection of arrangements, at Engine Shed Lane.

This action was **completed**.

Review progress on Health & Safety actions to ensure that the improvements we have made to Health & Safety policies and processes are fully embedded in practice, particularly in light of the covid-19 pandemic.

Improved monitoring and recording is now in place in line with the Council's revised Health & Safety policies and procedures.

This action was **completed**.

GS 20/21/05

**Purchase Orders**

Implement and monitor our plan to increase the rate of compliance with the use of official orders for purchasing.

The completion of Purchase Orders is routinely monitored. Services have been supported to improve purchasing arrangements where a high proportion of orders are not compliant. This has resulted in an improvement, however more progress is required to ensure compliance and to achieve our performance target.

This action was **partially completed**.

GS 20/21/06

**Partnership impact**

Embed a process for reviewing partnership impact within the Council's performance review and monitoring arrangements.

This action was not completed. The Council should consider whether this remains a priority and how monitoring the impact of partnership activity can be incorporated into plans for Local Government Reorganisation.

This action was **not completed**.

### 3. Review of Effectiveness for 2019/20

This section of the report describes our self-assessment of our effectiveness in applying the principles we have identified in the Local Code of Governance over the past financial year.

#### 3.1 Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Overall Assessment: We are achieving this principle

The Council's ethical values and the legal requirements of our work are clearly communicated and regularly reinforced.

The Council's constitution is reviewed and updated annually. A light touch review was completed and agreed by Full Council in October 2021. The Council's Financial and Contract Procedure Rules were updated as a part of this review. The Nolan Principles have been actively promoted to Members and Officers, and this activity is now part of the Council's routine 'annual reminder' activity for all staff. The Officer Code of Conduct was also reviewed and agreed at the Council's Standards Committee in March 2021.

#### 3.2 Principle B – Ensuring openness and comprehensive stakeholder engagement

Overall Assessment: We are largely achieving this principle

The Council continues to engage successfully with a range of stakeholders to deliver key projects. This includes, for example, the extensive public engagement on the Transforming Cities Fund project to redevelop the Skipton Station area, our successful engagement with environmental groups and other organisations to complete the annual review of the Climate Emergency Strategic Plan, our partnership projects with local NHS organisations and engagement with a broad range of partners to prepare our Cultural Strategy. The Great Place: Lakes and Dales project has included a wide range of activity to increase our engagement with young people in the area.

The 2020/21 budget consultation exercise achieved a similar response rate to 2019/20 (which was our highest ever response rate). The proportion of responses from younger residents was lower than the previous year and is unlikely to be representative.

The Council widely promoted all consultation and engagement activity relating to the intended Local Government Reorganisation in North Yorkshire.

*Improvement Action 1: Ensure that the views of local residents and stakeholders are considered when planning for the intended Local Government Reorganisation, through wide engagement as part of the planning process.*

*Improvement Action 2: Consider how the views of younger people could be efficiently and effectively considered when reviewing our plans and strategies, particularly when planning for Local Government Reorganisation.*

### 3.3 Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits

Overall Assessment: We are partially achieving this principle

Some improvement is required to ensure that we achieve this principle in 2020/21

The Council has a clear vision which provides a strong basis for strategy, planning and decision-making. The required resources and intended outputs of projects and service activities are clearly defined.

The Council has reviewed its approach to Performance Management, including defining a new Performance Management Framework which includes reporting against financial, economic, social and environmental goals. The paper describing this framework is due to be presented to the Council's Audit & Governance Committee in June 2021

The council does take into account financial, legal, risk and equality impact of all decisions. There remains a need to embed the assessment of economic, social and environmental impacts into decision-making processes.

The Council is strongly committed to ensuring the most positive environmental impact of its operations. A Climate Emergency was declared unanimously by Full Council in August 2019; a Climate Emergency Strategic Plan was unanimously agreed by Full Council in February 2020 and a full annual review of the Climate Emergency Strategic Plan was unanimously agreed by Full Council in March 2021. The Council's progress against this plan is now being actively monitored via the revised performance framework.

The Council has worked with the North Yorkshire Resilience Forum to put in place a strong response to the covid-19 pandemic. The Council has taken a lead role locally in the recovery phase. Ensuring the successful execution of the recovery phase is critical to ensuring the continuing health and wellbeing of residents across the District.

The Council has distributed £51.6m of covid-19 relief business grants, from both National and Local Schemes, to over 2,500 businesses, often with multiple payments to businesses. Audit checks have been completed on the 'first round' of grant payments (March to September 2020). These checks found one required repayment.

*Improvement Action 3: Continue to respond to the pandemic and implement well-planned and comprehensive arrangements for the recovery phase of the local covid-19 pandemic, that meet all legal requirements and national guidance, to safeguard the health and wellbeing of residents.*

*Improvement Action 4: Ensure that plans are in place to review and progress Climate Emergency actions throughout and beyond the Local Government Reorganisation process.*

### 3.4 Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Overall Assessment: We are achieving this principle

The council continues to achieve many aspects of this principle including ensuring clear Lead Member responsibility for priorities, sound financial planning, comprehensive monitoring arrangements and regular contingency planning.

We improved our approach to procurement support during 2019/20. We conducted an open competitive tender exercise and appointed a specialist consultancy with the experience and qualifications necessary to provide effective support. We have also revised and updated our Procurement Strategy and Forward Plan which is due for review in September 2021. We have also reviewed and updated our performance framework to ensure that it remains fit for purpose.

### 3.5 Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it

Overall Assessment: We are largely achieving this principle, but with some minor areas for targeted improvement

The council continues to achieve many aspects of this principle. Leadership roles are clearly defined, there are transparent lines of delegated decision-making and an effective performance review process is in place. The Council’s Apprenticeship scheme is a strength.

A revised induction programme is in place and this is subject to ongoing review. New training for Members has been introduced.

There have been recent improvements in arrangements to ensure the Health & Safety of our workforce, including a new strategy and a newly contracted Health & Safety Advisor. Our programme of work for 2019/20 was completed successfully, including a full review of all guidance documentation and Health & Safety risk assessments. The covid-19 pandemic has resulted in a need for us to review our position. All assessments are being re-evaluated to ensure that our working practices are safe in line with central government guidance and the covid-19 regulations. We must also ensure that the recent improvements to our Health & Safety arrangements are fully embedded in our organisational culture.

*Improvement Action 5: Continue to review progress on Health & Safety actions to ensure that the improvements we have made to Health & Safety policies and processes are fully embedded in practice, particularly in light of the covid-19 pandemic.*

### 3.6 Principle F – Managing risks and performance through robust internal control and strong public financial management

Overall Assessment: We are partially achieving this principle

Some improvement is required in key areas to ensure that we achieve this principle in 2021/22

The Council has a clearly defined Performance Management Framework. Some elements of the framework require review to ensure that our performance management activity continues to support effective and constructive challenge and debate. The Performance Management Framework has been fully reviewed for 2021/22 and will be presented to Audit & Governance Committee in June.

All required policies are in place to ensure safe and effective data management. Our compliance with these policies is monitored on an ongoing basis and reported quarterly to the Council's Leadership Team.

The Council's approach to Risk Management was reviewed by the Internal Audit team in 2020/21 and found to have some weaknesses. The Council does have a clearly defined Risk Strategy and Risk Appetite Statement, and the risk response to the pandemic is considered to be good practice. However, the Council's training programme has not been sufficient to ensure that a high level of understanding exists throughout the Council. The Council has also not been robust enough in reviewing its own policies and procedures or in ensuring that these are followed consistently. An Action Plan is in place to address these issues. The plan should be fully implemented by October 2021.

The Council's approach to monitoring and addressing fraud risk is robust, with a strong and recently reviewed Anti-Fraud and Corruption Strategy. The Council's approach to using Internal Audit resource to check Covid-19 grant payments has led to comparatively very low rates of fraud for this urgent and complex programme. Financial controls are comprehensive and are applied effectively. The use of Purchase Orders for official purchases has almost doubled in proportion, reducing the risk in this area although there is still some distance to travel before the rate of use of official Purchase Orders meets our performance target.

*Improvement Action 6: Implement the Action Plan to improve the standard of Risk Management activity across the Council*

*Improvement Action 7: Continue to implement and monitor our plan to increase the rate of compliance with the use of official orders for purchasing.*

### 3.7 Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability

Overall Assessment: We are largely achieving this principle, but with some minor areas for targeted improvement

The Council's approach to transparency is supported by clear policies and regular consideration is given to the style and volume of both reporting and data presented to the public and other stakeholders. During 2020/21 the Council updated its corporate reporting format to provide specific statutory officer comments and an assessment of the impact of decisions on priority objectives, such as the declared climate emergency. The Council is compliant with the Local Government Transparency Code.

We have continued our strong and compliant Internal Audit shared service with Harrogate Borough Council. Our financial controls are well-established and effective.

External Audit services are provided by Mazars.

Partnership governance arrangements are clearly defined. More work is still required to ensure that we are able to monitor the shared impact of partnership activity. This was planned for 2019/20. It has not yet taken place due to resource constraints and disruption caused by the Covid-19 pandemic. Given that the intended Local Government Reorganisation will impact strongly on partnership arrangements in the District, this activity is unlikely to be an effective use of resource. Providing LGR continues as intended, partnership monitoring arrangements will be reviewed as part of the LGR transition.

*Improvement Action 8: Ensure that arrangements for assessing the impact of partnership work are considered as part of the LGR transition.*



#### **4. Summary of Governance Actions related to the Covid-19 pandemic**

The Council has put in place a wide range of measures to ensure that its contribution to the Covid-19 recovery is comprehensive and efficient.

These include:

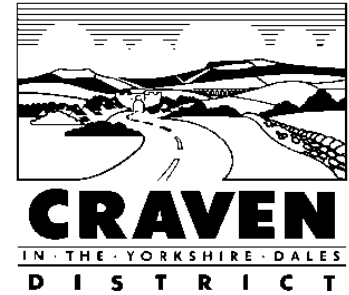
- Reviewing and enacting the Council's Pandemic Response plan.
- Completing a full review of all operational Health & Safety risks and rapidly completing any resulting actions.
- Convening a Council Pandemic Response Team consisting of all senior and operational leads with relevant responsibilities, with clear roles and responsibilities and regular online meetings throughout the pandemic.
- Participating in the North Yorkshire Resilience Forum response, ensuring that regionally gathered evidence and information is shared and use to target response effort.
- Conducting a full review of all Strategic and Operational Risks to the Council resulting from the pandemic.
- Implementing systems for the direct payment of Covid-19 grants, including the consistent and transparent use of Internal Audit resource to minimise the risk of fraud via grant payments.
- Working with local communities to plan and monitor the safe reopening of High Streets.
- Focusing targeted public health inspection work on Covid-19 safety measures and taking enforcement action where necessary.

## 5. Summary of improvement actions for 2020/21

Principle	Actions
<p>Principle B – Ensuring openness and comprehensive stakeholder engagement</p>	<p><i>Improvement Action 1: Ensure that the views of local residents and stakeholders are considered when planning for the intended Local Government Reorganisation, through wide engagement as part of the planning process.</i></p> <p><i>Improvement Action 2: Consider how the views of younger people could be efficiently and effectively considered when reviewing our plans and strategies, particularly when planning for Local Government Reorganisation.</i></p>
<p>Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<p><i>Improvement Action 3: Continue to respond to the pandemic and implement well-planned and comprehensive arrangements for the recovery phase of the local covid-19 pandemic, that meet all legal requirements and national guidance, to safeguard the health and wellbeing of residents.</i></p> <p><i>Improvement Action 4: Ensure that plans are in place to review and progress Climate Emergency actions throughout and beyond the Local Government Reorganisation process.</i></p>
<p>Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<p><i>Improvement Action 5: Continue to review progress on Health &amp; Safety actions to ensure that the improvements we have made to Health &amp; Safety policies and processes are fully embedded in practice, particularly in light of the covid-19 pandemic.</i></p>
<p>Principle F – Managing risks and performance through robust internal control and strong public financial management</p>	<p><i>Improvement Action 6: Implement the Action Plan to improve the standard of Risk Management activity across the Council</i></p> <p><i>Improvement Action 7: Continue to implement and monitor our plan to increase the rate of compliance with the use of official orders for purchasing.</i></p>
<p>Principle G – Implementing good practices in transparency, reporting and audit to deliver effective accountability</p>	<p><i>Improvement Action 8: Ensure that arrangements for assessing the impact of partnership work are considered as part of the LGR transition.</i></p>

# Audit Committee – 28 June 2021

## Exemptions from the Contract Procedure Rules Quarter 1 2021/22



### Report of the Chief Finance Officer

#### Lead Member – Councillor Patrick Mulligan, Financial Resilience

Ward(s) affected: All

#### 1. Purpose of Report

- 1.1 To report on exemptions granted from the Contract Procedure Rules in Quarter 1 2021/22.

#### 2. Recommendations – Members are recommended to:

- 2.1 Note the 2 exemptions granted from the Council's Contract Procedure Rules.

#### 3. Report

- 3.1 An exemption from the Contract Procedure Rules was granted for the extension of a contract for the provision of Project Management services for affordable housing developments on Council Land.

- 3.1.1 Due to delays caused by the Covid-19 pandemic, timescales for the delivery of new housing have extended beyond the dates that our contracted Project Manager was originally appointed for.

An exemption was granted for this variation to the original contract to allow Rider Levitt Bucknall to complete the Project Management work that they were originally contracted for even though the period of the contract extension is beyond that normally allowed within the Contract Procedure Rules. An extension to the contract period to 1<sup>st</sup> June 2022 has been granted. There is no change in the contract value.

- 3.2 An exemption from the Contract Procedure Rules was granted for the purchase of an ex-demonstration Refuse Collection Vehicle directly from the Vehicle manufacturer.

- 3.2.2 The Waste Management team had a specific requirement for a small, compaction Refuse Collection Vehicle of a type that is only available from one manufacturer in the UK (NTM GB Ltd).

The manufacturer were able to offer a time-limited discount on an ex-demonstration vehicle and an exemption was granted to ensure that this unusual opportunity for a saving on this vehicle could be realised.

The vehicle was offered at a price of £93,000, which compared to the retail price of £97,972 offered a saving of £4,972 (5.1%).

#### **4. Financial and Value for Money Implications**

- 4.1 Financial and Value for Money implications are assessed on a case-by-case basis by the Chief Finance Officer as exemption requests are submitted.

#### **5. Legal Implications**

- 5.1 Legal implications are assessed on a case-by-case basis by the Solicitor to the Council as exemption requests are submitted.

#### **6. Contribution to Council Priorities**

- 6.1 The effective implementation of procurement policy contributes to the Council priority 'Financial Resilience'

#### **6.2 Impact on the declared Climate Emergency**

The Waste Management exemption enables the purchase of a smaller Refuse Collection Vehicle with electric components, to reduce fuel use, as specified in the Climate Emergency Strategic Plan.

#### **7. Risk Management**

- 7.1 No Risk Management implications

#### **7.2 Chief Finance Officer (s151 Officer) Statement**

The exemptions are justified in the circumstances noted.

#### **7.3 Monitoring Officer Statement**

A Monitoring Officer statement is not required for this report

#### **8. Equality Impact Analysis**

- 8.1 The Council's Equality Impact Assessment Procedure has been followed. An Equality Impact Assessment has not been completed on the proposals as

completion of Stage 1- Initial Screening of the Procedure identified that the proposed policy, strategy, procedure or function does not have the potential to cause negative impact or discriminate against different groups in the community based on •age • disability •gender • race/ethnicity • religion or religious belief (faith) •sexual orientation, or • rural isolation.

**9. Consultations with Others**

9.1 None

**10. Background Documents**

10.1 None

**11. Appendices**

- None

**12. Author of the Report**

Name Rob Atkins, Exchequer and Performance Manager  
Telephone: 01756 706464  
E-mail: RAtkins@cravendc.gov.uk

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions.