



Audit and Governance Committee

Monday, 20th March 2023 at 6.30pm

Meeting to be held at 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

Please note the following advice in advance of the meeting:

Whilst there is no longer a legal requirement to wear a face covering or continue to social distance, please be considerate towards the wellbeing of other.

Anyone showing Covid symptoms or feeling unwell, are asked not to attend an in-person meeting, this is in the interest of general infection control. Further guidance can be found at:

<https://www.gov.uk/coronavirus>

AGENDA

1. **Apologies for Absence** – To receive any apologies for absence.
2. **Minutes** – To approve the minutes of the meeting held on 24 October 2022.
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. External Audit

- a) **Auditor's Annual Report 2020/21** – External Audit Report. Attached.

Purpose of Report – To present the Auditor's Annual Report for 2020/21 to Members.

- b) **Accounts Audit Completion Report 2020/21** – External Audit Report. Attached.

Purpose of Report – To present the Accounts Audit Completion Report for 2020/21 to Members.

6. Internal Audit

- a) **Audit Services Report: Housing Benefit 2022/23** – Report of the Assistant Director – Audit Assurance (Veritau). Attached.

Purpose of Report – To inform the Audit & Governance Committee of the findings relating to audit work undertaken on the controls in place within the Council that relate to Housing Benefit.

- b) **Audit Services Report: Debtors 2022/23** – Report of the Assistant Director – Audit Assurance (Veritau). Attached.

Purpose of Report – To inform the Audit & Governance Committee of the findings relating to audit work undertaken on the controls in place within the Council that relate to Debtors.

- c) **Audit Services Report: Council Tax and NDR 2022/23** – Report of the Assistant Director – Audit Assurance (Veritau). Attached.

Purpose of Report – To inform the Audit & Governance Committee of the findings relating to audit work undertaken on the controls in place within the Council that relate to Council Tax and NDR.

- d) **Audit Services Report: Creditors 2022/23** – Report of the Assistant Director – Audit Assurance (Veritau). Attached.

Purpose of Report – To inform the Audit & Governance Committee of the findings relating to audit work undertaken on the controls in place within the Council that relate to Creditors.

- e) **Annual Internal Audit Report 2022/23** – Report of the Assistant Director – Audit Assurance (Veritau). Attached.

Purpose of Report – To consider the key findings and conclusions from audit work undertaken in 2022/23 and to give an opinion on the overall adequacy and effectiveness of the Council's arrangements for risk management and governance and on its internal controls.

- f) **Audit Services Recommendation Report: March 2022/23** – Report of the Assistant Director – Audit Assurance (Veritau). Attached.

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

7. Draft Annual Governance Statement 2022/23 – Report of the Chief Finance Officer (s151 Officer). Attached.

Purpose of Report – To update committee members on the Council's Annual Governance Statement for 2022/23 and seek approval for inclusion in the Statement of Accounts.

8. **Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.
9. **Date and Time of Next Meeting** – There are no more Audit and Governance Committee meetings scheduled.

Agenda Contact Officer:

David Smith, Democratic Services and Scrutiny Officer
E-mail: committees.cra@northyorks.gov.uk
Phone: 01756 700600
10th March 2023

Recording at Council Meetings: Recording is allowed at Council, Committee and Sub-Committee meetings which are open to the public, subject to

- (a) the recording being conducted with the full knowledge of the Chairman of the meeting; and
- (b) compliance with the Council's protocol on audio/visual recording and photography at meetings, a copy of which is available on request. Anyone wishing to record must contact the Agenda Contact Officer prior to the start of the meeting. Any recording must be conducted openly and not disrupt proceedings.

AGENDA ITEM 2

AUDIT AND GOVERNANCE COMMITTEE

24th October 2022

Present – The Chair (Councillor Hull) and Councillors Barrett, Noland and Place.

Officers – Chief Finance Officer (s151 Officer), Solicitor to the Council and Deputy Monitoring Officer, Finance Manager, Sports Development Officer, Democratic Services and Scrutiny Officer and the Assistant Director of Audit Assurance at Veritau.

Apologies for absence were received from Councillors Handley, Lis and Mercer, and Independent Person Greg Robinson.

Start: 6.30pm

Finish: 6.57pm

Minutes – The minutes of the Committee's meeting held on 27th June 2022 were approved as a correct record and signed by the Chair.

Declarations of Interests – Councillor Noland declared an interest in agenda item 6, in that he was a coach and player of Skipton Cricket Club. The Solicitor to the Council and Deputy Monitoring Officer advised that Councillor Noland can discuss the agenda item but should not vote on it.

Minutes for Report

AC.436 **Exemption from Contract Procedure Rules to Supply and Erect an Observation Hide Using Section 106 Monies by Cononley Parish Council.**

The Sports Development Officer introduced the report and it was clarified that an exemption is required as no other suppliers are prepared to carry out the work. After careful consideration of the report, Members voted and it was

Resolved – That, the exemption from the Contract Procedure Rules to supply and erect an observation hide using Section 106 monies by Cononley Parish Council is granted.

AC.437 **Exemption from Contract Procedure Rules to Construct a New Building to Replace the Existing Pavilion Using Section 106 Monies by Skipton Community Sports Hub.**

The Sports Development Officer introduced the report and it was clarified that an exemption is required due to the tender exercise resulting in medium-scale suppliers providing prohibitively expensive quotes that would make the project unviable, but trusted local suppliers providing quotes that would allow the project to continue. Construction materials cost inflation also provided a reason for exemption. After carefully considering the report, Members voted, with Councillor Noland not taking part, and it was

Resolved – That, the exemption from the Contract Procedure Rules to construct a new building to replace the existing pavilion using Section 106 monies by Skipton Community Sports Hub is granted.

AC.438 **Internal Audit Recommendations – Progress Report.**

AGENDA ITEM 2

The Assistant Director of Audit Assurance at Veritau introduced the report and explained that Veritau are stepping in to support Internal Audit as Local Government Reorganisation approaches. The summary of Internal Audit recommendations, seen at paragraph 3.2 of the report, was explained, and Members were warned that a number of recommendations will not be completed due to LGR. The Solicitor to the Council and Deputy Monitoring Officer provided Members with an update on the Health and Safety arrangements and Members were content.

Resolved – That, the Internal Audit Recommendations – Progress Report is noted.

AC.439 **Annual Audit Report (with Annual Opinion).**

The Assistant Director of Audit Assurance at Veritau introduced the report, explaining that it is a statutory requirement for Internal Audit to produce a report with an annual opinion. The opinion of the Council's auditing was deemed 'Satisfactory'. It was clarified that the report will be made available to External Audit.

Resolved – That, the Annual Audit Report and Audit Opinion are noted.

AC.440 **Internal Audit Plan 2022/23**

The Assistant Director of Audit Assurance at Veritau introduced the report and explained that, due to LGR, this Audit Plan was slightly different from previous years. It was reported that the plan is in line with those of other district councils and the importance of getting the financial auditing completed early on was emphasised. Members questioned why the number of days required was so high, and it was clarified that some extra days have been left as a contingency.

Resolved – That, the Internal Audit Plan for 2022/23 is approved.

AC.441 **Payroll Report**

The Assistant Director of Audit Assurance at Veritau introduced the report, highlighting that Craven District Council had been awarded a good level of assurance on the Payroll Audit. It was reported that, because there are no Priority 1 recommendations, the recommendations in this report might not be complete by 31st March 2023.

Resolved – That, the Payroll Report is accepted.

AC.442 **Procurement / Contract Rules 2021/2022**

The Assistant Director of Audit Assurance at Veritau introduced the report and highlighted that Craven District Council had been awarded a good level of assurance on this report. It was again reported that, because there is only one Priority 3 recommendation, this might not be completed before 31st March 2023.

Resolved – That, the Procurement / Contract Rules 2021/2022 Report is accepted.

AC.443 **Date and Time of Next Meeting**

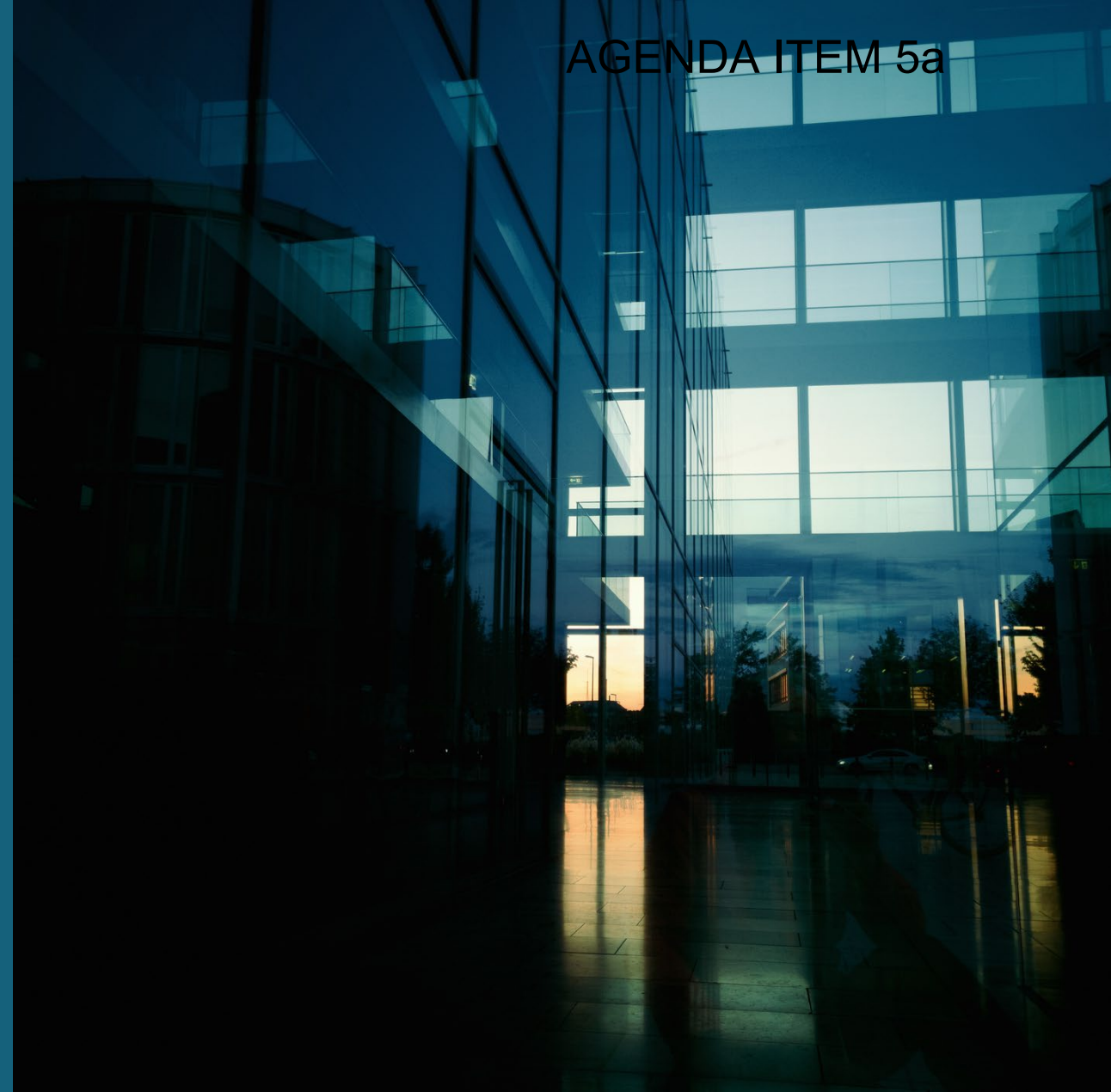
Monday, 5th December 2022 at 6.30pm.

Chairman.

Auditor's Annual Report

Craven District Council – year ended
31 March 2021

March 2023



- 01** Introduction
- 02** Audit of the financial statements
- 03** Commentary on VFM arrangements
- 04** Other reporting responsibilities

Our reports are prepared in the context of the 'Statement of responsibilities of auditors and audited bodies' issued by Public Sector Audit Appointments Ltd. Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the **Council**. No responsibility is accepted to any member or officer in their individual capacity or to any third party.

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01

Section 01: **Introduction**

1. Introduction

Purpose of the Auditor’s Annual Report

Our Auditor’s Annual Report (AAR) summarises the work we have undertaken as the auditor for Craven District Council (‘the Council’) for the year ended 31 March 2021. Although this report is addressed to the Council, it is designed to be read by a wider audience including members of the public and other external stakeholders.

Our responsibilities are defined by the Local Audit and Accountability Act 2014 and the Code of Audit Practice (‘the Code’) issued by the National Audit Office (‘the NAO’). The remaining sections of the AAR outline how we have discharged these responsibilities and the findings from our work. These are summarised below.



Opinion on the financial statements

We issued our audit report in March 2023. Our opinion on the financial statements was unqualified.



Value for Money arrangements

In our audit report issued, in March 2023, we reported that we had completed our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources and had not issued recommendations in relation to identified significant weaknesses in those arrangements. Section 3 provides our commentary on the Council’s arrangements.

Wider reporting responsibilities

In line with group audit instructions issued by the NAO, in March 2023 we completed our work on the Council’s Whole of Government Accounts return and reported to the group auditor in line with their instructions.

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. We did not receive any questions or objections in respect of the Council’s financial statements.

02

Section 02:

Audit of the financial statements

2. Audit of the financial statements

The scope of our audit and the results of our opinion

Our audit was conducted in accordance with the requirements of the Code, and International Standards on Auditing (ISAs).

The purpose of our audit is to provide reasonable assurance to users that the financial statements are free from material error. We do this by expressing an opinion on whether the statements are prepared, in all material respects, in line with the financial reporting framework applicable to the Council and whether they give a true and fair view of the Council's financial position as at 31 March 2021 and of its financial performance for the year then ended. Our audit report, issued on ~~XX~~ March 2023 gave an unqualified opinion on the financial statements for the year ended 31 March 2021.

Our Audit Completion Report 2020/21, presented to the Council's Audit and Governance Committee on the 20th March 2023, provides further details of the findings of our audit of the Council's financial statements. This includes our conclusions on the identified audit risks and areas of management judgement, internal control recommendations and audit misstatements identified during the course of the audit. There are no matters raised in our Audit Completion Report 2020/21 that we need to repeat in this report.

Introduction

Audit of the financial statements

Commentary on VFM arrangements

Other reporting responsibilities and our fees

03

Section 03:

Commentary on VFM arrangements

3. Commentary on VFM arrangements

Overall summary



3. VFM arrangements – Overall summary

Approach to Value for Money arrangements work

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:



Financial sustainability - How the Council plans and manages its resources to ensure it can continue to deliver its services



Governance - How the Council ensures that it makes informed decisions and properly manages its risks



Improving economy, efficiency and effectiveness - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

Our work is carried out in three main phases.

Phase 1 - Planning and risk assessment

At the planning stage of the audit, we undertake work so we can understand the arrangements that the Council has in place under each of the reporting criteria; as part of this work we may identify risks of significant weaknesses in those arrangements.

We obtain our understanding of arrangements for each of the specified reporting criteria using a variety of information sources which may include:

- NAO guidance and supporting information
- Information from internal and external sources including regulators
- Knowledge from previous audits and other audit work undertaken in the year
- Interviews and discussions with staff and directors

Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest there are further risks of significant weaknesses.

Phase 2 - Additional risk-based procedures and evaluation

Where we identify risks of significant weaknesses in arrangements, we design a programme of work to enable us to decide whether there are actual significant weaknesses in arrangements. We use our professional judgement and have regard to guidance issued by the NAO in determining the extent to which an identified weakness is significant.

We outline the risks that we have identified and the work we have done to address those risks on page 10.

Phase 3 - Reporting the outcomes of our work and our recommendations

We are required to provide a summary of the work we have undertaken and the judgments we have reached against each of the specified reporting criteria in this Auditor's Annual Report. We do this as part of our Commentary on VFM arrangements which we set out for each criteria later in this section.



We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We refer to two distinct types of recommendation through the remainder of this report:

- **Recommendations arising from significant weaknesses in arrangements**
We make these recommendations for improvement where we have identified a significant weakness in the Council arrangements for securing economy, efficiency and effectiveness in its use of resources. Where such significant weaknesses in arrangements are identified, we report these (and our associated recommendations) at any point during the course of the audit.
- **Other recommendations**
We make other recommendations when we identify areas for potential improvement or weaknesses in arrangements which we do not consider to be significant but which still require action to be taken

The table on the following page summarises the outcomes of our work against each reporting criteria, including whether we have identified any significant weaknesses in arrangements or made other recommendations.

3. VFM arrangements – Overall summary

Overall summary by reporting criteria

Reporting criteria	Commentary page reference	Identified risks of significant weakness?	Actual significant weaknesses identified?	Other recommendations made?
 Financial sustainability	11	No	No	Yes – see commentary on page 12
 Governance	14	No	No	No
 Improving economy, efficiency and effectiveness	18	No	No	No

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3. Commentary on VFM arrangements

Financial Sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services



3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria

Background to the Council’s operating environment in 2020/21

The Council entered 2020/21 at the start of the national lockdown, and faced a significant operational impact from the effects of the pandemic. In response to the Covid-19 pandemic, central government made a series of policy announcements, a number of which have impacted on local authorities such as Craven DC. During the 2020/21 year the Council dealt with a wide range of issues to support local residents and businesses.

Some of the Government’s initiatives in response to the Covid-19 pandemic have been backed by additional funding, and the Council received a range of government grants during 2020/21 to either support local businesses/individuals or meet the Council’s own costs. The Council received around £0.55m of Covid-19 Response funding to cover the Council’s extra costs. The Council also received additional s31 grant to compensate for the loss of business rates income and £1.875m relating to the income compensation scheme for the sales, fees and charges income lost during the lockdown periods.

2020/21 Financial statement performance

We have carried out a high level analysis of the audited financial statements, including the Comprehensive Income and Expenditure Statement, Movement in Reserves Statement and the Balance Sheet.

The Council’s financial position as reported in the balance sheet does not give us cause for concern relating to financial stability. Investment balances have increased from £10m to £12m whilst borrowing levels have remained at around £6m, with £0.6m of that balance due to be paid in the next 12 months. Increases in both short term debtors and creditors, of £9.1m and £8.8m respectively which, as at other councils this year, are largely due to the impacts of the Covid-19 funding arrangements.

The Council’s share of the pension fund net liability (being a deficit position) is £21.4m, up from £20m in the prior year. It is not unusual to see material movements in the net pension liability and this is consistent with our experience at other local authorities. The deficit position is also not unusual, and is a recognised area of financial challenge for local authorities.

The Council’s useable reserves have increased from £10.6m to £13.4m in 2020/21, with:

- General Fund and Earmarked Reserves of £9m, up from £7.7m in 2019/20; and
- Capital Receipts and Grants Reserves of £4.4m, increasing from £2.9m in 2019/20.

These reserves provide some mitigation against future financial challenges, and include specific reserves (Business Rates Equalisation £1.2m, Enabling Efficiencies Fund £0.84m and Future Year Budget Support £0.4m) to address future volatility and support investment plans. The Council will need to continue to ensure that any use of reserves to smooth the financial position over the next few years is properly planned and the use of reserves cannot be relied on to provide a long term solution to funding gaps. Notwithstanding this, our work has not highlighted a risk of significant weakness in the Council’s arrangements for ensuring financial sustainability.

The accounts audit process was significantly delayed and only completed in early 2023. Most of the expected evidence was provided in good time, but there were some delays in documentation to support property valuations and payroll costs. Once received these led to some material changes to PPE classifications within the supporting note, but not to the overall PPE value on the balance sheet. Other material amendments were simply misclassifications between short and long term assets, or technical accounting changes to correctly reflect capital financing transactions. The impact of the Covid-19 pandemic and then local government reorganisation also meant that officer time was stretched more than usual, contributing to delays in the audit process.

Whilst there are opportunities for improvement, we do not judge that these matters constitute a significant weaknesses in proper arrangements for reliable and timely financial reporting that supports the delivery of strategic priorities. Members were provided with the outturn budget report in line with the normal reporting timetable and received a copy of the draft statements reflecting that outturn position, as well as regular updates on the progress of the audit throughout the process. Delays were discussed and agreed with the audit team. Notwithstanding the above, we have raised the following ‘other recommendation’ to help drive improvements in the accounts and audit process going forward.

Other recommendation

1	The Chief Finance Officer should work closely with the external audit team to ensure a realistic and achievable timetable for the 2021/22 and 2022/23 financial statements audits is put in place and adhered to.	The Chief Finance Officer should liaise with relevant officers at the new North Yorkshire Council to agree sufficient resources are available to adequately respond to audit requests in a timely manner.
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3. VFM arrangements – Financial Sustainability

Overall commentary on the Financial Sustainability reporting criteria - continued

Financial planning and monitoring arrangements

In February 2020 the Council set a balanced revenue budget for the 2020/21 financial year. Throughout the year the Council reported its financial position through the quarterly financial performance reports, updating its approved budgets as necessary. We reviewed a sample of reports presented for 2020/21, which contain detail on any significant variances to budgets and an update on forecast outturn. Separate reports also contain information on progress against the approved capital programme, and both include reasons for over or underspends against the budget profile to enable Members to have adequate scrutiny and oversight.

The Council reported the final revenue outturn position for the 2020/21 year as a surplus of £0.5m. Although service costs were overspent by £0.2m, underspends on corporate costs and additional funding received for Covid-19 costs contributed £0.7m towards the net surplus position..

We have considered the arrangements in place in respect of budget management as part of the Governance criteria on pages 14 to 17 and have not identified any significant weaknesses.

Arrangements for the identification, management and monitoring of funding gaps and savings

The Medium Term Financial Strategy (MTFS) is a four year rolling plan, updated annually, which sets out the Council’s commitment to provide quality services that meet the needs of people locally and that represent good value for money within the overall resources available to it.

A key part of the strategy is to highlight the budget issues that will need to be addressed by the Council over the coming financial years, by forecasting the level of available resources from all sources and budget pressures relating to both capital and revenue spending as well as assessing whether sufficient reserves and provisions are held for past and unknown events which may impact on the Council’s resources. The MTFS is prepared alongside other plans and strategies (for example the Treasury Management and Capital Strategies) and underpins the more detailed annual budget.

The Council has in place an embedded budget setting process. As part of the process opportunities for cost reductions, income generation and alternative methods of service delivery such as partnership working are identified.

Within the arrangements a process is in place for challenging any growth items, agreeing the achievability of planned savings and the proposed use of reserves.

Arrangements and approach to 2021/22 financial planning

The arrangements for the 2021/22 budget setting followed the arrangements in place for 2020/21, however as management had a better understanding of the impact of Covid-19 on the Council’s services, improvements were made. There were still a number of unavoidable uncertainties regarding likelihood and impact of any future lifting of restrictions or lockdowns, and the availability of any further government support.

A balanced General Fund budget for 2021/22 was approved at the February 2021 Council meeting. The 2021/22 budget was balanced through planned savings of £176k and a modest use of earmarked reserves of £137k. The MTFS, was presented alongside the 2021/22 budget and identified expected reductions in the Local Government Funding Settlement that could result in funding gaps totalling £1m in 22/23, £1.384m in 23/24 and £1.537m in 2024/25. While this is an improved position from budget gaps reported in the previous year’s MTFS, they continue to present an ongoing challenge for the Council

In addition, the Council also recognised the increasing possibility of local government reorganisation in North Yorkshire, with an earmarked reserve in 2020/21 of £0.3m created to mitigate expected increased costs to the Council of this transition. This then came to fruition in March 2022 when Parliament approved the new North Yorkshire Council to replace the current County Council and seven district councils in the region. The new Council will assume responsibility for delivering services across North Yorkshire from 1 April 2023. Therefore, the funding gap identified in the 2021/22 MTFS was effectively limited to the 2022/23 financial year gap of £1m from that announcement date.

The Policy Committee reviewed the outturn 2021/22 budget position in June 2022. Consistent with previous years this showed a small underspend of £356k compared to the revised net revenue budget. Again a small overspend in service costs of £91k was mitigated by underspends in corporate costs of £447k due to lower than expected capital financing, pay inflation and growth item costs.

Based on the above considerations we are satisfied there are no significant weaknesses in the Council’s arrangements in relation to financial sustainability.

3. Commentary on VFM arrangements

Governance

How the body ensures that it makes informed decisions and properly manages its risks



3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria

Risk management and monitoring arrangements

The Council has an established risk management framework and systems in place which are built into the governance structure of the organisation. There is an approved Risk Management Strategy which includes the Council’s approach, guidance, and the Council’s risk appetite and roles and responsibilities..

Each service maintains and updates its own risk register, which then feeds into the Council-wide corporate risk register. Internal Audit reported on the Council’s risk management procedures in September 2021 and identified a number of improvements that could be made, not least refreshing training of officers and Members and updating existing guidance and documentation. We have reviewed the corporate risk register and confirmed it is sufficiently detailed to allow for effective risk management. Each risk has an assigned risk owner and a risk score based on a probability and impact matrix. Where mitigating actions are identified they are assigned a due date to ensure there is appropriate accountability. This allows for effective oversight of the risks. A separate corporate risk register has been put in place for the local government reorganisation project given it’s significance to the Council.

These corporate risk registers provide the Council’s corporate management team with oversight of the key risks faced by the organisation.

The Audit and Governance Committee provides oversight on the risk management arrangements in place and the adequacy of the controls and proposed actions. These arrangements are consistent with what we would expect at a local authority and are adequate for the Council’s purposes.

In order to provide assurance over the effective operation of internal controls the Council has partnered with Harrogate BC to provide its internal audit service. Harrogate BC’s Audit Services and Fraud Manager acts as Head of Internal Audit. The annual Internal Audit plan is agreed with management for each financial year and is reviewed by the Audit and Governance Committee prior to final approval.

The audit plan is based on an assessment of risks the Council faces and is designed to ensure there is assurance on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.

The planned work can be supplemented if necessary by ad hoc reviews in respect of suspected irregularities and other work commissioned by Officers and Members of the Council where relevant to respond to emerging risks and issues. We have reviewed the Internal Audit plans for 2020/21 and 2021/22 and confirmed they are consistent with the risk based approach.

Internal Audit progress reports are presented to Audit and Governance Committee meetings including follow up reporting on recommendations from previous Internal Audit reports. From our attendance at meetings, we are satisfied this allows the Committee to effectively hold management to account. At the end of each financial year the Head of Internal Audit provides an Annual Report including an opinion on the Council’s governance, risk and control framework based on the work completed during the year. For 2020/21 the Head of Internal Audit concluded that the council’s framework of governance, risk management and internal control is “satisfactory” and “operating effectively” in practice. We have reviewed the Annual Report and are satisfied that the Head of Internal Audit’s opinion does not indicate any significant weaknesses in the Council’s governance arrangements.

The Council has an Anti-Fraud and Corruption Strategy, Anti-Money Laundering Policy and a Whistleblowing Policy. The Council carries out proactive and reactive anti-fraud work where applicable, and participates in the bi-annual National Fraud Initiative.

Throughout the year we have attended Audit and Governance Committee meetings. Through attendance at these meetings we have confirmed that the committee receive regular updates on both internal audit progress and a range of other governance issues. We have seen active Member engagement from the committee who challenge the papers and reports which they receive from officers, internal audit and external audit.

We have also reviewed meeting minutes from both Council and Policy meetings which evidence an appropriate level of member engagement and challenge.

Arrangements for budget setting and budgetary control

The Council has an established set of arrangements in place for budget setting and control. The process is set out and approved through the Constitution, which encompasses the Budgetary and Policy Framework Procedure rules. The framework includes clear responsibilities, including the role of the Policy committee in leading the budget setting process and providing advice and the reservation of the approval of the Budget to the Council based on the Policy committee’s recommendation.

The process begins with the creation of the Medium Term Financial Strategy (MTFS) and the tactical financial strategies for Capital and Treasury Management which involves various assumptions and known changes moving forward. From that, the finance team in conjunction with budget managers go through a more detailed review of service need/pressures identifying any potential budget bid requirements or savings.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

The Council consults with residents in relation to the annual budget via an online survey, and the results of this are taken to committee for consideration alongside the budget proposals.

This results in the development of the revenue budget and updated MTFS which are approved alongside the Capital Strategy, the Treasury Management Strategy, and any updates to the Council Plan in February each year. The Council considers these strategic plans together as part of the Budget Setting meeting ensuring a cohesive approach in decision making.

Following approval of the revenue budget and capital programme, budget monitoring commences to monitor progress against targets. Budget monitoring responsibilities of budget holders are documented and they are supported in this role by the finance team. Budget monitoring reports are produced on a monthly basis and there are regular meetings held, including finance team members, to discuss the financial performance and forecasts. There are rules in place regarding the reporting of budget variances and the requirement to operate within approved budgets.

There are similar processes and controls in place for development and control of the capital programme alongside the revenue budget setting. The Treasury Management Strategy statement (encompassing the Treasury Management and Annual Investment Strategies) are approved at the same time as the revenue budgets and monitored and reported on throughout the year.

Quarterly Revenue and Capital monitoring reports are presented to Policy. These reports cover:

- General Fund projected outturn;
- Service income and expenditure variances;
- Corporate variances;
- Reserve movements; and
- Capital expenditure variances and projected outturn.

Our review of the relevant meeting minutes confirmed there was challenge and scrutiny of the process. The impact of Covid-19 on financial performance is apparent from the reports through 2020/21 and any material budget variances were identified and explained at an appropriate stage. There were no significant unexpected over or underspends reported at the year-end.

The impact of the pandemic meant that some capital schemes were delayed and there was slippage of £9.4m mainly due to delays in housing development projects and the Skipton depot project. This was carried forward into the 2021/22 programme, and the Council acted swiftly to ensure significant grant funding for some of the projects was secured through an escrow agreement.

Decision making arrangements and control framework

The Council has an established governance structure in place which is set out within its Annual Governance Statement (AGS). We reviewed the AGS and observed the Audit and Governance Committee’s review of the AGS and monitoring of actions throughout the year in relation to any significant governance issues.

The governance structure, as described in the AGS includes amongst other things the Constitution, the Code of Local Governance and scheme of delegation, which shows the levels of authority required for all key decisions. The AGS sets out the governance principles which the Council are committed to and within which the Council conducts its business and affairs. The AGS identifies the arrangements in place to enable the Council to meet the good governance principles identified.

The required Standards Committee arrangements are in place designed to promote and maintain high standards of conduct by members and co-opted Members of the District Council and of the Town and Parish Councils within the District. We have reviewed the Committee’s minutes in the year and not identified any matters of concern.

The Constitution is kept under review and updated as required. The Constitution sets out how the Council operates, how decisions are made and the procedures to support the Council’s aims of being transparent and accountable. The Constitution includes the Budget and Policy Framework Procedure Rules, Financial Procedure Rules and Contract and Procurement Procedure Rules and the Councillors’ Code of Conduct.

3. VFM arrangements – Governance

Overall commentary on the Governance reporting criteria - continued

There are Select Committee (Overview and Scrutiny) arrangements in place to support the work of the other Committees and the Council as a whole. Specific Overview and Scrutiny Panels have a work programme in place to steer their coverage of services and policy decisions taken. The Constitution includes the Select Committee procedure rules, which cover the arrangements for call in of decisions. We have reviewed the Select Committee's minutes throughout the year and not identified any concerns.

Regulators

There are few external regulators for district councils and we have not identified any matters reported which indicate significant weaknesses in the Council's governance arrangements, including a review of the Local Government and Social Care Ombudsman's website.

Based on the above considerations we are satisfied there are no significant weaknesses in the Council's arrangements in relation to governance.

3. Commentary on VFM arrangements

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services



3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria

Performance Management

The 2020 and beyond Council Plan sets out the Council’s strategic aims and objectives, and key intended outcomes. The Council has identified the key actions and performance indicators in relation to these priorities, which should inform the Council as to whether it is achieving it’s core aims of a carbon neutral Craven, supporting the wellbeing of it’s communities, attracting and retaining younger people, and financial sustainability.

The Council has in place a performance management framework which includes identified responsibilities of managers and processes for regular performance reporting and corrective action if required. The framework is reviewed annually and is scrutinised by the Performance and Resources Overview and Scrutiny Panel before approval by the Council’s Executive Board.

There is quarterly reporting to the Corporate Management Team, Policy Committee and Audit and Governance Committee. These quarterly reports identify whether the performance is on/off track through RAG ratings at both a corporate and service level, and the direction of travel. They include appropriate commentary to explain any significant factors which are affecting performance and actions being taken to correct performance.

Each service report is split into the same headings of Council Plan progress, service performance, people, finance, internal audit, contract management, risk management, and climate emergency strategic plan. This allows Members to easily compare performance between quarters, but also performance relative to other services.

On an annual basis, the Council’s overall performance is summarised in the Narrative Report as part of the Statement of Accounts. This outlines the Council’s progress against its ambitions, highlighting key successes and risk areas. The Narrative Report also includes an agreed plan for subsequent years, including any areas for improvement. This provides the public with an overall assessment of the Council activities for the financial year.

We have reviewed a sample of the detailed performance reports and reviewed the Policy committee minutes which demonstrate the Committee’s review and challenge of the quarterly reports.

The quarterly reports demonstrate that performance has been managed throughout the 2020/21 year and any significant variances have been justified, with no major unexpected gaps in performance at the year end. The process has continued in 2021/22 and in 2022/23. Overall, we believe there is sufficient evidence to demonstrate adequate arrangements for performance monitoring and management at the Council.

Partnerships

The Council is open to considering all options to deliver services. This means it commissions from other organisations where it is appropriate to do so and where it can achieve the same or better outcomes at reduced cost. The Council actively seeks to commission jointly with other public service agencies where possible.

In this respect, there are a number of partnership arrangements in place and some key support services (for example the shared arrangement for Internal Audit Services) are provided through agreements with neighbouring councils. There are relevant governance frameworks in place for these partnership arrangements, predominantly through Service Level Agreements, and the Council continues to keep its role in these activities under review.

The Council is part of a joint venture arrangement with Barnfield Investment Properties Ltd called Craven Barnfield Regeneration Partnership Ltd. The overriding aim of the Joint Venture is to improve the economic, social and environmental well-being of Craven District through identifying Council owned land which can then be developed and with the benefit of bringing in private sector expertise and resources. The Council’s arrangements with this joint venture are properly disclosed in the financial statements and there are appropriate governance arrangements in place. The turnover of this company is not material.

Since the March 2022 announcement the Council has been actively working in partnership with North Yorkshire County Council and the other North Yorkshire district councils to develop and agree the arrangements for the transfer of services to the new North Yorkshire Council under the local government reorganisation arrangements. Officers have been involved in working groups to ensure key decisions are agreed and understood and that there is a smooth transition from the current arrangements.

3. VFM arrangements – Improving Economy, Efficiency and Effectiveness

Overall commentary on the Improving Economy, Efficiency and Effectiveness reporting criteria - continued

Procurement

The Council has Contract and Procurement Procedure Rules in place which outlines how the procurement of goods, works and services is achieved. These documents take into account latest legislative and operational changes at the Council, and provide a corporate framework for the procurement of goods, works and services. There are also controls in place designed to ensure that all procurement activity is conducted with openness, honesty and accountability. The Council has specific arrangements through standing financial instructions and purchase order controls and our work on the financial statements has not identified any significant internal control deficiencies in these areas.

Based on the above considerations we are satisfied there are no significant weaknesses in the Council's arrangements in relation to improving economy, efficiency and effectiveness.

04

Section 04:

**Other reporting responsibilities and
our fees**

4. Other reporting responsibilities and our fees

Matters we report by exception

The Local Audit and Accountability Act 2014 provides auditors with specific powers where matters come to our attention that, in their judgement, require specific reporting action to be taken. Auditors have the power to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to the law; and
- issue an advisory notice.

We have not exercised any of these statutory reporting powers.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. We did not receive any such objections or questions.

Reporting to the NAO in respect of Whole of Government Accounts consolidation data

The NAO, as group auditor, requires us to complete the WGA Assurance Statement in respect of its consolidation data. We submitted this information to the NAO in March 2023.

4. Other reporting responsibilities and our fees

Fees for work as the Council's auditor

We reported our proposed fees for the delivery of our work under the Code of Audit Practice in our Audit Strategy Memorandum presented to the Audit and Governance Committee in March 2021. Having completed our work for the 2020/21 financial year, we can confirm that our fees are as follows:

Area of work	2020/21 fees	2019/20 fees
Planned fee in respect of our work under the Code of Audit Practice	£35,281	£35,281
Additional fees in respect of changes arising from increased audit quality expectations involving the work on the valuation of land and buildings and on the local government pension scheme	£7,067*	£7,067
Additional fees in respect of the implementation of new auditing standards	£2,000*	
Additional fees in respect of the new Code of Audit Practice and VFM reporting	£8,003*	
Other additional fees	£11,945* (note 1)	£5,032 (note 2)
Total fees	£64,296	£47,380

- Fee variations subject to approval and confirmation by Public Sector Appointments Ltd.

Note 1 – the other additional fees for 2020/21 relate to the significant delays in completion of the audit and the additional time required from the audit team to liaise with the Council, and obtain appropriate evidence (including from the valuer).

Note 2 – the additional fees related to the additional testing and reporting of uncertainties in key estimates as a result of the Covid-19 pandemic.

Fees for other work

We confirm that we undertook the following non-audit service for the Council in the year.

Introduction	Audit of the financial statements	Commentary on VFM arrangements	Other reporting responsibilities and our fees
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Mark Dalton, Director – Public Services

mark.dalton@mazars.co.uk

Mazars

5th Floor
5 Wellington Place
Leeds
LS1 4AP

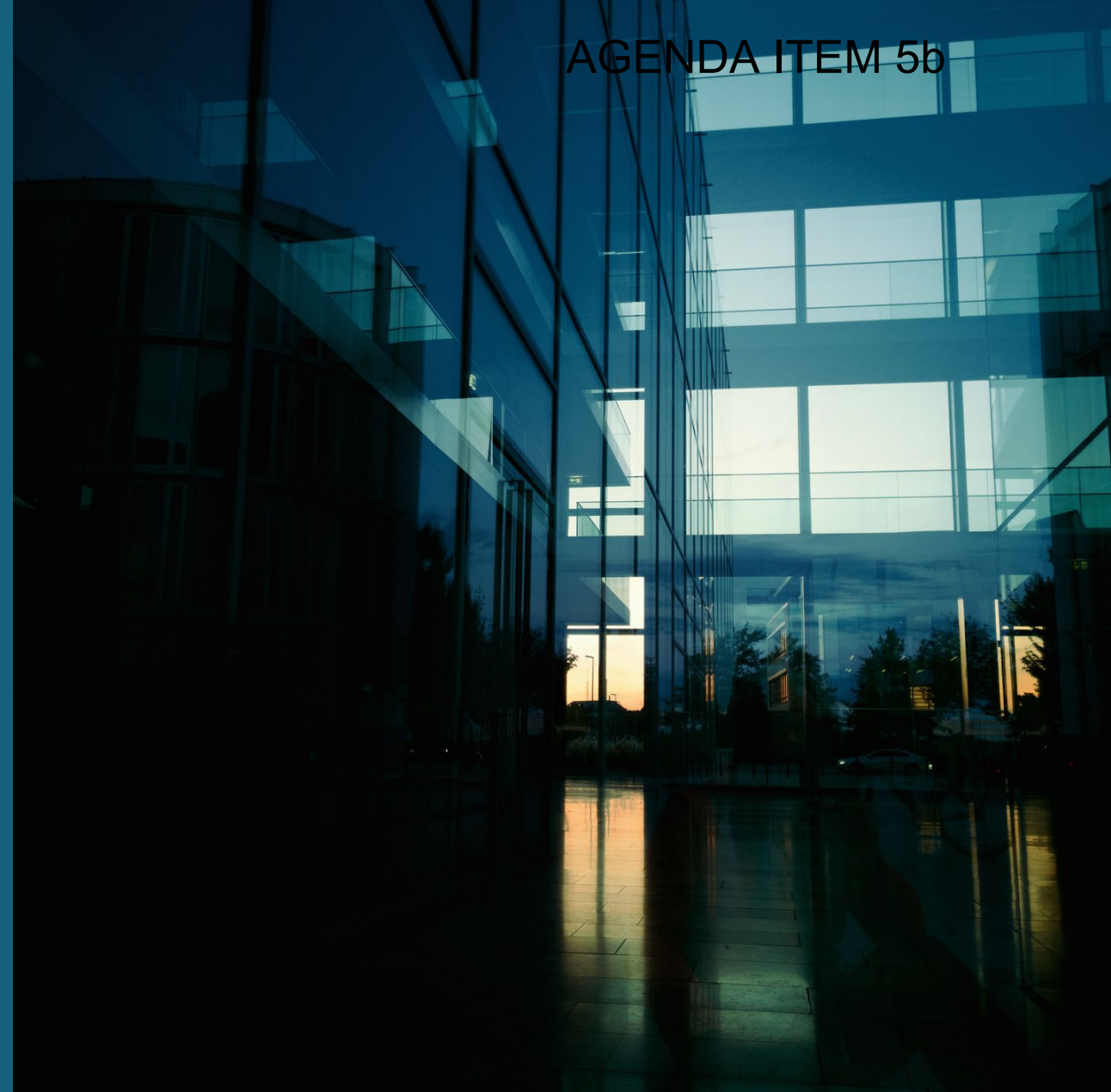
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*where permitted under applicable country laws.

Audit Completion Report

Craven DC – Year ended 31 March 2021

March 2023



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Appendix A: Draft management representation letter

Appendix B: Draft audit report

Appendix C: Independence

Appendix D: Other communications

Our reports are prepared in the context of the 'Statement of Responsibilities of auditors and audited bodies' and the 'Appointing Person Terms of Appointment' issued by Public Sector Audit Appointments Limited. Reports and letters prepared by appointed auditors and addressed to the Council are prepared for the sole use of the Council and we take no responsibility to any member or officer in their individual capacity or to any third party. Mazars LLP is the UK firm of Mazars, an international advisory and accountancy group. Mazars LLP is registered by the Institute of Chartered Accountants in England and Wales.

The Audit and Governance Committee
Craven District Council
Belle Vue Square
1 Broughton Road
Skipton
BD23 1FJ

Mazars LLP
5th Floor,
3 Wellington Place
Leeds
LS1 4AP

7 March 2023

Dear Committee Members

Audit Completion Report – Year ended 31 March 2021

We are pleased to present our Audit Completion Report for the year ended 31 March 2021. The purpose of this document is to summarise our audit conclusions.

The scope of our work, including identified significant audit risks and other areas of management judgement, was outlined in our Audit Strategy Memorandum which we presented on 22 March 2021. We have reviewed our Audit Strategy Memorandum and concluded that the original significant audit risks and other areas of management judgement remain appropriate. These risks and areas of management judgement are summarised on page 5 and discussed in more detail in section 4 of this report.

We would like to express our thanks for the assistance of your finance team and other officers during our audit.

If you would like to discuss any matters in more detail then please do not hesitate to contact me on 0113 394 5316.

Yours faithfully

Mark Dalton, Director
Mazars LLP

01

Section 01:

Executive summary

1. Executive summary

Principal conclusions and significant findings

The detailed scope of our work as your appointed auditor for 2020/21 is set out in the National Audit Office’s (NAO) Code of Audit Practice. Our responsibilities and powers are derived from the Local Audit and Accountability Act 2014 and, as outlined in our Audit Strategy Memorandum, our audit has been conducted in accordance with International Standards on Auditing (UK) and means we focus on audit risks that we have assessed as resulting in a higher risk of material misstatement.

In section 4 of this report we have set out our conclusions and significant findings from our audit. This section includes our conclusions on the audit risks and areas of management judgement in our Audit Strategy Memorandum, which include:

- Management override of controls;
- Net defined benefit liability valuation (in relation to the Local Government pension scheme);
- Valuation of property, plant and equipment, investment properties and assets held for sale; and
- Covid-19 grant recognition.

Section 5 sets out internal control recommendations and section 6 sets out audit misstatements; unadjusted misstatements total £157k. Section 7 outlines the status of our work on the Council’s arrangements to achieve economy, efficiency and effectiveness in its use of resources.

Status and audit opinion

We have substantially completed our audit in respect of the financial statements for the year ended 31 March 2021.

At the time of preparing this report, the now limited matters that remain outstanding are outlined in section 2. We will provide an update to you in relation to the matters outstanding through issuance of a follow up letter.

Subject to the satisfactory conclusion of the remaining audit work, we have the following conclusions:



Audit opinion

We anticipate issuing an unqualified opinion, without modification, on the financial statements. Our proposed audit opinion is included in the draft auditor’s report in Appendix B.



Value for Money

We anticipate having no significant weaknesses in arrangements to report in relation to the arrangements that the Council has in place to secure economy, efficiency and effectiveness in its use of resources. Further detail on our Value for Money work is provided in section 7 of this report.



Wider powers

The 2014 Act requires us to give an elector, or any representative of the elector, the opportunity to question us about the accounting records of the Council and to consider any objection made to the accounts. No such correspondence from electors has been received.




02


Section 02:


Status of the audit


2. Status of the audit

Our work is substantially complete and there are currently no matters of which we are aware that would require modification of our audit opinion, subject to the outstanding matters detailed below.

Audit area	Status	Description of the outstanding matters
Audit Quality Control and Completion Procedures		Our audit work is undergoing final stage review by the Engagement Manager and Engagement Lead. In addition, there are residual procedures to complete, including updating post balance sheet event considerations to the point of issuing the opinion, obtaining final management representations and agreeing adjustments to the final set of accounts.

 Likely to result in material adjustment or significant change to disclosures within the financial statements.

 Potential to result in material adjustment or significant change to disclosures within the financial statements.

 Not considered likely to result in material adjustment or change to disclosures within the financial statements.

We will provide the Audit and Governance Committee with an update in relation to these outstanding matters in a follow-up letter, prior to signing the auditor's report.



03

Section 03:

Audit approach

3. Audit approach

Changes to our audit approach

We provided details of our intended audit approach in our Audit Strategy Memorandum in March 2021. We have not made any changes to our audit approach since we presented our Audit Strategy Memorandum.

Materiality

Our provisional materiality at the planning stage of the audit was set at £0.55m using a benchmark of 2% of gross operating expenditure. Our final assessment of materiality, based on the final financial statements and qualitative factors, remained at £0.55m using the same benchmark.

Use of experts

As outlined in the Audit Strategy Memorandum, we planned to review and/or use the work of experts in relation to the following. There were no changes from our planned approach

Item of account	Management's expert	Our expert
Property, plant and equipment	John Trenor The Council's internal valuer	We did not engage our own expert in this area, although we did consider third party information to challenge and corroborate key assumptions and judgements used by the Council's valuer
Pensions	Aon Hewitt Limited Actuary for North Yorkshire Pension Fund	PwC LLP Consulting actuary appointed by the NAO
Financial instrument disclosures	Link Asset Services Treasury management advisors	None

There are no reporting matters to highlight from our consideration of the work of experts.



04

Section 04: **Significant findings**

4. Significant findings

In this section we outline the significant findings from our audit. These findings include:

- our audit conclusions regarding other significant risks and key areas of management judgement outlined in the Audit Strategy Memorandum;
- our comments in respect of the accounting policies and disclosures that you have adopted in the financial statements. On page 14 we have concluded whether the financial statements have been prepared in accordance with the financial reporting framework and commented on any significant accounting policy changes that have been made during the year; and
- any significant matters discussed with management; and
- any significant difficulties we experienced during the audit.

Significant risks

**Management
override of
controls**

Description of the risk

This is a mandatory significant risk on all audits due to the unpredictable way in which such override could occur.

Management at various levels within an organisation are in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively. Due to the unpredictable way in which such override could occur there is a risk of material misstatement due to fraud on all audits.

How we addressed this risk

We addressed this risk through performing audit work over:

- Accounting estimates impacting amounts included in the financial statements;
- Consideration of identified significant transactions outside the normal course of business; and
- Journals recorded in the general ledger and other adjustments made in preparation of the financial statements.

Audit conclusion

Our work did not identify any indications of management override of controls.



4. Significant findings

Net defined benefit pension liability valuation	Description of the risk
	<p>The defined benefit liability relating to the Local Government pension scheme represents a significant balance on the Council's balance sheet.</p> <p>The Council uses an actuary to provide an annual valuation of these liabilities in line with the requirements of IAS 19 Employee Benefits.</p> <p>Due to the high degree of estimation uncertainty associated with this valuation, we have determined there is a significant risk in this area.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work in relation to:</p> <ul style="list-style-type: none"> critically assessing the competency, objectivity and independence of the North Yorkshire Pension Fund's Actuary, Aon Hewitt; liaising with the auditors of the North Yorkshire Pension Fund to gain assurance that the controls in place at the Pension Fund are operating effectively, including the processes and controls in place to ensure data provided to the Actuary by the Pension Fund is complete and accurate; reviewing the appropriateness of the Pension Asset and Liability valuation methodologies applied by the Pension Fund Actuary, and the key assumptions included within the valuation; and agreeing the data in the IAS 19 valuation report provided by the Fund Actuary for accounting purposes to the pension accounting entries and disclosures in the Council's financial statements.
	<p>Audit conclusion</p> <p>Our work indicated that the Council's share of the pension fund liability is materially correctly stated and consistent with the actuary's IAS 19 valuation report. An immaterial unadjusted error is detailed in section 6 of this report.</p>

Valuation of property, plant and equipment, investment properties and assets held for sale	Description of the risk
	<p>The Council's accounts contain material balances and disclosures relating to its holding of property, plant and equipment, investment properties and assets held for sale, with the majority required to be carried at valuation.</p> <p>The valuation of these assets is complex and is subject to a number of management assumptions and judgements.</p> <p>Due to the high degree of estimation uncertainty associated, we have determined there is a significant risk in this area.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work in relation to:</p> <ul style="list-style-type: none"> critically assessing the Council's valuers scope of work, qualifications, objectivity and independence to carry out the required programme of revaluations; considering whether the overall revaluation methodologies used by the Council's valuers are in line with industry practice, the CIPFA code of practice and the Council's accounting policies; assessing whether valuation movements are in line with market expectations by considering valuation trends; and critically assessing the approach that the Council adopts to ensure that assets that are not subject to revaluation in 2020/21 are materially correct..
	<p>Audit conclusion</p> <p>Our work identified several assets had been incorrectly valued and misclassified within the PPE balance as land and buildings, when they should either be classified as either surplus assets or assets under construction. We have agreed a number of amendments that are detailed in section 6 of this report.</p>

4. Significant findings

Covid-19 grant recognition	<p>Description of the risk</p> <p>Throughout 2020/21, the Government has provided substantial sums of financial support to local authorities. A lack of clarity exists in respect of the expected accounting treatment over this income.</p> <p>We have therefore identified accounting for the completeness and accuracy of this income as a risk.</p>
	<p>How we addressed this risk</p> <p>We addressed this risk through performing audit work in relation to:</p> <ul style="list-style-type: none"> • reviewing the Council’s approach in determining whether grants are or are not ringfenced for specified areas of expenditure; • testing grant income recorded in the ledger to grant allocations/ notifications; and • reviewing a sample of grants to ensure conditions to recognise the income in 2020/21 have or have not been met.
	<p>Audit conclusion</p> <p>Our testing of the Council’s Covid-19 grants did not identify any issues.</p>



4. Significant findings

Qualitative aspects of the Council’s accounting practices

We have reviewed the Council’s accounting policies and disclosures and concluded they comply with the 2020/21 Code of Practice on Local Authority Accounting, appropriately tailored to the Council’s circumstances.

Draft accounts were received from the Council in February 2022 and were of a generally good quality.

Significant matters discussed with management

During the audit we maintained a regular dialogue with management. Among the matters discussed through these conversations were:

Covid-19

We continue to discuss the impact of the Covid-19 pandemic on the Council’s operations and financial statements.

Impact of the War in Ukraine

The ongoing situation in Ukraine has far-reaching consequences for public sector organisations. As part of our audit we have discussed with management the impact of the war on Council’s operations, and whether any disclosures are required in the financial statements. We are satisfied there are no issues arising which would require specific disclosures in the force’s financial statements.

Escrow arrangement

The Council put in place an escrow arrangement to ensure that grant funding in relation to two major capital projects was not lost due to delays in the projects caused by the Covid-19 pandemic. We discussed these arrangements with management and concluded that they were appropriate, although we have also made a recommendation in relation to such arrangements should the Council need to use them again (see page 19).

Material Valuation Uncertainty

The draft accounts included a material valuation uncertainty in relation to the Council’s property. In discussion with the valuer and finance team we determined that the latest valuation guidance indicated that such an uncertainty was no longer applicable to the 2020-21 statement of accounts. Reference to this uncertainty has therefore been removed from the revised statement of accounts.

Provision for Business Rates Appeals

Our work showed that the Council’s share of the provision for business rates appeals had remained at the same level as the previous year even though the total provision in the Collection Fund had fallen. Having discussed this with management we are content that they do not wish to change this and that it is reasonable based on uncertainty in relation to the level of appeals after restrictions were lifted following the Covid-19 pandemic.

Significant difficulties during the audit

There were a number of delays and significant difficulties encountered during the audit. The main ones being as follows;

- Significant delays in management providing required information. In particular supporting evidence for the property valuations and payroll expenditure.
- Finance Team availability due to the demands placed on them in relation to the arrangements for local government reorganisation within North Yorkshire.
- The ongoing impact of the Covid-19 pandemic in relation to additional work for Council officers and inefficiencies in the audit process due in large to remote working.

We will work with the Finance Manager to agree how such difficulties might be avoided on both the 2021-22 and 2022-23 audits.



4. Significant findings

Wider responsibilities

Our powers and responsibilities under the 2014 Act are broad and include the ability to:

- issue a report in the public interest;
- make statutory recommendations that must be considered and responded to publicly;
- apply to the court for a declaration that an item of account is contrary to law; and
- issue an advisory notice under schedule 8 of the 2014 Act.

We have not exercised any of these powers as part of our 2020/21 audit.

The 2014 Act also gives rights to local electors and other parties, such as the right to ask questions of the auditor and the right to make an objection to an item of account. No such questions or objections have been raised

Executive summary

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05

Section 05:

Internal control recommendations

5. Internal control recommendations

The purpose of our audit was to express an opinion on the financial statements. As part of our audit we have considered the internal controls in place relevant to the preparation of the financial statements in order to design audit procedures to allow us to express an opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of internal control or to identify any significant deficiencies in their design or operation.

The matters reported are limited to those deficiencies and other control recommendations that we have identified during our normal audit procedures and that we consider to be of sufficient importance to merit being reported. If we had performed more extensive procedures on internal control we might have identified more deficiencies to be reported or concluded that some of the reported deficiencies need not in fact have been reported. Our comments should not be regarded as a comprehensive record of all deficiencies that may exist or improvements that could be made.

Our findings and recommendations are set out below. We have assigned priority rankings to each of them to reflect the importance that we consider each poses to your organisation and, hence, our recommendation in terms of the urgency of required action. In summary, the matters arising fall into the adjacent categories.

We have also provided an update on the internal control recommendations made during 2020/21.

Priority ranking	Description	Number of issues
1 (high)	In our view, there is potential for financial loss, damage to reputation or loss of information. This may have implications for the achievement of business strategic objectives. The recommendation should be taken into consideration by management immediately.	None
2 (medium)	In our view, there is a need to strengthen internal control or enhance business efficiency. The recommendations should be actioned in the near future.	One
3 (low)	In our view, internal control should be strengthened in these additional areas when practicable.	Three



5. Internal control recommendations

Other deficiencies in internal control – Level 2

Description of deficiency

We found that in some instances the officers within the finance team are using their wider knowledge to identify missing Related Party Transaction's from member disclosures rather than reminding Members to disclose these and/or confirm they are correct.

Potential effects

The related parties disclosure could be incomplete and / or incorrect if Members do not disclose everything they should in their annual declarations.

Recommendation

Members should be reminded of what types of relationships need to be included on the declaration and if officers identify discrepancies or missing information they should discuss these with the relevant Members and request an amended signed declaration.

Management response

Management accept this recommendation and will ensure that Members will be advised to ensure the guidance is adhered to, when it comes to making their declarations, to ensure they are both accurate and complete.

Other recommendations in internal control – Level 3

Description of deficiency

There was a long delay between the preparation of the July 2020 bank reconciliation and it's review by the relevant senior officer (18th February 2021).

Potential effects

The bank reconciliation is a key control in relation to the integrity of the general ledger and delays in review could mean that errors within the ledger are not identified and corrected in a timely manner.

Recommendation

Bank reconciliations should be reviewed (and evidence of that review maintained) in a timely manner, ideally within 2 weeks of the completion of the reconciliation.

Management response

Management accept this recommendation and in particular with the changes anticipated as part of the 2023/24 Local Government Reorganisation bank reconciliations will be completed in a more timely manner.



5. Internal control recommendations

Other recommendations in internal control – Level 3

Description of deficiency

The Council put an escrow arrangement in place so it could draw down the remaining funding from the LEP for a project that was delayed due to Covid-19. Although this arrangement is not expressly forbidden in the grant guidance/ agreement, the Council did not formally agree this process with the LEP.

Potential effects

Such arrangements, if not formally agreed with the grant paying body, could put agreed funding at risk of being withdrawn or clawed back.

Recommendation

The Council should formally agree such arrangements with the grant paying body to ensure they agree and the risk of any potential withdrawal or clawback of grant funding is minimised.

Management response

Accepting this recommendation, the Council obtained confirmation in advance that the funder was content with the approach used by CDC for works in 21/22.

Other recommendations in internal control – Level 3

Description of deficiency

The minimum revenue provision (MRP) policy was updated in March 2020 following advice from Link Asset Services. Due to the suspension of meetings during the Covid-19 pandemic, this updated MRP policy did not go to full Council for approval.

Although the revised policy is in line with the regulations, our review indicated that some of the asset lives are not consistent with the Council’s depreciation policy. In particular, the MRP for Belle Vue Square is based on a 999 year life compared to the depreciation policy for operational assets being based on asset lives of up to 100 years. The MRP guidance suggests a maximum life of 50 years unless a longer life can be appropriately supported. These inconsistencies mean that the MRP could be understated by c£10k per annum.

Potential effects

If the MRP is not set at a prudent level in line with the guidance a significant correction could be required in the future which could impact on the financial stability of the Council.

Recommendation

The Council should revisit the MRP calculation and ensure that asset lives are realistic and result in a prudent MRP charge being made.

Management response

Asset lives will be reviewed as part of the next review of the MRP, to ensure that it is consistent with the depreciation policies.



5. Internal control recommendations

Follow up on previous internal control points

Description of deficiency

Trade Waste income: Reconciliation of ESB (trade waste system) to the general ledger (Agresso) - this reconciliation has not been undertaken during 19/20 due to bugs in the ESB system meaning that the output they would otherwise use for billing has been found to be incorrect. This relates specifically to the in year variances/ adjustments following the annual billing cycle in April (which was reconciled in full).

Potential effects

Entries to the general ledger may contain inaccuracies compared to ESB due to data entry errors or intentional error.

Recommendation

The Council should work with the new software supplier (Meritec) to enable a full reconciliation to be performed between the ESB system and the general ledger each time a file is interfaced (similar to the process previously undertaken with the old Camex system).

2020/21 update

An audit function is being built into the system. This audit function will take an extract of data from the ESB system, to allow reconciliation to the General Ledger, pre and post import. This will allow verification of the output from ESB, to ensure this is what is transferred into the General Ledger.



06

Section 06:

Summary of misstatements

6. Summary of misstatements

This section outlines the misstatements identified during the course of the audit, above the trivial threshold for adjustment of £16,500. The first table outlines the misstatements that were identified during the course of our audit which management has assessed as not being material either individually or in aggregate to the financial statements and does not currently plan to adjust.

The second table outlines the misstatements that have been adjusted by management during the course of the audit.

		Comprehensive Income and Expenditure Statement		Balance Sheet	
		Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Capital Adjustment Account	0		21	
	Cr: Property, Plant and Equipment		0		(21)
Extrapolated error based on incorrectly capitalised repairs and maintenance expenditure found through testing of additions.					
2	Dr: Pension Liability	0		136	
	Cr: Pension Reserve		0		(136)
The pension fund auditor identified an unadjusted understatement of £9.2m in the pension fund financial statements. Based on Craven DC's share of the fund we have estimated that this would mean the Craven DC pension fund assets are understated by £136k, which would therefore reduce the net pension fund liability by the same amount.					
Total unadjusted misstatements		0	0	157	(157)

6. Summary of misstatements

Adjusted misstatements

	Comprehensive Income and Expenditure Statement		Balance Sheet	
	Dr (£'000)	Cr (£'000)	Dr (£'000)	Cr (£'000)
1	Dr: Short term investments		1,000	
	Cr: Long term investments			(1,000)
	An investment balance was misclassified as long-term when it should be included in the short-term balance as it matures within the next 12 months.			
2	Dr: Property, Plant and Equipment		1,531	
	Cr: Revaluation Reserve			(1,531)
	A manual adjustment to the fixed asset register from the prior year has not been applied correctly in the current year. This means that the revaluation adjustments recognised in the revaluation reserve should be amended in note 12 by increasing the land and buildings revaluation adjustment by £2,005k (from £2,013k to £4,018k) and decreasing the surplus asset revaluation adjustment from £0k to £(474)k. The net impact is to increase the PPE balance by £1,531k and increase the Revaluation Reserve by the same amount.			
3	Dr: Capital Adjustment Account		3,968	
	Cr: General Fund			(3,968)
	The incorrect treatment of capital grant funding meant there was an inconsistency between the Capital Adjustment Account and note 33, Capital expenditure and financing. This is the net impact of the correction of that error.			
	Total adjusted misstatements	0	0	6,499
				(6,499)

6. Summary of misstatements

Disclosure misstatements

During our review and testing of the financial statements we have identified a number of errors within the notes and other disclosures. The most significant errors that have been adjusted and those that have not been adjusted are summarised below. A number of more minor amendments for rounding, typographical errors and other such corrections have also been made to the financial statements.

Adjusted errors.

- Foreword and note 4: In agreement with the valuer, based on relevant guidance, the material valuation uncertainty in relation to the Council's property valuations has been removed. By the end of the financial year the impact of the Covid-19 pandemic on valuations was clearer and the guidance suggested that material valuation uncertainty would only apply if specific local circumstances indicated it should, rather than the more wide ranging uncertainty that was in place at the start of the pandemic.
- Note 12.2: Based on our testing of the 2020-21 property valuations we identified a classification error between the land and buildings balance, surplus assets and assets under construction. £884k has therefore been moved from land and buildings to surplus assets and £2,221k have been removed from the land and buildings book values (£485k) and in year additions (£1,736k) and reclassified as assets under construction.
- Note 12.4: The note has been amended so it is consistent with the changes made to note 12.2 above.
- Note 14: The income from investment property was overstated and has been corrected to £231k. This also ensures note 14 is consistent with other areas of the accounts.
- Note 17a: The analysis of the age of debtors in relation to local taxation was incorrect and has been amended..
- Note 26b: The note has been corrected so the revenue amounts in the note are consistent with the Comprehensive Income and Expenditure Statement.
- Note 37: The contingent liability in relation to planning appeals is no longer required and has been removed as there are no ongoing appeals.
- Note 38: The Government and Local Authorities value in the table has been updated to £ 9,575k from the incorrect value of £4,496k so it is consistent with other areas of the financial statements.
- Note 39: The note included some narrative in relation to the impact of covid brought forward from the prior year that has now been removed as no longer applicable.

Unadjusted errors

- Note 31: Testing of note 31 to grant notifications indicated that the Private Sector/Disabled Facilities Home Improvement Works (General Fund) was overstated by £50k and the New burdens grant was overstated by £31k. Within this note. An extrapolation of the error indicated there may be a further immaterial error of £51k in this note. As this error is immaterial in total, management have chosen not to investigate these discrepancies or amend the note.
- Note 34: Testing of a sample of operating leases showed that the future lease liabilities of lessees under operating leases with the council is understated by an estimated c£65k. The total is based on actual errors identified from testing of material and residual lease amounts and an extrapolation against the untested balance. This is a disclosure in the accounts, the value is immaterial, and it does not impact on any other areas of the financial statements, so management have decided not to adjust for this error.
- Note 39: The provision for business rate appeals had not been updated from the prior year balance and is overstated by £220k based on the Council's share of the provision in the collection fund (see page 14).

If any misstatements are identified on completion of the outstanding audit work highlighted in section 2, these will be reported to the Audit and Governance Committee in a follow-up letter.



07

Section 07:
Value for Money

7. Value for Money

Approach to Value for Money

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out and sets out the reporting criteria that we are required to consider. The reporting criteria are:

- **Financial sustainability** - How the Council plans and manages its resources to ensure it can continue to deliver its services
- **Governance** - How the Council ensures that it makes informed decisions and properly manages its risks
- **Improving economy, efficiency and effectiveness** - How the Council uses information about its costs and performance to improve the way it manages and delivers its services

At the planning stage of the audit, we undertake work to understand the arrangements that the Council has in place under each of the reporting criteria and we identify risks of significant weaknesses in those arrangements. Although we describe this work as planning work, we keep our understanding of arrangements under review and update our risk assessment throughout the audit to reflect emerging issues that may suggest significant weaknesses in arrangements exist.

The table overleaf outlines the risks of significant weaknesses in arrangements that we have identified, the risk-based procedures we have undertaken, and the results of our work.

Where our risk-based procedures identify actual significant weaknesses in arrangements we are required to report these and make recommendations for improvement. Where such significant weaknesses are identified, we report these in the audit report.

The primary output of our work on the Council's arrangements is the commentary on those arrangements that forms part of the Auditor's Annual Report. We intend to issue the Auditor's Annual Report in March 2023.

Status of our work

We have completed our work in respect of the Council's arrangements for the year ended 31 March 2022 and we have not identified any significant weaknesses in arrangements that have required us to make a recommendation. Our draft audit report at Appendix B confirms that we have no matters to report in respect of significant weaknesses. As noted above, our commentary on the Council's arrangements will be provided in the Auditor's Annual Report in March 2023.



Appendices

A: Draft management representation letter

B: Draft audit report

C: Independence

D: Other communications

To be provided to us on client headed note paper

Mr Mark Dalton
Director
Mazars LLP

Date:

Craven District Council - audit for year ended 31 March 2021

This representation letter is provided in connection with your audit of the financial statements of Craven District Council (the Council) for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) and applicable law.

I confirm that the following representations, to the best of my knowledge and belief, are made on the basis of enquiries of management and staff with relevant knowledge and experience (and, where appropriate, inspection of supporting documentation) sufficient to satisfy ourselves that I can properly make each of the following representations to you.

My responsibility for the financial statements and accounting information

I believe that I have fulfilled my responsibilities for the true and fair presentation and preparation of the financial statements in accordance with the Code and applicable law.

My responsibility to provide and disclose relevant information

I have provided you with:

- access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other material;
- additional information that you have requested from us for the purpose of the audit; and
- unrestricted access to individuals within the Council you determined it was necessary to contact in order to obtain audit evidence.

I confirm as Chief Finance Officer that I have taken all the necessary steps to make me aware of any relevant audit information and to establish that you, as auditors, are aware of this information. As far as I am aware there is no relevant audit information of which you, as auditors, are unaware.

Accounting records

I confirm that all transactions that have a material effect on the financial statements have been recorded in the accounting records and are reflected in the financial statements. All other records and related information, including minutes of all Council and committee meetings, have been made available to you.

Executive summary

Status of audit

Audit approach

Significant findings

Internal control
recommendations

Summary of
misstatements

Value for Money

Appendices

Accounting policies

I confirm that I have reviewed the accounting policies applied during the year in accordance with Code and International Accounting Standard 8 and consider these policies to faithfully represent the effects of transactions, other events or conditions on the Council’s financial position, financial performance and cash flows.

Accounting estimates, including those measured at fair value

I confirm that any significant assumptions used by the Council in making accounting estimates, including those measured at current or fair value, are reasonable.

Contingencies

There are no material contingent losses including pending or potential litigation that should be accrued where:

- information presently available indicates that it is probable that an asset has been impaired or a liability had been incurred at the balance sheet date; and
- the amount of the loss can be reasonably estimated.

There are no material contingent losses that should be disclosed where, although either or both the conditions specified above are not met, there is a reasonable possibility that a loss, or a loss greater than that accrued, may have been incurred at the balance sheet date.

There are no contingent gains which should be disclosed.

All material matters, including unasserted claims, that may result in litigation against the Council have been brought to your attention. All known actual or possible litigation and claims whose effects should be considered when preparing the financial statements have been disclosed to you and accounted for and disclosed in accordance with the Code and applicable law.

Laws and regulations

I confirm that I have disclosed to you all those events of which I am aware which involve known or suspected non-compliance with laws and regulations, together with the actual or contingent consequences which may arise therefrom.

The Council has complied with all aspects of contractual agreements that would have a material effect on the accounts in the event of non-compliance.



Appendix A: Draft management representation letter

Fraud and error

I acknowledge my responsibility as Chief Finance Officer for the design, implementation and maintenance of internal control to prevent and detect fraud and error.

I have disclosed to you:

- all the results of my assessment of the risk that the financial statements may be materially misstated as a result of fraud;
- all knowledge of fraud or suspected fraud affecting the Council involving:
 - management and those charged with governance;
 - employees who have significant roles in internal control; and
 - others where fraud could have a material effect on the financial statements.

I have disclosed to you all information in relation to any allegations of fraud, or suspected fraud, affecting the Council’s financial statements communicated by employees, former employees, analysts, regulators or others.

Related party transactions

I confirm that all related party relationships, transactions and balances, have been appropriately accounted for and disclosed in accordance with the requirements of the Code and applicable law. I have disclosed to you the identity of the Council’s related parties and all related party relationships and transactions of which I am aware.

Charges on assets

All the Council’s assets are free from any charges exercisable by third parties except as disclosed within the financial statements.

Impairment review

To the best of my knowledge, there is nothing to indicate that there is a permanent reduction in the recoverable amount of property, plant and equipment and investment properties below their carrying value at the balance sheet date. An impairment review is, therefore, not considered necessary.

Future commitments

I am not aware of any plans, intentions or commitments that may materially affect the carrying value or classification of assets and liabilities or give rise to additional liabilities.



Appendix A: Draft management representation letter

Subsequent events

I confirm all events subsequent to the date of the financial statements and for which the Code and applicable law, require adjustment or disclosure have been adjusted or disclosed. Should further material events occur after the date of this letter which may necessitate revision of the figures included in the financial statements or inclusion of a note thereto, I will advise you accordingly.

Going concern

I confirm that I have carried out an assessment of the potential impact of the COVID-19 Virus pandemic on the Council, including the impact of mitigation measures and uncertainties and I am satisfied that the going concern assumption remains appropriate and that no material uncertainty has been identified.

To the best of my knowledge there is nothing to indicate that the Council will cease to continue as a going concern in the foreseeable future. The period to which I have paid particular attention in assessing the appropriateness of the going concern basis is not less than twelve months from the date of approval of the financial statements.

Unadjusted misstatements

I confirm that the effects of the uncorrected misstatements detailed in the appendix to this letter are immaterial, both individually and in aggregate, to the financial statements as a whole.

Yours faithfully

Chief Finance Officer:

Date:



Appendix B: Draft audit report

Independent auditor’s report to the members of Craven District Council

Report on the audit of the financial statements

Opinion on the financial statements

We have audited the financial statements of Craven District Council (“the Council”) for the year ended 31 March 2021, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Council as at 31st March 2021 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC’s Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Council’s ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Chief Finance Officer with respect to going concern are described in the relevant sections of this report.



Appendix B: Draft audit report

Other information

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of the Chief Finance Officer for the financial statements

As explained more fully in the Statement of the Chief Finance Officer’s Responsibilities, the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and prepare the financial statements on a going concern basis on the assumption that the functions of the Council will continue in operational existence for the foreseeable future. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Council, we identified that the principal risks of non-compliance with laws and regulations related to the Local Government Act 2003 (and associated regulations made under section 21), the Local Government Finance Acts of 1988, 1992 and 2012, and the Accounts and Audit Regulations 2015, and we considered the extent to which non-compliance might have a material effect on the financial statements.

We evaluated the Chief Finance Officer’s incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates and significant one-off or unusual transactions.



Appendix B: Draft audit report

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the financial statements. Our audit procedures included but were not limited to:

- discussing with management and the Audit and Governance Committee the policies and procedures regarding compliance with laws and regulations;
- communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- considering the risk of acts by the Council which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- making enquiries of management and the Audit and Governance Committee on whether they had knowledge of any actual, suspected or alleged fraud;
- gaining an understanding of the internal controls established to mitigate risks related to fraud;
- discussing amongst the engagement team the risks of fraud; and
- addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management and the Audit and Governance Committee. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

We are also required to conclude on whether the Chief Finance Officer’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. We performed our work in accordance with Practice Note 10: Audit of financial statement and regularity of public sector bodies in the United Kingdom, and Supplementary Guidance Note 01, issued by the National Audit Office in April 2021.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception

We are required to report to you if, in our opinion, we are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

We have nothing to report in this respect.



Appendix B: Draft audit report

Responsibilities of the Council

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor’s responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Council’s arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our work in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in December 2021.

Matters on which we are required to report by exception under the Code of Audit Practice

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

Use of the audit report

This report is made solely to the members of Craven District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate until we have completed:

- the work necessary to issue our assurance statement in respect of the Council's Whole of Government Accounts consolidation pack..

[Signature]

Mark Dalton, Key Audit Partner
For and on behalf of Mazars LLP

5th Floor, 3 Wellington Place, Leeds, LS1 4AP

XX March 2023



As part of our ongoing risk assessment we monitor our relationships with you to identify any new actual or perceived threats to our independence within the regulatory or professional requirements governing us as your auditors.

We can confirm that no new threats to independence have been identified since issuing the Audit Strategy Memorandum and therefore we remain independent.



Other communication	Response
Compliance with Laws and Regulations	<p>We have not identified any significant matters involving actual or suspected non-compliance with laws and regulations.</p> <p>We will obtain written representations from management that all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements have been disclosed.</p>
External confirmations	<p>We did not experience any issues with respect to obtaining external confirmations.</p>
Related parties	<p>We did not identify any significant matters relating to the audit of related parties.</p> <p>We will obtain written representations from management confirming that:</p> <ol style="list-style-type: none"> a. they have disclosed to us the identity of related parties and all the related party relationships and transactions of which they are aware; and b. they have appropriately accounted for and disclosed such relationships and transactions in accordance with the requirements of the applicable financial reporting framework.
Going Concern	<p>We have not identified any evidence to cause us to disagree with the Chief Financial Officer that Craven District Council will be a going concern, and therefore we consider that the use of the going concern assumption is appropriate in the preparation of the financial statements.</p> <p>We will obtain written representations from management, confirming that all relevant information covering a period of at least 12 months from the date of approval of the financial statements has been taken into account in assessing the appropriateness of the going concern basis of preparation of the financial statements.</p>



Other communication	Response
<p>Subsequent events</p>	<p>We are required to obtain evidence about whether events occurring between the date of the financial statements and the date of the auditor’s report that require adjustment of, or disclosure in, the financial statements are appropriately reflected in those financial statements in accordance with the applicable financial reporting framework.</p> <p>We will obtain written representations from management that all events occurring subsequent to the date of the financial statements and for which the applicable financial reporting framework requires adjustment or disclosure have been adjusted or disclosed.</p>
<p>Matters related to fraud</p>	<p>We have designed our audit approach to obtain reasonable assurance whether the financial statements as a whole are free from material misstatement due to fraud. In addition to the work performed by us, we will obtain written representations from management, and the Chair of the Audit and Governance Committee, confirming that</p> <ul style="list-style-type: none"> a. they acknowledge their responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud; b. they have disclosed to the auditor the results of management’s assessment of the risk that the financial statements may be materially misstated as a result of fraud; c. they have disclosed to the auditor their knowledge of fraud or suspected fraud affecting the entity involving: <ul style="list-style-type: none"> i. Management; ii. Employees who have significant roles in internal control; or iii. Others where the fraud could have a material effect on the financial statements; and d. they have disclosed to the auditor their knowledge of any allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators or others.



Mark Dalton, Director – Public Services

mark.dalton@mazars.co.uk

Mazars

5th Floor
3 Wellington Place
Leeds
LS1 4AP

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

*where permitted under applicable country laws.



Audit Services Report
Housing Benefit 2022/23
Report ref: C2/2022

Report Draft: 03/01/23
 Second Draft: 06/01/23
 Final: 18/01/23

Good Level of
Assurance

Contents

Background page 2

Scope page 2

Audit Opinion page 3

Detailed Findings & Action Plan page 3 onwards

Distribution

Job Title
Chief Executive
Revenues & Benefits Manager
Revenues & Benefits Team Leader
Finance Manager

1 Background

- 1.1 This audit has been undertaken as part of the annual audit plan for 2022/23 and has sought to determine compliance with the following key control objectives
- KCO1 : New claims are processed correctly, accurately and in a timely manner
 - KCO2 : Change of circumstances claims are processed correctly, accurately and in a timely manner
 - KCO3 : Duplicate claims are identified and removed
 - KCO4 : Accurate processing takes place in relation to payment runs together with proper reconciliation
 - KCO5 : System access is effectively controlled
 - KCO6 : A robust appeal process exists
 - KCO7 : Write offs are appropriately authorised
- 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, misappropriation 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 a review of the key controls by undertaking compliance testing as well as documentation review and discussion with staff.

3 Audit Opinion

3.1 A summary of Audit Services' opinion levels and their definitions is provided below:

Level	Definition
Significant Level of Assurance	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.
Good Level of Assurance	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.
Partial Level of Assurance	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.
No Level of Assurance	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

- 3.2 Based on this report's findings, Audit Services have given a Good Level of Assurance on the Internal Control Framework within the function in line with the Public Sector Internal Audit Standards.
- 3.3 The Service's resource issues are recognised by Audit Services as challenging, with increasing demands faced by a smaller than expected team due to unsuccessful recruitment.
- 3.4 Given that there have been no appeals received in some years, it was not possible to carry out sample testing in this area. However, from review of the process in place Audit Services consider this to be satisfactory.
- 3.5 With reference to the key controls being reviewed, 2 are considered to be partly met ie KCO1 and KCO7; key risks for which are set out in the main body of the report. The remaining controls are considered to be met. There are 7 recommendations that have been made in total, each graded at priority 2.

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 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

AGENDA ITEM 6a

Ref	Findings	Recommendations	Risk	Management Response	Officer Responsible and Implementation Date
KCO1 : New claims are processed correctly, accurately and in a timely manner					
1		R1: Priority 2 (MKRef:1554) Sample checks on the accuracy of claim processing should be re-introduced	Potential incorrect Benefit payment	Agreed: Agreed with the proviso that there will not be sufficient resource to carry out this function on a regular basis until after April 2023.	Revenues & Benefits Manager 28/02/23
2	In reviewing a randomly selected sample of 10 new claims, the following was identified: * Sample checks on the accuracy of claim processing was not carried out * Capital for information only was not recorded in 2 cases * Slower than anticipated processing times in 4 cases * A general observation that individual situations were not as clear as they could have been if the notepad function and diary events had been better used * Supporting financial evidence not always taking the form of formal bank statements, rather, in some cases, showing account transaction details, or screen shots * The website's Housing Benefit page containing reference to downloadable content although workable links were absent	R2: Priority 2 (MKRef:1555) Provision should be made for the system recording of information only capital	Full capital is potentially not taken into consideration should officers be informed of additional capital at a later date	Agreed: Will advise assessors to ensure this is done.	Revenues & Benefits Manager 28/02/23
3		R3: Priority 2 (MKRef:1537) Staffing resources should be addressed	Processing timeframes may cause unnecessary delay to Benefit payment	On hold due to LGR: This is a priority for the new council. It is already under discussion	N/A
4		R4: Priority 2 (MKRef:1538) The system's notepad and diary events functions should be fully utilised	Lack of clarity around outstanding actions	Agreed: Will advise assessors to ensure this is done.	Revenues & Benefits Manager 28/02/23
5		R5: Priority 2 (MKRef:1539) Supporting financial information should take the form of a formal bank statement	Potential for fraud	Agreed: Will advise assessors to ensure this is done.	Revenues & Benefits Manager 28/02/23

AGENDA ITEM 6a

Ref	Findings	Recommendations	Risk	Management Response	Officer Responsible and Implementation Date
6	See above	R6: Priority 2 (MKRef:1540) Workable links should be included on the website's Claim Housing Benefit page	Difficulty for potential clients with claim submission	On hold due to LGR: Website updates will recommence once the new council is launched and all pages will be updated as appropriate.	N/A
KCO2 : Change of circumstances claims are processed correctly, accurately and in a timely manner					
7	The average number of days to process changes in the 6 months since April 2022 was 9.73. However, in reviewing a randomly selected sample of 10 changes in circumstances, 2 cases were identified as taking 26 and 39 days to process, with no specific reasons noted for the delays	As recommendations R2 and R3 above have already been made to address processing times and notepad use, no additional recommendations are being made here although the finding remains relevant	Processing timeframes may cause unnecessary delay to Benefit payment Lack of clarity around outstanding actions	See comments above	N/A
KCO7 : Write offs are appropriately authorised					
8	The most recent write offs were undertaken in January 2022, a sample of which was traced from the approved write off schedule to the system and vice versa using the system produced written off overpayments report. However, confirmation that independent reconciliation had been carried out of the write offs undertaken on the system to the approved write off schedule was not evident	R7: Priority 2 (MKRef:1541) The Service should be satisfied that an appropriate method is in place of ensuring that debts written off on the system have had full, formal write off approval	Unapproved debts are potentially written off	Agreed: The HB Write off process sampled, being traced between the approved list and the system, is satisfactory. Write offs approved by Court Officer, Revs and Bens Manager and the CFO. An independent reconciliation could be introduced to give assurance that the w/offs in NG match the approved reports.	Finance Manager 28/02/23

Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 extension 58586. Audit Services would like to thank the officers involved for their assistance during this audit.



**Audit Services Report
Debtors
Report ref: C3/22**

Report Issued Draft: 16/01/2023
 Final: 10/02/2023

Good Level of Assurance

Contents

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2	Audit Scope	4
3	Audit Opinion	5
4	Detailed Findings & Action Plan	6

Distribution:

Chief Executive
Finance Manager
Solicitor to the Council

1 Background

- 1.1 This audit is being undertaken as part of the annual audit plan for 2022/23. The Debtors system was last audited in 2021 and was given a Partial Level of Assurance and 5 recommendations were made. The level of assurance given reflected that there was no Sundry Debt Policy in place as well as some issues with fees and charges relating to Land Charges search fees. Due to the Local Government Reorganisation being in the short future the Sundry Debt Policy recommendation was closed with no further action and the expectation that from the 1st April 2023 the North Yorkshire Council policies will apply. This audit therefore does not focus on a formal Sundry Debt Policy and is based on established practice.

The financial information for the system for the period in scope (1/10/21-30/9/2022) is as follows:

- Debtor invoices raised totalled £5.2m (£5.8m 2020/21) -10%
- Credit notes raised totalled £634k (£1m 2020/21) -36%
- Invoices written off totalled £25k (£25.5k 2020/21) -2%

These values show the significance of the debtors system and the need for strong control.

- 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 Audit Objectives

The obtaining, examination and evaluation of information surrounding the function, in order to give an independent opinion on whether the internal control procedures identified are operating effectively.

Key Controls

- Debtor invoices are raised accurately and in a timely manner
- Debt is monitored and prompt recovery action is taken
- The council has adequate processes in place to detect fraud and corruption relating to sundry debtors

Scope of Audit Work

Discussions with management and the review of information regarding the debtor system for the period 1/10/2021 to 30/09/2022

3 Audit Opinion

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

Level	Definition
Significant Level of Assurance	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.
Good Level of Assurance	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.
Partial Level of Assurance	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.
No Level of Assurance	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 can confirm that 3 out of 3 key controls were partially met. Further details can be found in section 4 of this report.

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
Debt is monitored and prompt recovery action taken					
1556	It is not clear where the responsibility for later stages of debt recovery lies.	Priority 2 Ensure that responsibility for debt recovery beyond reminder letter stages is clearly designated.	Failure to monitor debts and take prompt recovery action could result in Financial loss to the authority	Agreed – Clear processes set out in the Sundry Debt Policy drafted for NYC.	Finance Manager & Monitoring Officer 28/02/2023
1557	Legal action has been prohibited by the inaccurate or insufficient details of the invoice and insufficient recorded details of recovery action	Priority 2 Invoices should be raised as accurately as possible and debt recovery undertaken should be in accordance with the 'Instruction to Legal Services in Debt Recovery Matters - Checklist' to ensure that evidence required for debt recovery is sufficient.	Failure to monitor debts and take prompt recovery action could result in Financial loss to the authority	Agreed – Need to ensure expectations and requirements for information are communicated effectively.	Finance Manager & Monitoring Officer 28/02/2023
The Council has adequate processes in place to detect fraud and corruption relating to sundry debtors					

AGENDA ITEM 6b

Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 (ext) 58584.
 Audit Services would like to thank the officers involved for their assistance during this audit.

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
1558	No counter fraud training has been undertaken recently.	Priority 2 Veritau training module ' <i>Counter Fraud and Local Government Reorganisation in North Yorkshire.</i> ' Should be completed by all finance staff.	Failure to identify and detect Fraud could result in financial loss and reputational damage to the authority	Agreed – Training programmes for NYC will be rolled out in the next few months ahead of vesting day.	Finance Manager 28/02/2023



Audit Services Report
Council Tax & NDR 2022/23
Report ref: C1/2022

Report

Draft: 08/02/23

Final: 10/02/23

Good Level of
Assurance

Contents

Background page 2
Scope page 2
Audit Opinion page 3
Detailed Findings & Action Plan page 3 onwards

Distribution

Job Title
Chief Executive
Chief Finance Officer/ Section 151 Officer
Revenues & Benefits Team Leader

1 Background

- 1.1 This audit has been undertaken as part of the annual audit plan for 2022/23 and has sought to determine compliance with the following key control objectives

KCO1 : New and amended properties are promptly identified and processed

KCO2 : Billing transactions are correctly calculated

KCO3 : There is correct and prompt processing of discounts, exemptions and reliefs

KCO4 : All refunds are properly recorded, supported by adequate documentary evidence and appropriately authorised

KCO5 : Non payers and missed payments are followed up promptly and appropriate action is taken

KCO6 : A secure IT system is maintained

- 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, misappropriation 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 a review of the key controls by undertaking compliance testing as well as documentation review and discussion with staff.

3 Audit Opinion

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

Level	Definition
Significant Level of Assurance	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.
Good Level of Assurance	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.
Partial Level of Assurance	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.
No Level of Assurance	There are weaknesses in control, or consistent non-compliance which places corporate and service objectives at risk in the areas reviewed.

3.2 Based on this report’s findings, Audit Services have given a Good Level of Assurance on the Internal Control Framework within the function in line with the Public Sector Internal Audit Standards.

3.3 It is noted here that the service has faced recruitment difficulties of late, in particular impacting site visits which were restricted in the earlier part of the year due to a staff vacancy.

3.4 With reference to the key controls being reviewed, 4 are considered to be met and 2 partly met; namely KCO2 and KCO3, key risks for which are set out in the main body of the report. There are 3 recommendations that have been made in total, one graded at priority 3 and 2 at priority 2.

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 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

AGENDA ITEM 6c

Ref	Findings	Recommendations	Risk	Management Response	Officer Responsible and Implementation Date
KCO2 : Billing transactions are correctly calculated					
1	Technical issues involving corrupt documents received via the third party portal prevented attempts at full reconciliation from being carried out of bills produced to bills posted during the 2022 annual billing process.	R1: Priority 3 (MKRef:1559) Consideration should be given to an appropriate solution of enabling full reconciliation of bills produced to bills posted during the 2023 annual billing process	Errors may go undetected	Agreed: Liaison between Tech Team and IT should alleviate issues regarding files received and allow for full reconciliation of 2023 billing process. After this year, we may have a centralised billing process for NYC once we are more embedded.	Revenues & Benefits Team Leader 08/03/23
KCO3 : There is correct and prompt processing of discounts, exemptions and reliefs					
2	Audit review of a random sample of 10 accounts with either a discount, exemption or relief, found issues with delays in processing known changes in that prompt processing of such had not been carried out in 5 cases.	R2: Priority 2 (MKRef:1560) Resource allocation should be reviewed to allow for prompt processing of discounts, exemptions or reliefs	Delays in billing	On hold due to LGR: This is a priority for the new council. It is already under discussion	N/A
3	Single person discount review, was being carried out in conjunction with the third party, Datatank, although not complete at the time of the audit. Reviews of other discounts, exemptions and reliefs are carried out when capacity allows. However, due to staffing issues, a lack of review was apparent; there being no evidence of such.	R3: Priority 2 (MKRef:1561) There should be sufficient resources in place to enable periodic reviews of entitlement to discount, exemptions and reliefs to recommence	The Authority is unaware of any change in circumstances and ineligible discount may continue to be applied at a financial loss to the Authority	On hold due to LGR: This is a priority for the new council. It is already under discussion	N/A

Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 extension 58586. Audit Services would like to thank the officers involved for their assistance during this audit.



**Audit Services Report
Creditors
Report ref:**

Report Issued Draft: 07/02/2023
 Final: 08/03/2023

Good Level of Assurance

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1	Background	3
2	Audit Scope	4
3	Audit Opinion	5
4	Detailed Findings & Action Plan	6

Distribution:

Chief Executive Accountancy Services Manager

1 Background

- 1.1 The audit is being undertaken as part of the annual audit plan for 2022/23 to provide assurance that the systems of control relating to Accounts Payable function are effective and consistently applied.

The previous creditor audit was undertaken in 2021/22 and received a good level of assurance, with:

4 priority 2 recommendations - these recommendations will be picked up during this audit.

This audit will not include payments relating to following payments through the creditors system - Council Tax and NNDR refunds, Housing Benefit payments.

- 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 A review will be undertaken of current processes and procedures. The obtaining of information for examination and evaluation, in order to give an independent opinion that internal control procedures identified are effective. The audit will also report on any identified areas where there is scope for any improvement in efficiency.

Testing will be carried out where applicable to determine compliance with the key controls outlined below:

KC01 To ensure procedures notes are in place and followed relating to the creditors payment system and are compliant with the council's financial procedure rules.

KC02 To ensure that payments made are accurate and timely

KC03 To ensure safeguards in the system are sufficient to detect and prevent fraud.

3 Audit Opinion

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

Level	Definition
Significant Level of Assurance	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.
Good Level of Assurance	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.
Partial Level of Assurance	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.
No Level of Assurance	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 can confirm that 3 out of the 3 were partially met. Further details can be found in section 4 of this report.

A high level of safeguards to detect and prevent fraud were ascertained relating to both the creation and any amendment of creditors and details. Sample testing ascertained that authorisation rights exist and were adhered to in all cases. The audit identified that relevant procedure notes exist.

Within the last Creditors Audit undertaken in 2021/22; 3 recommendations were made relating to:

- Undertaking process improvement work to determine whether there are avoidable delays in the process of coding and registering an invoice.
- The receipt of creditor invoices should be to the Accounts Payable Section, with details of the postal address and relevant email address supplied to creditors, to inform them of the revision.
- Promote the use of purchase orders to service area to increase the number of orders used.

Testing undertaken during this audit established these issues had not been resolved and In some areas a further decline was noted, details can be found in Section 4 of this report.

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
To ensure that payments made are accurate and timely					
1534	<p>Payment of Creditor Invoices Within 30 Days Government guidance requires local authorities to pay valid invoices within 30 days. Stating that delays in validating invoices are not sufficient justification for late payment.</p> <p>Craven DC report the payment of invoices within 30 days of the date the invoices are validated by the exchequer team, rather than the authority. Testing ascertained that not all creditors send their invoices directly to the main offices at Belle Vue Square. This can and does lead to delays in the invoices being processed for payment. This was a finding within the 21/22 creditor audit with a similar recommendation been agreed. Audit tested 100% of creditor payments to ascertain progress made against the above recommendation. A total of 6.5k transactions were made during the audit period. 72.9% of these transactions were paid within 30 days of the "invoice date". 93.9% of transactions were paid within 30 days of the designated "date received by CDC".</p> <p>Sample testing also looked at the accuracy of creditor payments made in terms of correct - creditors/bank details/VAT requirements/goods and service were as</p>	<p>Priority 2 Orders should clearly state the required address to send invoices. Any changes as a result of LGR need to be clear to suppliers.</p> <p>That the date the "authority" receives the invoice is documented to provide an audit trail and establish that invoices are paid within 30 days of the authority receiving them.</p>	<p>The council is at risk of financial penalties and reputational damage if it fails to pay its creditors on time.</p>	<p>New processes as part of LGR working will result in changes to this, ensuring Suppliers know where to send invoices.</p>	<p>1st April</p>

AGENDA ITEM 6d

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>expected/that credit notes were correctly dealt with. Results ascertained that:</p> <ul style="list-style-type: none"> • 100% of transactions were VAT compliant/invoice dates recorded on Agresso were correct/calculations were correct/invoices addressed to CDC/credit notes and invoices had been processed correctly. • 95% of transactions paid to correct creditor. 5% (1 transaction) was paid to an incorrect supplier. It was noted that CDC had received a refund relating to the incorrect payment. • 95% of transactions were made to the correct bank details, this was not 100% due to the reason stated above. • Audit tried to undertake testing to ascertain that the description of the goods service on the invoice was what had been requested - audit were only able to check this information in 20% of cases, due to Agresso orders not been raised in the other 80% of cases. On the 20% of cases the description of goods/services were as expected. • Evidence of date received by CDC found - 20% of transactions had a date stamp identifying when the exchequer section of the authority received the goods. 				
To ensure that safeguards in the system are sufficient to detect and prevent Fraud.					
1532	<p>Use of Agresso Orders and Segregation of Duties The financial rules (point 4.39) state official orders must be issued for all work, goods or services to be supplied to the Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Financial Officer.</p> <p>The Agresso system includes practices which ensure no officer can undertake the raising, together with authorisation of orders, thus having a clear control to ensure a segregation of duties is maintained. However due to the low level of creditor transactions having a valid Agresso order, there is no automated way to prevent a</p>	<p>Priority 2 Develop use of official orders across CDC, to help ensure segregation of duties.</p>	<p>There is a risk that a failure of controls could result in financial loss and increased exposure to fraudulent activity.</p>	<p>Agresso will no longer be used for PO's. New processes as part of LGR working will result in changes to this way of working.</p>	1 st April

AGENDA ITEM 6d

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>single user undertaking a complete transaction from requesting goods/services to approving the payment. Audit therefore included the following 3 areas of transaction testing through Agresso:</p> <ul style="list-style-type: none"> • Order approval • Refund transactions (non-order) generated through internal proforma document • Non-order transactions which relates to individual officer. <p>Based on sample testing, assurance was found that segregation of duties was maintained.</p>				
1548	<p>Creditor Set Up and Creditor Checks Audit testing ascertained that guidance notes were in place to detect and prevent fraud were in place for in relation to creditor set-up and amendment.</p> <p>Sample testing was undertaken on both new creditors and creditor amendments to ascertain if processes followed the guidance notes. This sample ascertained in the majority of cases the standard process were followed and the creditor information was correct when compare to the original documentation provided. It was noted that in 10% of the sample that CDC were unable to find any evidence/ documentation relating to the change of bank details, no payment has been made to the creditor since the change of bank details. A further 10% of the sample tested; ascertained that a creditor had been set up with the bank details taken from a creditor invoice, rather than gaining this information separately in order to check the details.</p>	<p>Priority 2 "Confirmation of payee checks" should be introduced within the creditor set up and amendment working practices. This establishes that all the supplied bank account details correspond.</p>	<p>There is a risk that a failure of controls could result in financial loss and increased exposure to fraudulent activity.</p>	<p>Retention of the evidence for verification will be held on record and notes of verbal confirmation be taken with named officials from the supplier.</p>	June 23
1549		<p>Priority 2 Creditor information should be gained by other sources than that of a creditor invoice, with bank details being supplied to CDC on letter headed paper or an email from the company. (Where the email address is genuine). Documentation should be kept in all cases to enable for a period of 7 years, as per retention policy.</p>		<p>New processes as part of LGR working will result in changes to this.</p>	
1550	<p>Use of Agresso Orders CDC financial procedure rules last updated in 2015 Part D (5) refer to Ordering and paying for work, goods and services, with 4.39 stating that "Official orders must be issued for all work, goods or services to be supplied to the</p>	<p>Priority 2 The need for official purchase orders needs to be reiterated to services, to comply with best working</p>	<p>There is a risk that a failure of controls could result</p>	<p>New processes as part of LGR working will result in changes to this.</p>	

AGENDA ITEM 6d

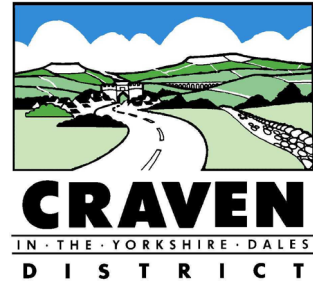
Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>Council, except for supplies of utilities, periodic payments such as rent or rates, petty cash purchases or other exceptions specified by the Chief Financial Officer.”</p> <p>Performance indicators are in place to report on the use of official orders, when goods/services are requested from suppliers. This shows a decrease in the use of official orders. With reported stats: 22/23 qtr1 17% 21/22 qtr4 17% 21/22 qtr3 15% 21/22 qtr2 21% 21/22 qtr1 17%.</p> <p>Audit undertook testing on a 100% of non-order related transaction during the audit period: 65% of the invoices had no official orders raised, where an order would have been expected.</p> <p>Separate random sample testing took place against separate non-order related creditor transactions, to establish if an order existed in the system. 5% of invoices quoted an order number that was closed. 5% an order was raised after the goods/service was provided. 15% an order was in place and quoted on the invoices but the invoices was not registered against this order. 10% an order was placed but not quoted on the invoices.</p> <p>Current exchequer practices are where no order no. is quoted on the invoice no enquiry is made on Agresso as to whether an order is present. One invoice related to purchase of stationery where an annual order had been raised. In total 23 non-order transactions/invoices should have been allocated to this order through the year.</p> <p>Further testing against individual creditors ascertained the</p>	<p>practices and the financial procedure rules. A list of exceptions, where no official order needs to be raised as specified by the Chief Financial Officer, needs to be published and accessible to all officers. The accounts payable team should check whether an order number is quoted on each invoice</p>	<p>in financial loss and increased exposure to fraudulent activity.</p>		

AGENDA ITEM 6d

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
	<p>value of invoices paid, where no order was in place, during the period of the audit: 48 invoices were paid to 1 creditor, with a total value of £14k, relating to planning advice to interim spatial planning manager. 40 invoices were paid to 1 creditor, with a total value of £70k, relating to temporary staff. 68 invoices were paid to 1 creditor, with a total value of £17k, relating to temporary staff.</p> <p>During the 21/22 creditor audit similar findings were reported with a recommendation being agreed, relating to the requirement for use of purchase orders. The current status of this recommendation is work is in progress.</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
20th March 2023**



**ANNUAL INTERNAL AUDIT REPORT
2022/23**

Report of the Assistant Director – Audit Assurance (Veritau)

Ward(s) affected: All

1. Purpose of Report

- 1.1 To consider the key findings and conclusions from audit work undertaken in 2022/23 and to give an opinion on the overall adequacy and effectiveness of the Council's arrangements for risk management and governance and on its internal controls.

2. Recommendations

- 2.1 Members are recommended to note the contents of the report and note the opinion given based on the audit work undertaken during 2022/23.

3. Background Information

- 3.1 2022/23 was the second year of the 2 year extended, Shared Internal Audit Service collaboration arrangement with Harrogate Borough Council. Shared arrangements having been in place under previous agreements since April 2010. This agreement will cease at 31st March 2023 as the new North Yorkshire Authority is established.

The service was hosted by Harrogate and provided 180 days per annum of audit time plus an additional 20 days per annum to be used at the discretion of Craven District Council's Chief Finance Officer (s151 Officer).

In line with the previous collaboration arrangement, the Shared Service was managed by a Partnership Board, which consisted of the Chief Finance Officers of the two authorities.

- 3.2 The work of internal audit is governed by the Accounts and Audit (England) Regulations 2015 and the Public Sector Internal Audit Standards (PSIAS). In accordance with the Standards and the Council's Internal Audit Charter the Chief Audit Executive or equivalent is required to submit an annual report which should include an overall opinion on the adequacy and effectiveness of the organisation's Risk Management and Governance arrangements and on its internal controls.

AGENDA ITEM 6e

In addition, the report should:

- Include a summary of audit work actually undertaken to support the opinion
- Provide details of any qualification to the opinion, together with the reasons for the qualification (including any impairment to independence or objectivity)
- Comment on the performance of Internal Audit and its Quality Assurance and Improvement Programme.
- Comment on compliance with the PSIAS.

3.3 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 effective Risk Management and Governance Arrangements and Internal Controls are in place in order to deliver value for money in the use of its resources and to achieve its corporate and service objectives.

3.4 Internal Auditing is an independent, objective assurance and consulting activity designed 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 (PSIAS)

3.5 Internal Audit can provide reasonable assurance on the arrangements and controls examined. This does not imply infallibility. Internal Auditors cannot be expected to identify every weakness or irregularity. Also, Internal Audit is not an extension or substitute for management. It is for management to accept Internal Audit findings and implement recommendations or to accept the risks of not taking action.

4. Audit Approach

4.1 At the conclusion of all audit work undertaken, meetings have taken place between relevant service managers and chief officers to discuss and agree audit findings within our audit report. Representatives from Audit Services have attended all meetings of the Audit & Governance Committee during 2022/23 to present each audit report for scrutiny and challenge. Progress reports against the approved Audit Plan have also been submitted and discussed.

4.2 On reporting lines, the Audit Service has held regular meetings with the Strategic Manager – Financial Services (s151 Officer) and has also been given unrestricted access to both the Chief Executive and the Chair of this Committee. Meetings with the Chair of Audit & Governance have occurred in advance of every Audit & Governance Committee meeting.

4.3 On individual assignments, Internal Audit liaised with relevant Managers to agree the programme of work, kept them informed of progress during the course of the audit in question and subsequently discussed findings and agreed recommendations.

AGENDA ITEM 6e

- 4.4 The level and mix of staff for each audit assignment has been determined by the knowledge and experience of the Auditors in the team, relative to the complexity of each audit. For example, the team's specialist auditor on ICT matters was allocated audit work in this service area.
- 4.5 During the year, the Audit Services Manager liaised with the Authority's external auditors, Mazars LLP. The objective was to maximise the benefit to the Authority from all audit work to avoid duplication of coverage and to learn from each other's findings to provide maximum assurance.
- 4.6 The achievement of the Annual Audit Plan depends upon the contribution of the Council's staff. Audit Services would like to record their appreciation for the involvement and commitment of staff and for their critical appraisal of the conclusions drawn and recommendations made.

5. Summary of Audit Findings

- 5.1 The Appendix attached to this report sets out details of all audits undertaken between 1st April 2022 and 31st March 2023. It includes details of planned audit days compared to actual days for each audit as well as the assurance level given and the number of recommendations made.
- 5.2 The Appendix shows 77.3% of audit work was completed by 31st March 2023.
- 5.3 In summary:
- 4 planned audits from the approved 2022/23 audit plan were completed in the year.
 - The post Business Support Grant Verification work has been removed from the plan as not required
 - Contingency time has not been used due to lower demand than anticipated.
 - Recommendation follow up work has been undertaken. This confirmed that Management had made good progress with the implementation of audit recommendations, however this slowed after October due to increasing LGR activities.
 - Analysis of creditor payment information has been undertaken for identification of duplicate payments purposes.
 - Management time has been provided externally by Veritau in the last part of the year, therefore management time is less than budgeted as it only includes the internally accrued time.
- 5.4 The following assurance levels were awarded during the year:

	Audit work undertaken	Assurance Level awarded
1	Housing Benefits	Good
2	Creditors	Good
3	Debtors	Good
4	Council Tax and NDR	Good
5	Duplicate payments	NA – Monitoring work
6	Business Support Grant Verification work	Cancelled – not required

AGENDA ITEM 6e

6.0 Quality Assurance and Improvement (QAIP)

6.1 Under the PSIAS, the chief audit executive must develop a quality assurance and improvement programme (QUAIP). The objectives are to assess the efficiency and effectiveness of internal audit activity, identify opportunities for improvement and to evaluate whether or not the Standards are being met.

6.2 The QUAIP consists of:-

- Ongoing monitoring of the performance of internal audit
- Periodic self-assessments
- Maintenance of an internal audit manual
- An external assessment which must be undertaken every 5 years by a qualified independent assessor or assessment team from outside of the Authority. This was last completed during April 2014 with an overall conclusion that internal audit was substantially compliant with the PSIAS. An arrangement was agreed with Mazars (external auditors) for this assessment to be undertaken during 2019, the outcome of which shall be reported to this Committee accordingly.

6.3 Ongoing Monitoring

There are management and supervision arrangements within Audit Services in order to ensure that each audit assignment meets the required quality standards. These involve discussions between Audit Management and the individual Auditor concerned during the planning of the audit to ensure that the key risks are covered, during fieldwork and at draft and final report stages. The purpose is to ensure that the engagement, evidence and reporting requirements set out in the PSIAS are met, together with the Code of Ethics (Integrity, Objectivity, Confidentiality, Competency).

6.4 Following each applicable audit, Audit Services send out a post audit questionnaire (PAQ) to the relevant Client Manager for feedback on the quality of the audit from the client perspective and on whether any improvements could be made. The PAQ asks 9 questions and provides for responses ranging from “very satisfied” to “very dissatisfied”. In 2022/23 100% of responses received were either satisfied or very satisfied with the work of the internal audit team.

7.0 Audit Opinion

7.1 The Public Sector Internal Audit Standards (Performance Standard 2450) states that:

“The Chief Audit Executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.”

AGENDA ITEM 6e

This must be based on an objective assessment of the framework of governance, risk management and control within the Council's governance, operations and information systems.

- 7.2 The overall opinion is that, based on the audit work undertaken during 2022/23, the council's framework of governance, risk management and internal control is satisfactory and operating effectively in practice. No reliance was placed on the work of other assurance providers in reaching this opinion, and there are no significant control weaknesses which, in our opinion, need to be considered for inclusion in the Annual Governance Statement.
- 7.3 The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison with officers. However, in giving the opinion, we would note that preparations for local government reorganisation (LGR) have, over the last year, required a significant investment of time, effort and resources across the organisation. This has put strain on the Council's control environment and its business operations. The Council has had to operate during periods of uncertainty and substantial change all while maintaining service delivery and other key support functions. The unique circumstances and uncertainty brought about by the LGR transition have combined to create a very challenging operating environment. While the work of internal audit is directed to the areas that are considered most at risk, or to provide most value for the Council, it is not possible to conclude on the full extent of the LGR transition on the Council's operations.

8. Implications

8.1 Financial and Value for Money Implications

The contribution paid by Craven District Council towards the cost of the Shared Service for 2022/23 was £57,600.

8.2 Legal implications

This report is submitted to comply with the requirements of the Public Sector Internal Audit Standards.

8.3 Contribution to Council Priorities

Supporting the wellbeing of our communities – Developing vibrant, connected and healthy communities

Attracting and retaining younger people – Creating a district that attracts people of working age to live and work

Financial Sustainability – ensuring a self-sustainable Council

AGENDA ITEM 6e

8.4 **Risk Management**

The internal Audit function is an integral part of internal control. 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. If this situation arises it will be addressed by the Internal Audit Shared Service Partnership Board, reporting to the respective audit committees of the two Councils if necessary.
- The effect of LGR requirements is presenting officers with major resource issues which has a significant impact on audit completion and recommendation follow up work. This has been regularly reported to the Committee
- 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.

8.5 **Equality Impact Assessment**

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**

Chief Finance Officer and S151 Officer, Financial Services

10. **Access to Information : Background Documents**

None

11. **Author of the Report**

Ian Morton, Assistant Director – Audit Assurance (Veritau), Craven District Council and Harrogate Borough Council Shared Internal Audit Service.

Note: Members are invited to contact the author in advance of the meeting with any detailed queries or questions. (Email Ian.Morton@veritau.co.uk)

12. **Appendices**

Appendix 1 – Internal Audit Plan 2022/23

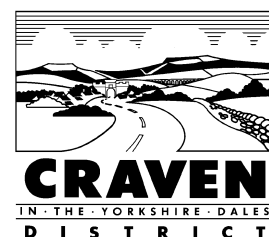
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INTERNAL AUDIT PLAN 2022/23

Audit Work	Planned Days	Actual Days	Assurance Level	Number of Recommendations
6 Month Review/Follow up work:				
Follow up of recommendations	21.5	8.9	N/A	N/A
2022/23 Audits				
Housing Benefits	10	13.1	Good	8
Creditors	8	9.5	Good	5
Debtors	8	9.5	Good	3
Council Tax and NDR	10	11.9	Good	3
Business Support Grant Verification	4	0	NA	
Duplicate Payments	4	4.9	NA	
Contingency	6	0.7	NA	
Contingency (CDC discretion) – Not paid for unless days are required	20	0	N/A	N/A
CDC Auditing Reporting / Committee Papers / Audit Reviews / Duplicate payments	19.7	12	N/A	N/A
Totals	91.2	70.5		

**Audit & Governance Committee –
20th March 2023**

Internal Audit Recommendations – Progress Report



Report of the Assistant Director- Audit Assurance (Veritau)

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 controls that the Council has put in place to meet its objectives, comply with current legislation and ensure best value both reflect good practice and are being consistently and rigorously observed.

3.1 In light of the Local Government Reorganisation, it has been recognised that some recommended actions will not be practicable to undertake in the short-term. Audit Services have been working with Services with a view to close down all recommendations before the 31st March, including a new option of putting the recommendation on hold due to LGR, this means that post 1st April 2023 these areas of unmitigated risk found through previous audit work can be monitored and reviewed.

3.2 Work carried out on outstanding actions has slowed in the last part of the year due to increasing LGR activities. Coupled with new recommendations issued in 22/23 this has resulted in a number of recommendations remaining outstanding. These will also be monitored and reviewed in the new authority.

3.3 There are 28 recommendations outstanding, 1 of which is a Priority 1 recommendation.

Summary of Internal Audit recommendations

Action since last report:	Priority 1	Priority 2	Priority 3
Audit recommendations completed	0	2	0
Audit recommendations on hold due to LGR	0	4	2
Audit recommendations not agreed/ risk tolerated	0	1	0
New recommendations issued	0	12	2
Audit recommendations outstanding	1	25	2

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**

7.3 **Monitoring Officer Statement**

8. **Equality Analysis** – not applicable

9. **Consultations with Others**

CLT, SLT members with assigned recommendations.

10. **Background Documents**

11. **Appendices** –

Appendix I – 'Internal Audit Recommendations –Progress Update 1 March 2023

12. **Author of the Report**

Gill Hoyes, Auditor
Telephone: 01423 500600 (58584)
e-mail: gill.hoyes@harrogate.gov.uk

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

Appendix I

Internal Audit Recommendations – Progress Update, 1 March 2023

Internal Audit – Recommendations satisfied since the previous report (September 2022)

*Note – all recommendations in this section are rated **Green** as they have been completed*

Action Name	Priority Level	Action Service	Comment
The authority should develop a consistent approach to procurement and communicate it to all managers (Agency Staff) Ref 275	2	Human Resources/Finance	Implemented 06/02/2023
Data should be prepared and published to comply with the requirements detailed in Regulation 113 of the Public Contracts Regulations 2015. 498	2	Finance	Implemented 04/01/2023

Internal Audit – Recommendations closed since previous reporting period: Owing to LGR will not be progressed

*Note – all recommendations in this section are rated **light green**, as they being held until post vesting day for possible reassessment.*

Action Name	Priority Level	Action Service	Comment
CDC should continue with the work to introduce debtor refunds via BACs offering better fraud prevention methods and could offer cost	3	Finance Services	Auditor 31/10/2022 The work would have to be undertaken by an external consultation and with only 5 months before the

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efficiencies. 472			formation of the new North Yorkshire Council there would seem little benefit to undertaking this work and incurring additional costs.
The policy wording for commodities at 7.1 should be more permissive towards quality criteria weighting. 1517	3	Financial Services	Finance Manager 30/09/2022 Given the time remaining before transfer to the new Authority, there is no time to make changes to the Procurement Policy.
Staffing resources should be addressed 1537	2	Revenues and Benefits	Revenues and Benefits Manager 18/01/2023 This is a priority for the new council. It is already under discussion.
Workable links should be included on the website's Claim Housing Benefit page 1540	2	Revenues and Benefits	Revenues and Benefits Manager 18/01/2023 Website updates will recommence once the new council is launched and all pages will be updated as appropriate.
Resource allocation should be reviewed to allow for prompt processing of discounts, exemptions or reliefs 1560	2	Revenues and Benefits	Revenues and Benefits Team Leader 10/02/2023 This is a priority for the new council. It is already under discussion
There should be sufficient resources in place to enable periodic reviews of entitlement to discount, exemptions and reliefs to recommence 1561	2	Revenues and Benefits	Revenues and Benefits Team Leader 10/02/2023 This is a priority for the new council. It is already under discussion

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Internal Audit – Recommendations closed since previous reporting period:

Note – all recommendations in this section are rated red, as the recommendation are not agreed by management (risk tolerated)

Action Name	Priority Level	Action Service	Comment
Procedure notes should be updated to reflect the system's latest upgrade 1528	2	Human Resources	Auditor 04/01/2023 No full formal management response received therefore recommendation noted as not agreed

Internal Audit – Recommendations remaining outstanding from previous reporting period

Note – all recommendations in this section are rated Amber, as they have not been met within the expected timescale

Action Name	Report Origin	Priority Level	Action Service	Status	Due Date	Comment
Risk Management guidance documentation should be reviewed and updated and published on the intranet together with the Risk Management training documentation 439	Risk Management C9/2020	2	Finance	Amber	09/10/2021	<p>Auditor 27/02/2023 Emailed the Finance Manager for evidence of implementation</p> <p>Auditor 01/02/2023 Update on the latest position regarding implementation requested from the Finance Manager</p> <p>Auditor 26/08/2022 Update on the latest position regarding implementation requested from the Chief Finance Officer and the Finance Manager</p> <p>Auditor 25/07/2022</p>

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The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that they would update wording

Auditor 10/06/2022

Risk management training and guidance does not yet appear to be available on the intranet. Queried with the Chief Finance Officer / Finance Manager

Exchequer & Performance Manager 14/03/2022

We have agreed with RMG and A&G Committee that training and guidance will be made available on the Intranet. The S151 Officer has agreed which training and guidance should be shared, but it does require slight update to reflect current policy. Revised implementation date now April 2022

Auditor 07/03/2022

Update on latest position requested from Exchequer & Performance Manager

Auditor 06/03/2022

The Exchequer & Performance Manager stated on 22/11/21 that the guidance documentation has been updated and was agreed at Risk Management Group on 12th October. This should be approved at A&G on 6th December, then will be uploaded to the Intranet. Revised estimated date for completion by mid Dec 2021.

Care should be taken to ensure that the appropriate RAG status of	Risk Managem ent C9/2020	3	Finance	Amber	09/10/2021
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Auditor 27/02/2023

Emailed the Finance Manager for evidence of implementation

Auditor 01/02/2023

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risk scores is applied

442

Update on the latest position regarding implementation requested from the Finance Manager

Auditor 26/08/2022

Update on the latest position regarding implementation requested from the Chief Finance Officer and the Finance Manager

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that they would update on progress

Auditor 10/06/2022

Evidence requested from the Chief Finance Officer / Finance Manager

Exchequer & Performance Manager 14/03/22

This has been highlighted in the revised strategy and policy, but we won't see whether that has been effective until we've done a round of reporting. Revised implementation date now May 2022

Auditor 07/03/2022

Update on latest position requested from Exchequer & Performance Manager

Auditor 06/03/2022

The Exchequer & Performance Manager stated on 22/11/21 that these specific notes and recommendations have been shared with SLT members. The update to operational risk registers is currently underway and we should soon have a clear

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picture of whether attempts to raise awareness of these issues and requirements have been successful. Revised estimated date for completion by end Jan 2022.

Realistically achievable implementation dates should be established where further mitigating actions are required and revised implementation dates established where necessary

443

Risk
Management
C9/2020

2

Finance

Amber

09/10/2021

Auditor 27/02/2023

Emailed the Finance Manager for evidence of implementation

Auditor 01/02/2023

Update on the latest position regarding implementation requested from the Finance Manager

Auditor 26/08/2022

Update on the latest position regarding implementation requested from the Chief Finance Officer and the Finance Manager

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that they would update

Auditor 10/06/2022

Evidence requested from the Chief Finance Officer / Finance Manager

Exchequer & Performance Manager 14/03/22

This is in the revised strategy but difficult to evidence the impact as haven't yet taken a new risk report to RMG/A&G now likely to be May. Revised implementation date now May 2022

Auditor 07/03/2022

AGENDA ITEM 6f

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Update on latest position requested from Exchequer & Performance Manager

Auditor 06/03/2022

The Exchequer & Performance Manager stated on 22/11/21 that these specific notes and recommendations have been shared with SLT members. The update to operational risk registers is currently underway and we should soon have a clear picture of whether attempts to raise awareness of these issues and requirements have been successful. Revised estimated date for completion by end Jan 2022.

Auditor 27/02/2023

Emailed the Finance Manager for evidence of implementation

Auditor 01/02/2023

Update on the latest position regarding implementation requested from the Finance Manager

Auditor 26/08/2022

Update on the latest position regarding implementation requested from the Chief Finance Officer and the Finance Manager

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that they would update

Auditor 10/06/2022

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
444

Risk Managem ent C9/2020	2	Finance	Amber	09/10/2021
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Strategy & Policy appear to refer to action plans but not to scoring threshold. Queried with the Chief Finance Officer / Finance Manager

Exchequer & Performance Manager 14/03/22

This is in the revised and agreed strategy and policy and will appear once on Intranet. Revised implementation date now April 2022.

Auditor 07/03/2022

Update on latest position requested from Exchequer & Performance Manager

Auditor 06/03/2022

The Exchequer & Performance Manager stated on 22/11/21 that these specific notes and recommendations have been shared with SLT members. The update to operational risk registers is currently underway and we should soon have a clear picture of whether attempts to raise awareness of these issues and requirements have been successful. Revised estimated date for completion by end Jan 2022.

The monitoring, review and reporting cycle of actions should be adhered to
445

Risk Management
C9/2020

1

Finance

Amber

09/10/2021

Auditor 27/02/2023

Emailed the Finance Manager for evidence of implementation

Auditor 01/02/2023

Update on the latest position regarding implementation requested from the Finance Manager

Auditor 26/08/2022

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Update on the latest position regarding implementation requested from the Chief Finance Officer and the Finance Manager

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that they would update - One additional meeting to be held and wording updated

Auditor 10/06/2022

Evidence requested from the Chief Finance Officer / Finance Manager

Exchequer & Performance Manager 14/03/22

A round of meetings were started according to the timetable that we set out. However the last one had to be cancelled for reasons beyond our control. Expecting to resume by May.

Auditor 07/03/2022

Update on latest position requested from Exchequer & Performance Manager

Auditor 06/03/2022

The Exchequer & Performance Manager stated on 22/11/21 that CLT and SLT had had a renewed focus on ensuring that the reporting timetable is adhered to. A Risk Management Group meeting was held on 12th October 2021, follow-up actions and feedback were shared with SLT on 16th November 2021, and matters arising / reports requiring Member approval

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will be reported to Audit & Governance Committee on 6th

Corporate Safety Advisor 02/02/2023

CDC are in the process of training new fire marshals following staff departures

Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Advisor

Auditor 05/09/2022

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

Auditor 26/08/2022

Update on latest position regarding implementation requested from the Corporate Safety Advisor

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/0722 that this recommendation needs further clarification from the Corporate Safety Adviser

Auditor 10/06/2022

Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser

<p>Outstanding training for fire marshals and first aiders should continue to be progressed 476</p>	<p>Health and Safety Arrangements C7/2021</p>	<p>2</p>	<p>Legal Services</p>	<p>Amber</p>	<p>19/05/2022</p>
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<p>A list of fire marshals and first aiders, once trained, should be published and this list kept up to date 477</p>	<p>Health and Safety Arrangements C7/2021</p>	<p>2</p>	<p>Legal Services</p>	<p>Amber</p>	<p>19/05/2022</p>	<p>Corporate Safety Advisor 02/02/2023 CDC are in the process of training new fire marshals following staff departures</p> <p>Auditor 01/02/2023 Update on latest position regarding implementation requested from Corporate Safety Advisor</p> <p>Auditor 05/09/2022 Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days</p> <p>Auditor 26/08/2022): Update on latest position regarding implementation requested from the Corporate Safety Advisor</p> <p>Auditor 25/07/2022): The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/0722 that this recommendation needs further clarification from the Corporate Safety Adviser</p> <p>Auditor 10/06/2022 Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser</p>
<p>The introduction of a training matrix by each service area should</p>	<p>Health and Safety Arrangements</p>	<p>2</p>	<p>Legal Services</p>	<p>Amber</p>	<p>19/05/2022</p>	<p>Auditor 01/02/2023 Update on latest position regarding implementation requested from Corporate Safety Advisor</p> <p>Auditor 05/09/2022</p>

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continue to be developed C7/2021
478

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

Auditor 26/08/2022

Update on latest position regarding implementation requested from the Corporate Safety Advisor

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this recommendation needs further clarification from the Corporate Safety Adviser

Auditor 10/06/2022

Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser

Induction checklists should be promptly completed in full
479

Health and Safety Arrangements
 C7/2021

2

Legal Services

Amber

19/05/2022

Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Advisor

Auditor 05/09/2022

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

Auditor 26/08/2022

Update on latest position regarding implementation requested from the Corporate Safety Advisor

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Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this recommendation needs further clarification from the Corporate Safety Adviser

Auditor 10/06/2022

Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser

Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Adviser

Auditor 05/09/2022

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

Auditor 26/08/2022

Update on latest position regarding implementation requested from the Corporate Safety Adviser

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this recommendation needs further clarification from the Corporate Safety Adviser

Auditor 13/06/2022

Induction checklist requested from Operations Manager for review

<p>Outstanding service area risk assessments should be completed 480</p>	<p>Health and Safety Arrangements C7/2021</p>	<p>2</p>	<p>Legal Services</p>	<p>Amber</p>	<p>28/02/2022</p>
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Auditor 07/03/2022

Team Leader Environmental Health & Corporate Safety Advisor confirmed that all managers have been instructed about new employees and those employed in the last 6 months, and they, as well as HR have been instructed to ensure H&S has been raised and discussed. To evidence that procedure is being complied with in practice via a sample test before marking recommendation as fully complete

Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Advisor

Auditor 05/09/2022

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

Auditor 26/08/2022

Update on latest position regarding implementation requested from the Corporate Safety Advisor

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this recommendation needs further clarification from the Corporate Safety Adviser

Auditor 10/06/2022

Update as to the latest position regarding recommendation implementation requested from

<p>Outstanding activity based risk assessments should be completed 481</p>	<p>Health and Safety Arrangements C7/2021</p>	<p>2</p>	<p>Legal Services</p>	<p>Amber</p>	<p>19/05/2022</p>
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the Team Leader Environmental Health & Corporate Safety Adviser

Risk assessments should be reviewed and modified accordingly to fully reflect any amendments in working practices since the pandemic
482

Health and Safety Arrangements
C7/2021

2

Legal Services

Amber

19/05/2022

Corporate Safety Advisor 02/02/23

I am awaiting a response to my email requesting that Managers revisit this area following a drop in reviews due to competing LGR priorities

Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Advisor

Auditor 05/09/2022

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

Auditor 26/08/2022

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Auditor 25/07/2022

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Auditor 10/06/2022

Update as to the latest position regarding recommendation implementation requested from

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the Team Leader Environmental Health & Corporate Safety Adviser

Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Adviser

Auditor 05/09/2022

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

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Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this recommendation needs further clarification from the Corporate Safety Adviser

Auditor 10/06/2022

Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser

Meetings of the Health & Safety Management Group should be reintroduced 483	Health and Safety Arrangements C7/2021	2	Legal Services	Amber	19/05/2022
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An annual statement of health & safety, including past performance, incident summary, any	Health and Safety	2	Legal Services	Amber	19/05/2022
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Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Adviser

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<p>issues and outlining priorities for the upcoming year, should be produced for reporting to the Council.</p> <p>484</p>	<p>Arrangements</p> <p>C7/2021</p>					<p>Auditor 05/09/2022 Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days</p> <p>Auditor 26/08/2022 Update on latest position regarding implementation requested from the Corporate Safety Advisor</p> <p>Auditor 25/07/2022 The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this recommendation needs further clarification from the Corporate Safety Adviser</p> <p>Auditor 10/06/2022 Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser</p>
<p>Reporting of full performance monitoring to CLT should be re-introduced</p> <p>485</p>	<p>Health and Safety Arrangements</p> <p>C7/2021</p>	<p>2</p>	<p>Legal Services</p>	<p>Amber</p>	<p>19/05/2022</p>	<p>Auditor 01/02/2023 Update on latest position regarding implementation requested from Corporate Safety Advisor</p> <p>Auditor 05/09/2022 Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days</p>

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Auditor 26/08/2022

Update on latest position regarding implementation requested from the Corporate Safety Advisor

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this recommendation needs further clarification from the Corporate Safety Adviser

Auditor 10/06/2022

Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser

Auditor 01/02/2023

Update on latest position regarding implementation requested from Corporate Safety Advisor

Auditor 05/09/2022

Per the Corporate Safety Adviser's email of 30/08/22, high workload due to LGR/staff vacancies has caused delays in providing an update. Update to be compiled and issued in coming days

Auditor 26/08/2022

Update on latest position regarding implementation requested from the Corporate Safety Advisor

Auditor 25/07/2022

The Chief Finance Officer and the Finance Manager agreed at the meeting of the 12/07/22 that this

<p>Services should complete and return the annual Health & Safety declaration 486</p>	<p>Health and Safety Arrangements C7/2021</p>	<p>2</p>	<p>Legal Services</p>	<p>Amber</p>	<p>19/05/2022</p>
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						<p>recommendation needs further clarification from the Corporate Safety Adviser</p> <p>Auditor 10/06/2022 Update as to the latest position regarding recommendation implementation requested from the Team Leader Environmental Health & Corporate Safety Adviser</p>
<p>Confirmation of payee checks should be introduced within the creditor set up and amendment working practices. This establishes that all the supplied bank account details correspond.</p> <p>492</p>	<p>Creditors C3/2021</p>	<p>2</p>	<p>Finance</p>	<p>Amber</p>	<p>30/06/2022</p>	<p>Finance Manager 03/03/2023 Evidence of check will be retained including checks that were carried out verbally.</p> <p>Auditor 3/03/2023 This Recommendation has been superseded through the 2022/23 audit. The checks have been implemented in procedure and was being applied in practice in most cases. New recommendations (not yet due) have been made to ensure that documentation of the checks is retained and that other evidence of change of details is used in conjunction with an invoice.</p> <p>Auditor 31/08/2022 Requested update</p>
<p>Creditor invoices should be received centrally at Accounts Payable, with details of the postal address and relevant email address supplied to creditors, and included on</p>	<p>Creditors C3/2021</p>	<p>2</p>	<p>Finance</p>	<p>Amber</p>	<p>30/09/2022</p>	<p>Finance Manager 03/03/2023 New processes as part of LGR working will result in changes to issue, ensuring that suppliers know where to send invoices.</p> <p>Auditor 03/03/2023 Update requested</p>

official orders.

499

Officers responsible for procuring should be reminded of the requirement for an official order to be raised and provided to the supplier.

A list of exceptions given by the Chief finance Officer needs to be accessible to all officers.

Creditors
C3/2021

2

Finance

Amber

30/09/2022

Finance Manager 03/03/2023

Agresso will not be used for purchase orders after the 1st April. New processes as part of LGR working will result in changes to this way of working.

Auditor 3/03/2023

Update requested

Accounts payable Officers should ensure that all invoices are processed on the system against the relevant purchase order where an order number exists.

504

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<p>New starter checklists should be consistently marked as checked following input 1529</p>	<p>Payroll C2/2021</p>	<p>2</p>	<p>Finance/ Human Resources</p>	<p>Amber</p>	<p>04/01/2023</p>	<p>Auditor (27/02/2023) Emailed the HR & Payroll Manager and the Payroll & Exchequer Officer for evidence of implementation</p>
<p>Payroll should investigate whether incorrect payments have been made to these employees, determine how these occurred, rectify where necessary and promptly initiate any under/over payment 1530</p>	<p>Payroll C2/2021</p>	<p>2</p>	<p>Finance/ Human Resources</p>	<p>Amber</p>	<p>04/10/2022</p>	<p>Auditor (27/02/2023) Emailed the HR & Payroll Manager and the Payroll & Exchequer Officer for evidence of implementation</p>
<p>Payroll should establish with HR and the service whether incorrect payments have been made to these employees and investigate the reasons why and how they occurred. If valid, figures should be re-calculated and any under/over payment promptly initiated with</p>	<p>Payroll C2/2021</p>	<p>2</p>	<p>Finance/ Human Resources</p>	<p>Amber</p>	<p>04/10/2022</p>	<p>Auditor (27/02/2023) Emailed the HR & Payroll Manager and the Payroll & Exchequer Officer for evidence of implementation</p>

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the employees.

1531

The system's notepad
and diary events
functions should be fully
utilised
1538

Housing
Benefit
C2/2022

2

Revenues
and
Benefits

Amber

28/02/2023

Auditor 03/03/2023
Update requested

Supporting financial
information should take
the form of a formal bank
statement
1539

Housing
Benefit
C2/2022

2

Revenues
and
Benefits

Amber

28/02/2023

Auditor 03/03/2023
Update requested

The Service should be
satisfied that an
appropriate method is in
place of ensuring that
debts written off on the
system have had full,
formal write off approval
1541

Housing
Benefit
C2/2022

2

Revenues
and
Benefits

Amber

28/02/2023

Auditor 03/03/2023
Update requested

AGENDA ITEM 6f

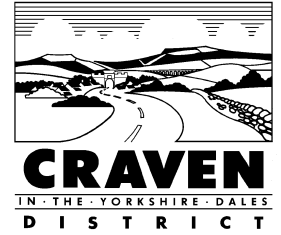
APPENDIX 1

Sample checks on the accuracy of claim processing should be re-introduced 1554	Housing Benefit C2/2022	2	Revenues and Benefits	Amber	28/02/2023	Auditor 03/03/2023 Update requested
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Provision should be made for the system recording of information only capital 1555	Housing Benefit C2/2022	2	Revenues and Benefits	Amber	28/02/2023	Auditor 03/03/2023 Update requested
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Audit & Governance Committee – 20th March 2023

Draft Annual Governance Statement 2022/23



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 Annual Governance Statement for 2022/23 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 2023/24.
 - 2.2 Approve the inclusion of the Annual Governance Statement in the 2022/23 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 Local Government Restructure, 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 A – 'Draft Annual Governance Statement 2022/23'

12. Author of the Report

James Hordern, Finance Manager, CFO (S151)
Telephone: 01756 706316
e-mail: jhordern@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 2022/23

DRAFT for Audit & Governance Committee
20th March 2023

Contents

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5	Summary of governance actions for 2023/24	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.cravencd.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 2023 and up to the date of approval of the Statement of Accounts for 2022/2023.

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 and 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 continues to maintain 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 efficiency in correcting issues. 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 2022/23

External Audit:

To be updated for 2022/23

1.4 Local Government Ombudsman

A Local Government Ombudsman Annual Review letter for Craven was published in July 2022. The report considered 2 complaints referred to the Ombudsman in for the year ended 31 March 2022. Neither complaint was upheld.

The letter is published online at

<https://www.lgo.org.uk/documents/councilperformance/2022/craven%20district%20council.pdf>

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, 2021/22

Action to Improve Governance Arrangements Update

Improvement Action 1: Actively participate in the development of culture and behaviours for the new Council for North Yorkshire, ensuring that our principle of behaving with integrity, ethical values and respecting the rule of law are fully embedded.

A large number of Council employees are actively participating in the various service specific workstreams.

This includes contributing ideas for how processes could work in the future, informing decision making and forming plans for transformation that are underpinned with the behaviours that cannot be influenced inappropriately.

This action was **completed**.

Improvement Action 2: Ensure that Craven contributes to the development of decision-making processes for the new North Yorkshire Council which take into account economic, social and environmental benefits.

The Service departments have all been working towards informing the dedicated workstreams for the various service provision. This has ensured that any decision making has included economic, social and environmental impacts and sought to ensure benefits will stem from new processes and working practices in NYC.

This action was **completed**.

Improvement Action 3: Complete work to address the action plan for improving Planning and Building Control services.

There has been worked to remove the back log of application and all are now within their determination time, either pending or recently approved.

Successful integration with North Yorkshire Building Control Partnership (the preferred and largest of the building control bodies within the new NYC). All will be in place, and we will be safe and legal for the 31st March 2023.

The new integrated Building Control Body offer a higher degree of staff resilience and flexibility of working. Maintained our market share of Building Control applications. All KPI target have been reached and maintained.

This action was **Mostly completed** (pending final integration as above).

Improvement Action 4: Ensure that opportunities for career development arising from the Local Government Reorganisation process are made available to all staff.

Craven's HR and the workstream for HR have actively been promoting opportunities for development and advance as part of the LGR process. This has included marketing vacancies and training opportunities across all the combining District's and Borough's.

This action was **completed**.

Improvement Action 5: Continue to ensure that Craven is represented fully in all workstreams overseeing the development of financial and risk processes and controls for the new Council for North Yorkshire.

While it has not been possible to dedicate a member of CDC staff to the Risk management portion of the workstream, due to local resources.

The S151 Officer and deputy are actively involved in the Financial workstream, taking a lead role in significant areas. This ensures that developing processes and controls are all scrutinised at the correct level and ensures the newly appointed S151 for NYC is satisfied that they are appropriate.

This action was **completed**.

3. Review of Effectiveness for 2021/22

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. 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.

Members and Officers are participating in activity to define the culture and behaviour of the new Council for North Yorkshire.

Improvement Action 1: Actively participate in the development of culture and behaviours for the new Council for North Yorkshire, ensuring that our principle of behaving with integrity, ethical values and respecting the rule of law are fully embedded.

3.2 Principle B – Ensuring openness and comprehensive stakeholder engagement

Overall Assessment: We are 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. We are working successfully with Craven Arts to open a new cultural centre.

The Council widely promoted all consultation and engagement activity relating to the Local Government Reorganisation in North Yorkshire, and has directly engaged with local business, parish councils, residents and other stakeholders, particularly with a view to developing the 'Locality Working' area of the reorganisation.

Improvement Action 2: Ensure that the views of local residents and stakeholders continue to be considered throughout the Local Government Reorganisation process.

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

Overall Assessment: We are largely achieving this principle

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 reviewed its approach to Performance Management in 2020/21. 2022/23 is the second year of the revised 2-year Performance Management Framework which includes reporting against financial, economic, social and environmental goals.

The council does take into account financial, legal, risk and equality impact of all decisions. Impact on the Climate Emergency is also now assessed for all decisions. There remains a need to embed the assessment of economic and social impacts into decision-making processes, however it is likely that progressing this will be an action for the reorganisation programme.

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 most recently unanimously agreed by Full Council in April 2022. The Council's progress against this plan is actively monitored via the performance framework.

Improvement Action 2: Ensure that Craven contributes to the development of decision-making processes for the new North Yorkshire Council which take into account economic, social and environmental benefits

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.

The Council's Planning and Building Control services were the subject of an external peer review in September 2020, which found that significant improvement is needed. An improvement plan is now in place, overseen by a Planning Improvement Board. This has resulted in some improvements to the services (particularly in the timeliness of processing planning applications); continuing focus is required to ensure that the objectives of the plan are successfully achieved.

We are actively participating in all workstreams of the Local Government Reorganisation process to continue to ensure that the best outcomes are delivered efficiently for Craven's residents throughout and after the vesting of the new council.

Improvement Action 3: Complete work to address the action plan for improving Planning and Building Control services.

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

Overall Assessment: We are achieving this principle

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 and the Council has more recently started to train professional planning staff through a Masters apprenticeship route.

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

A comprehensive programme of support is available to staff throughout the organisation, with many new opportunities for career development and career advancement become available as a result of the development of the new council.

Improvement Action 4: Ensure that opportunities for career development arising from the Local Government Reorganisation process are made available to all staff.

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

Improvements to the local processes will be adopted through LGR.

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.

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 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.

As the Council approaches the transition phase of the move to a new Council, much of the risk centres on the establishment of new financial processes and controls that are sufficient to cover all of the Council's operations and legal requirements. Craven is participating fully in all workstreams for developing financial processes and controls.

Improvement Action 5: Continue to ensure that Craven is represented fully in all workstreams overseeing the development of financial and risk processes and controls for the new Council for North Yorkshire.

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

Overall Assessment: We are achieving this principle

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 2021/22 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 and this has been continued and reinforced throughout 2022/23.

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. Audit of the 2021/22 accounts has been delayed due to continuing national pressures on statutory audit services.

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

In Previous AGS reports, the Council included specific actions relating to the Covid-19 pandemic, this was due to the material impact that the pandemic had on the local authority. Given the national and more importantly the local recovery since 2021, no further specific actions are required.

5. Summary of improvement actions for 2023/24

Principle	Actions
<p>Principle A – Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p> <p>Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<p>Successful transition of services to North Yorkshire Council.</p> <p><i>Given the new Council has approved a budget incorporating current services, there is little, short-term concern over ‘going concern’ issues. Value for money will be determined as transformation takes place over the next few years.</i></p> <p><i>Processes adopted and adhered to, so no negative impact on the provision of services</i></p>
<p>Principle C – Defining outcomes in terms of sustainable economic, social and environmental benefits</p>	<p><i>Ensure that Craven contributes to the development of decision-making processes for the new North Yorkshire Council which take into account economic, social and environmental benefits</i></p>
<p>Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes</p>	<p><i>Resources of the Council are under pressure due to local government reorganisation.</i></p> <p>Monitor Performance in Revenues Service. <i>It is projected that the Revenues and Benefits Service will have its resources put under pressure with the upcoming impact of the Business Rates Review and the time taken to process new benefit claims.</i></p>
<p>Principle E – Developing the entity’s capacity, including the capability of its leadership and the individuals within it</p>	<p><i>Ensure that opportunities for career development arising from the Local Government Reorganisation process are made available to all staff.</i></p>
<p>Principle F – Managing risks and performance through robust internal control and strong public financial management</p>	<p><i>Continue to ensure that Craven is represented fully in all workstreams overseeing the development of financial and risk processes and controls for the new Council for North Yorkshire.</i></p>