

## **Audit and Governance Committee**

**6.30pm on Tuesday, 13<sup>th</sup> March 2018  
in the Belle Vue Suite, Belle Vue Offices, Skipton**

**The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Brown, Hull, Lis, Mercer, Place and Whitaker. Independent Person Mr G Robinson.**

### **AGENDA**

**Exclusion of the Public:** In accordance with the Council's Access to Information Procedure Rules, Members are recommended to exclude the public from the meeting during consideration of Items 8diii and 9 on the grounds that it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 (relates to the financial or business affairs of any person including the Authority holding that information) of those Rules and Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

1. **Apologies for absence**
2. **Confirmation of Minutes** of meeting held on 23<sup>rd</sup> January 2018. Note : A copy of the action check sheet for this meeting is also attached.
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.)

<b><i>Note of Agenda Item No. and type of Interest to be Declared at this Meeting:</i></b>
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5. **General Data Protection Regulation : Presentation** – The Committee to receive a short presentation from the Council's Information Governance Manager on the changes introduced by the General Data Protection Regulation and the requirements thereof from May 2018.

Note : In receiving an internal audit report re Information Governance at the Committee's January 2018 meeting, Members requested an indication of the detail which sat behind the audit. A note/report prepared by the Audit Services Manager is attached.

6. **External Audit**

**a. Audit Strategy Memorandum 2017/18** – Report of the External Auditor. Attached.

Purpose of Item – To enable the External Auditor to present the Audit Strategy Memorandum for 2017-18.

**b. Audit Progress Report** – Report of the External Auditor. Attached.

Purpose of Item – To enable Mazars to provide the Committee with a report on progress in delivering their responsibilities as the Council's external auditors, and to highlight key emerging national issues and developments which may be of interest to Members.

7. **Fraud Strategy Action Plan** – Report of the Chief Finance Officer. Attached.

Purpose of Item – To present to Members with an update of the Action Plan to address the issues identified in the Internal Audit Review of the Council's Counter Fraud and Corruption Arrangements

8. **Internal Audit (a) Outstanding Internal Audit Recommendations** – Report of the Chief Finance Officer. Attached.

Purpose of Item – To update committee members on Priority 1 internal audit recommendations outstanding, all those completed in the period and provide a summary of the numbers of Priority 2 and Priority 3 recommendations have not yet been cleared.

**(b) Internal Audit Plan 2017-18 : Progress** – Report of the Audit Services Manager. Attached.

Purpose of Item – To update Committee Members on the progress made against the 2017/18 Internal Audit plan up to 31st January 2018.

**(c) Draft Internal Audit Plan 2018-19** – Report of the Audit Services Manager. Attached.

Purpose of Item – To present the proposed Internal Audit Plan 2018/19 for consideration and approval.

**\$(d) Internal Audit Reports** – Reports of the Audit Services Manager. Attached.

- i. Planning Fees
- ii. Member Grants
- \$iii. Business Continuity and Disaster Recovery **Excluded**

Purpose of Item – To present internal audit reports, including any which have been assigned either partial, or no assurance level status.

**\$9. Corporate Risk Register** – Report of the Chief Finance Officer. Attached. **Excluded**

Purpose of Item – To update the Committee on the corporate risk register action plan progress and changes.

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

Agenda Contact Officer: Chris Waterhouse,  
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e-mail : [cwaterhouse@cravendc.gov.uk](mailto:cwaterhouse@cravendc.gov.uk)  
5<sup>th</sup> March 2018.

### **Emergency Evacuation Procedure**

In case of an emergency or if the alarm sounds, leave the meeting room and leave the building using the nearest available door. The assembly point is in the main square at the front entrance. An officer will take a roll call at that point.

Members of the Council : Please do not leave without telling the Chairman or the Democratic Services Section's representative.

### **Recording at Council Meetings**

Recording is allowed at Council, committee and sub-committee meetings which are open to the public, subject to

(i) the recording being conducted with the full knowledge of the Chairman of the meeting; and

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

### **Committee Terms of Reference**

#### **(a) In relation to internal and external audit activities, to:**

- draw together the key components of corporate governance in relation to audit; promoting internal control, focusing audit resources and monitoring the management and performance of the providers of Internal Audit Services;
- consider the Annual Report and Opinion from Internal Audit, and a summary of internal audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements;
- consider summaries of specific internal audit reports focusing on those areas that receive 'limited assurance';
- consider a report from Internal Audit on the implementation status of agreed recommendations;
- consider the External Auditor's Annual Letter, relevant reports, plans, and report to those charged with governance;
- consider specific reports as agreed with the External Auditor;
- comment on the scope and depth of External Audit work and to ensure it gives value for money;
- liaise with the Audit Commission over the appointment of the Council's External Auditor; and

- approve the annual work programmes for Internal and External Audit and, in exceptional cases, to have the ability to commission work directly from audit providers.

**(b) In relation to the Council's regulatory framework, to:**

- ensure the effective development and operation of corporate governance within the Council and to maintain the Council's Constitution : the Standards Committee to be consulted on the review of any codes and protocols that relate to the ethical framework;
- review issues referred to it by the Chief Executive, Director, Corporate Head or any Council body;
- approve the corporate risk management framework in accordance with the Risk Management Strategy and Policy Statement; and monitor the effective development and operation of the risk management process: make any necessary changes to the process, including any recommendations for changes to the Strategy and Policy Statement;
- monitor Council policies on 'Whistle-blowing' and the Anti-fraud and Anti-corruption strategy;
- monitor progress on implementation of Internal Audit recommendations;
- oversee the production of the authority's Statement on Internal Control and to recommend its adoption to the Policy Committee / Council;
- consider the Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice; and
- consider the Council's compliance with its own and other published standards and controls.
- Monitor the use of the Regulation of Investigatory Powers Act 2000.

**(c) In relation to the Council's Financial Statements / Accounts, to:**

- review and approve the annual Statement of Accounts, including whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy Committee / Council
- consider the External Auditor's report to those charged with governance on issues arising from the audit of the accounts.

**(d) Under Part 4 (Parishes), Chapter 3 (Reorganisation) of the Local Government and Public Health Act 2007 (and any amending legislation):**

- to be responsible for conducting community governance reviews within the District.

## **AUDIT AND GOVERNANCE COMMITTEE**

23<sup>rd</sup> January 2018

**Present** – The Chairman (Councillor Harbron) and Councillors Barrett, Brockbank, Brown, Lis and Place. Greg Robinson (Independent Person) was also in attendance.

**Officers** – Chief Finance Officer, Solicitor to the Council, Audit Services Manager and Committee Officer.

Apologies for absence were received from Councillors Hull, Mercer and Whitaker.

Start: 6.33pm

Finish: 7.41pm

The minutes of the Committee's meeting held on 14<sup>th</sup> November 2017 were confirmed and signed by the Chairman.

### **Minutes for Report**

AC.305

#### **EXTERNAL AUDIT : AUDIT PROGRESS REPORT**

The External Auditors, Mazars LLP, submitted a report informing the Committee of progress made in delivering their responsibilities as the Council's external auditors and also drawing attention to emerging national issues and developments which may be of interest to Members.

In presenting the report Dan Spiller of Mazars highlighted the following points:

- The Council's 2016/17 Housing Benefits Subsidy Return had been certified without qualification, only minor amendment representing errors totalling less than £100 had been necessary on the total claim of £9,000,000. The fee for the certification work had amounted to £7,060.
- Planning work for the 2017-18 audit, which had to be completed by 31<sup>st</sup> July 2018, was now underway with a deadline for submission of the Council's accounts of 31<sup>st</sup> May 2018. Based on experience gained in 2017 there was no reason to believe that the audit would not be completed within the required timeframe. Public Sector Audit Appointments (PSAA) was consulting on the proposed scale of fees for the 2018-19 audits.
- A financial reporting workshop for officers involved in the production of the financial statements was being held in Leeds in February.
- Seminars on the new General Data Protection Regulations were being held on 31<sup>st</sup> January and 7<sup>th</sup> February 2018; the events were free of charge.

In referring to the PSAA's proposed scale of audit fees, the Chief Finance Officer advised Members that she had informed the PSAA that she considered this Council's proposed fee as being too high when compared to neighbouring authorities, and suggested a fee of between £29,000 and £34,000 would be more in line with her expectations. A response was awaited.

**Resolved** – That the External Auditor's progress report is noted.

AC.306

**CONTRACT PROCEDURE RULES - EXEMPTIONS**

Further to Minute AC.289/17-18, the Chief Finance Officer submitted a report presenting details of two exemptions granted from the Council's Contract Procedure Rules in the period July 2017 to November 2017.

The exemptions had involved expenditure in respect of additional costs associated with the demolition and construction of Skipton bus station toilets (£7,718.94) and the software used by the Revenues and Benefits Service (£3,250.00).

Note : The value of the exemption granted in respect of additional costs associated with the demolition and construction of Skipton bus station toilets had been mistakenly quoted in the above report as being £47,328.00, the value of the original contract.

**Resolved** – That the exemptions granted from the Council's Contract Procedure Rules are noted.

AC.307

**INTERNAL AUDIT**

a. Internal Audit Plan 2017-18 : Progress Report

Further to Minute AC.302(b)/17-18, the Audit Services Manager submitted a report updating the Committee on progress made against the 2017/18 Internal Audit Plan in the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> December 2017. As at 31<sup>st</sup> December, a total of 114 of the approved 250 audit days within the plan had been spent; five of the planned eighteen audits had yet to start.

The Audit Services Manager reported that she had been advised that significant changes were taking place within the Council's trade waste service, those changes would include the introduction of new processes and procedures. It was therefore suggested that the proposed audit of trade waste within the current plan be carried forward to 2018/19 to enable audit to assist by checking and testing the new processes.

Subject to agreement on the position in respect of trade waste, all audits, including those brought forward from 2016/17, would be completed in line with the agreed plan. During the course of the ensuing discussion a member enquired whether it would be possible to include treasury management within the 2018/19 Plan and, it was

**Resolved** – (1) That the content of the Audit Services Manager's progress report is noted.

(2) That the proposed audit of trade waste is carried forward to the 2018/19 Internal Audit Plan.

(3) That consideration is given to inclusion of treasury management within the 2018/19 Internal Audit Plan.

b. Internal Audit Reports

The Internal Audit Services Manager presented copies of the audit reports listed below, which had been commissioned as part of the 2016/17 and 2017/18 Internal Audit Plans.

- Procurement Cards : Level of Assurance : Significant
- Money Laundering : Level of Assurance : Good
- Customer Complaints : Level of Assurance : Significant
- Information Governance : Level of Assurance : Good

The Audit Services Manager pointed out that if Council adopted the updated Anti-Money Laundering Policy (Minute AC. 308 below refers) the level of assurance attached to the audit in respect of money laundering could be adjusted to “significant”, and that much credit for the outcome of the audits in respect of customer complaints and information governance was due to the work of the Information Governance Officer. In commenting on the Information Governance Audit, the Independent Person expressed the view that the Committee may have been interested to see within the report detail of, for example, how the risks were identified, mitigation of those risks and validation of those controls. In response the Audit Services Manager indicated that if Members wished she could look to provide the detail suggested at the Committee’s next meeting.

**Resolved** – (1) That the reports of the Internal Auditor now presented are received, and that implementation of recommendations therein are monitored through the arrangements approved at Minute AC.138(a)/12-13.

(2) That the Audit Services Manager presents the detail behind the Information Governance Audit to this Committee’s next meeting.

### **Minutes for Decision**

AC.308

#### **ANTI-MONEY LAUNDERING POLICY**

The Chief Finance Officer submitted a report seeking adoption of an updated Anti-Money Laundering Policy.

The Chief Officer explained that a piece of work undertaken by Internal Audit in reviewing the Council’s arrangements for prevention of fraud had highlighted the need for the Council to update its Anti-Money Laundering Policy adopted in April 2010 ( Minute AC.65/09-10 ). In addition, regulations surrounding money laundering had changed in 2017 and the Council through best practice was required to have regard to those changes.

Copies of the updated Policy had been circulated with the Chief Finance Officer’s report.

**RECOMMENDED** – That the updated Anti-Money Laundering Policy, as now submitted is approved.

AC.309

#### **WHISTLEBLOWING POLICY**

The Solicitor to the Council submitted a report presenting and seeking approval of a revised Whistleblowing Policy. Members were reminded that the Council’s Whistleblowing Policy was last updated in 2013

In conducting a review of that Policy during the course of 2017, the Standards Committee had sought and obtained input from the Council’s Corporate Leadership Team, Senior Leadership Team, Human Resources and union workplace representatives.

At Minute STN.333/17-18 the Standards Committee had recommended adoption of the revised Policy now presented.

**RECOMMENDED** – That the revised Whistleblowing Policy, as now submitted, is adopted.

Chairman.

# CRAVEN DISTRICT COUNCIL

## AUDIT AND GOVERNANCE COMMITTEE

### Action Check Sheet for Meeting held on 23<sup>rd</sup> January 2018

**For the attention of:- Nicola Chick, Annette Moppett, Kim Betts, Rebecca Steel, Chairman and all Committee Members. Paul Shevlin and Greg Robinson for information.**

<u>Minute No</u>	<u>Decision</u>	<u>Officer</u>
AC.307(a)	<b>Internal Audit Plan 2017-18 : Progress Report</b>  - Content of the progress report noted.  - Proposed audit of trade waste carried forward to the 2018/19 Internal Audit Plan.  - Consideration to be given to inclusion of treasury management within the 2018/19 Internal Audit Plan. Note in requesting the inclusion of treasury management Councillor Brown asked whether the ethical side of the Council's investments was audited. ( copy of current strategy forwarded Councillor Brown - CW)	Kim Betts  Kim Betts  N Chick / K Betts
AC.307(b)	<b>Internal Audit Reports</b>  - Reports received, add recommendations therein to the monitoring database.  Information Governance Audit  - present the detail behind the Information Governance Audit to the Committee's next meeting (13 March) eg. how the risks were identified, mitigation of those risks and tests carried out to validate those controls.  - indicated would check whether the frequency of systems being down resulting in the inability to access information is picked up within the audit of business continuity?  Procurement Cards Audit – take up the point raised by Councillor Brockbank with managers re management response to recommendations 3 and 4 and need to consider action other than repeating contact and re-issuing reminders.	R Steel   K Betts  K Betts  N Chick
	<b>Decisions for Confirmation by Council</b>	
AC.308	<b>Anti-Money Laundering Policy</b>  <b>Recommendation</b> : That the updated Anti-Money Laundering Policy is approved as now submitted.	N Chick
Ac.309	<b>Whistleblowing Policy</b>  <b>Recommendation</b> : That the revised Whistleblowing Policy, as now submitted, is adopted	A Moppett



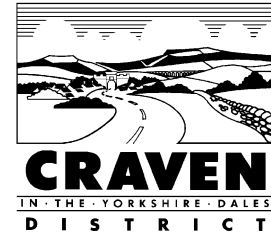
**No action arising / report and content noted.**

External Audit : Progress Report.

Contract Procedure Rules : Exemptions.

## **Audit & Governance Committee**

**13<sup>th</sup> March 2018**



## **Information Governance Audit**

### **Report of the Audit Services Manager**

1. **Purpose of the Report** – To provide a report on the work undertaken as part of the recent Information Governance audit.

2. **Background**

2.1 At the Audit & Governance Committee on 23<sup>rd</sup> January 2018 Members requested additional details as to how the audit was conducted, what risks and controls were considered and what we found. This briefing note explains in greater detail all of these aspects.

3.0 **Information Governance Risks and Controls**

3.1 The audit considered 2 Key Control Objectives, namely that:

- Adequate Policies and Procedures are in place to govern Information Management
- Suitable arrangements are in place to monitor and investigate information governance requirements including data breaches.

These formed the scope of the audit and were agreed with the Information Governance Manager.

3.2 The following risks were identified from reviewing guidance and reports provided by the Information Commissioners Office; the Institute of Internal Auditors website as well as CIPFA; an NHS report on Information Governance plus other Information Governance audit reports that have been formally published on other Council webpages:

- No strategic direction to manage Information Governance as no policy or strategy exists
- Information Governance issues are not reported or identified
- Concerns regarding information management are not investigated on a timely basis.
- Information Governance issues are not monitored for trends or threats
- Physical and electronic information is not secure and is therefore at risk of challenge by the Information Commissioners Office.

3.3 The auditor expected the following controls to be in place to mitigate the above risks:

- An Information Governance Policy & strategy exists
- An Information Governance Board exists and is responsible for co-ordinating Information Governance across the Council

- A process exists to ensure changes in the law are actioned quickly
- Regular training and awareness sessions are provided to employees with regards to the importance of Information Governance
- A mechanism exists for employees to report Information Governance issues
- Proactive work is undertaken to raise awareness to staff on the importance of keeping information secure
- ICT monitors data transmission of large data files
- A nominated Officer is responsible for investigating data breaches
- A timeframe has been established to respond to Information Security incidents
- Process exists to report serious Information Governance breaches to the Information Commissioners Office.
- Arrangements are in place to report data breaches to Management
- Locations are known where information is stored and the Council is aware of what is being stored in each location.
- Access to external storage sites is suitably restricted.

#### **4.0 Testing**

- 4.1 Breaking down the testing into the 2 Key Control Objectives noted within paragraph 3.1, audit tests were undertaken and the following findings were made.

##### **Adequate Policies and Procedures are in place to govern Information Management**

1. The council has an Information Governance Policy & Strategy that was last updated in 2016 and covers the period 2016 – 2108. The auditor reviewed this Strategy and is satisfied that it adequately sets out how the Council will effectively manage its Information and data.
2. Within this Strategy is the Information Risk Register. Testing of this confirmed there is evidence to confirm that this is regularly monitored and updated by the Information Governance Manager. Additional testing also confirmed that this Risk Register is reported to the Corporate Information Governance Group (CIGG) and to the Council's Performance Officer.
3. A Delivery Plan is also contained within the Strategy. This sets out key duties and measures with target dates for completion. Testing confirmed this Plan is a standing item at the quarterly meetings of the Information Governance Group and as such is regularly challenged.
4. Terms of Reference for the CIGG have been agreed and membership of the Group consists of:
  - Director of Services (Chair)
  - Head of ICT & transformation (SIRO/Deputy Chair)
  - Solicitor to the Council
  - HR Manager
  - VFM & Improvement manager
  - Facilities Manager
  - Head of Environmental Health & Housing
  - Development Control Manager

- Business Support Services Manager
- Communication & Partnership Manager
- Information Governance Manager
- Officers invited on an ad hoc basis

The above membership includes Managers who control the retention of significant volumes of personal and sensitive data.

5. Testing confirmed that Board meetings are not formally minuted but that action points are formally raised for which a nominated responsible officer is noted. Subsequent to the audit, the meeting of the Group on 12 February was formally minuted and this will now occur at all future meetings.
6. The Information Governance Manager is a member of many local and National Groups who influence national policy. Evidence confirms he regularly attends training course and seminars on Information Governance in order to keep up to date and that any changes to legislation are brought before the Group for discussion as are outcomes from the training sessions.
7. Testing was undertaken to ensure the Council complies with the need to complete Privacy Impact Assessment (PIA) that consider the retention arrangements for personal and sensitive data within systems. The Code of Practice on PIA's from the ICO was read by the auditor and testing confirmed compliance towards this Code by the Council with 2 of its newest systems (Planning & Homelessness) having been subjected to a PIA.
8. Evidence was located which confirmed that all new starters receive training on how to manage information and data. A training course has been developed by the Information Governance Manager, which ensures that training given is structured and consistently applied. Furthermore testing confirmed the Council utilises an online e-learning package specifically for Information Governance that has been successfully rolled out to staff. In addition, a leaflet on Information Governance is distributed with payslips once a year that explain how to protect data and information and what to do when something has gone wrong. Finally Core brief also includes a dedicated section in which the Deputy chair of the CIGG reports any current issues or changes to legislation.
9. As a result of all of the evidence noted above the auditor concluded that the key control objective had been met.

#### **4.2 Suitable arrangements are in place to monitor and investigate information governance requirements including data breaches**

1. The audit confirmed that procedures are in place to explain how to report an information security incident (data breach) together with a form that requires completion. The form is very descriptive and has been designed to capture all of the relevant facts that the CIGG needs to consider before making a decision as to whether to notify the ICO or not.
2. A Security Log is also maintained, which shows the notification date, type of incident, nature of the breach, who has been affected by the breach, whether they have been notified or not, what remedial action has been taken, whether the ICO has been notified with reasons also provided where the decision has

been taken not to notify. Testing confirmed this form is sent to all relevant members of the CIGG for decision making.

3. The Auditor interviewed 5 members of staff and testing confirmed that all 5 were fully aware of the procedure in place to report data breaches.
4. Additional testing confirmed that the council has relevant Data Sharing Agreements in place with organisations such as DWP. A secure email (GCSX) is also used, this being recognised by the Government as a safe way to transfer encrypted data.
5. Testing confirmed that all security breaches are reported to the Information Governance Manager in the first instance as he is the most knowledgeable person to decide who will investigate further. The auditor considered this to be good practice.
6. Testing confirmed that 6 security breaches had been reported between January 2016 and November 2017. These related mainly to human error or disclosure of information and evidence confirmed they had all been discussed at CIGG. Of the 6 investigations undertaken, the longest investigation took 5 days whilst the average time taken was 2 days. None were considered serious enough to be reported to the ICO and, on reading through the evidence supplied; the auditor stated that in their opinion this non-disclosure was the correct course of action.
7. The Auditor confirmed that the current off-site storage arrangements may not fully comply with the 7<sup>th</sup> Data Protection Principle on Security. Whilst the basic requirements are satisfied additional security measures should be put in place to ensure full compliance. This has already been identified within the service as an issue and as a result the council currently has an archiving project in place, which is reviewing all off-site storage. One solution may be the need for digitisation, which has already been reported to the Audit & Governance Committee.
8. The Auditor considered the Council's plans in terms of the new General Data Protection Rules that come into effect from 25<sup>th</sup> May 2018. The auditor was satisfied that appropriate plans are in place to achieve compliance by this deadline but that at the time of the audit certain checks had to be put in place such as ensuring all privacy notices are up to date and that all Impact Assessments had been undertaken.
9. Overall the auditor considered that the control was partially met and that the Council should make additional considerations with regards to compliance with the new GDPR.

## **5.0 Overall Conclusion**

Based on the testing of the controls and the findings made, the Auditor assessed the overall control environment to be good.

## **6.0. Author of the Report – Kim Betts, Audit Services Manager**

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# Audit Strategy Memorandum

Craven District Council

Year ending 31 March 2018





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8. Materiality and misstatements

Appendix A – Key communication points

Appendix B - Forthcoming accounting and other issues

This document is to be regarded as confidential to Craven District Council. It has been prepared for the sole use of the Audit and Governance Committee as the appropriate sub-committee charged with governance by the Council. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.



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

27 February 2018

Dear Members

**Audit Strategy Memorandum – Year ending 31 March 2018**

We are pleased to present our Audit Strategy Memorandum for Craven District Council for the year ending 31 March 2018.

The purpose of this document is to summarise our audit approach, highlight significant audit risks and areas of key judgements and provide you with the details of our audit team. As it is a fundamental requirement that an auditor is, and is seen to be, independent of its clients, Section 7 of this document also summarises our considerations and conclusions on our independence.

We consider two-way communication with you to be key to a successful audit and important in:

- reaching a mutual understanding of the scope of the audit and the responsibilities of each of us;
- sharing information to assist each of us to fulfil our respective responsibilities;
- providing you with constructive observations arising from the audit process; and
- ensuring that we, as external auditors, gain an understanding of your attitude and views in respect of the internal and external operational, financial, compliance and other risks facing the Council which may affect the audit, including the likelihood of those risks materialising and how they are monitored and managed.

This document, which has been prepared following our initial planning discussions with management, is the basis for discussion of our audit approach, and any questions or input you may have on our approach or role as auditor.

This document also contains specific appendices that outline our key communications with you during the course of the audit, and forthcoming accounting issues and other issues that may be of interest.

Client service is extremely important to us and we strive to continuously provide technical excellence with the highest level of service quality, together with continuous improvement to exceed your expectations so, if you have any concerns or comments about this document or audit approach, please contact me on 0113 387 8850.

Yours faithfully



Mark Kirkham  
Mazars LLP



# 1. ENGAGEMENT AND RESPONSIBILITIES SUMMARY

## Overview of engagement

We are appointed to perform the external audit of Craven District Council (the Council) for the year to 31 March 2018. The scope of our engagement is set out in the Statement of Responsibilities of Auditors and Audited Bodies, issued by Public Sector Audit Appointments Ltd (PSAA) available from the PSAA website: [www.psaa.co.uk/audit-quality/terms-of-appointment/](http://www.psaa.co.uk/audit-quality/terms-of-appointment/)

## Our responsibilities

Our responsibilities are principally derived from the Local Audit and Accountability Act 2014 (the 2014 Act) and the Code of Audit Practice issued by the National Audit Office (NAO), as outlined below.

### Audit opinion

We are responsible for forming and expressing an opinion on the financial statements.

Our audit is planned and performed so to provide reasonable assurance that the financial statements are free from material error and give a true and fair view of the financial performance and position of the Council for the year.

### Reporting to the NAO

We report to the NAO on the consistency of the Council's financial statements with its Whole of Government Accounts (WGA) submission. We expect that Craven District Council will once again be below the thresholds required for this reporting to the NAO.

### Value for Money

We are required to conclude whether the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources. We discuss our approach to Value for Money work further in section 5 of this report.

### Electors' rights

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 consider any objection made to the accounts. We also have a broad range of reporting responsibilities and powers that are unique to the audit of local authorities in the United Kingdom.

Our audit does not relieve management or the Audit and Governance Committee, as those charged with governance, of their responsibilities. The responsibility for safeguarding assets and for the prevention and detection of fraud, error and non-compliance with law or regulations rests with both those charged with governance and management. In accordance with International Standards on Auditing (UK), we plan and perform our audit so as to obtain reasonable assurance that the financial statements taken as a whole are free from material misstatement, whether caused by fraud or error. Our audit, however, should not be relied upon to identify all such misstatements.

As part of our audit procedures in relation to fraud we are required to enquire of those charged with governance as to their knowledge of instances of fraud, the risk of fraud and their views on management controls that mitigate the fraud risks.

The Council is required to prepare its financial statements on a going concern basis by the Code of Practice on Local Authority Accounting. As auditors, we are required to consider the appropriateness of the use of the going concern assumption in the preparation of the financial statements and the adequacy of disclosures made.

## 2. YOUR AUDIT ENGAGEMENT TEAM



- Mark Kirkham, Partner
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- 07881 284 012

### 3. AUDIT SCOPE, APPROACH AND TIMELINE

#### Audit scope

Our audit approach is designed to provide an audit that complies with all professional requirements.

Our audit of the financial statements will be conducted in accordance with International Standards on Auditing (UK), relevant ethical and professional standards, our own audit approach and in accordance with the terms of our engagement. Our work is focused on those aspects of your business which we consider to have a higher risk of material misstatement, such as those affected by management judgement and estimation, application of new accounting standards, changes of accounting policy, changes to operations or areas which have been found to contain material errors in the past.

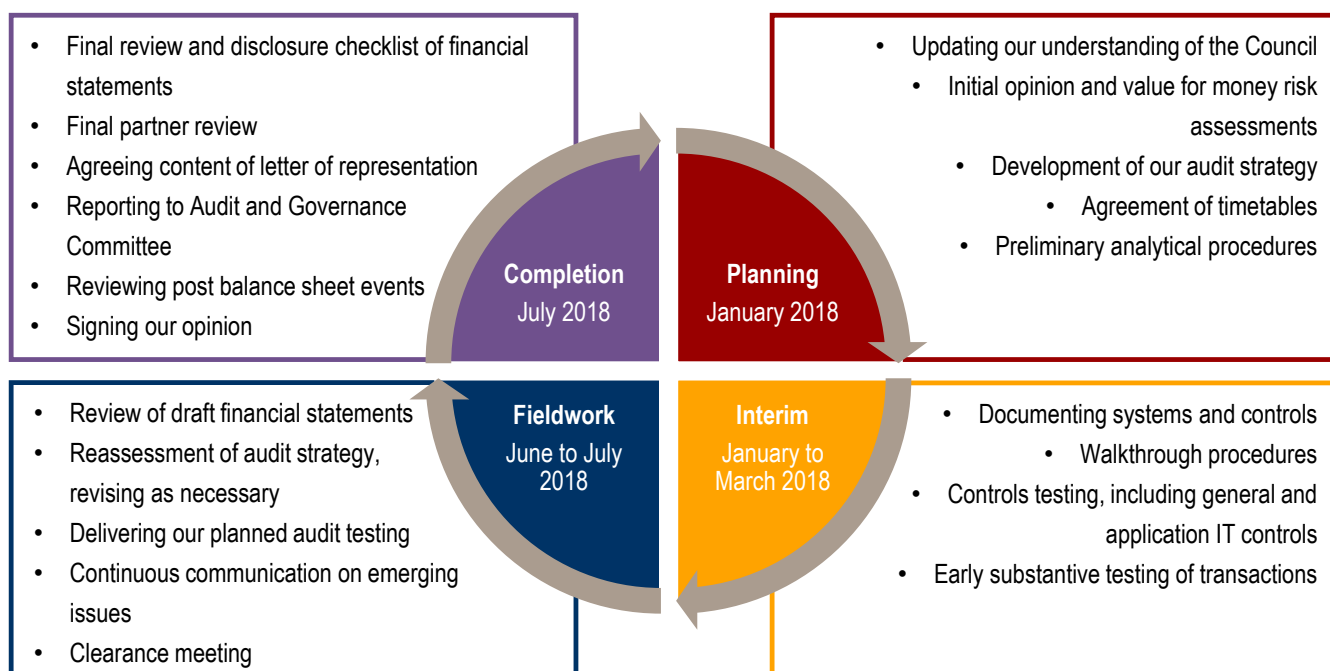
#### Audit approach

Our approach is risk-based and primarily driven by the factors we consider lead to a higher risk of material misstatement. Once we have completed our risk assessment, we develop our audit strategy and design audit procedures in response to this assessment.

If we conclude that appropriately designed controls are in place then we may plan to test and rely upon these controls. If we decide controls are not appropriately designed, or we decide it would be more efficient to do so, we may take a wholly substantive approach to our audit testing. Substantive procedures are audit procedures designed to detect material misstatements at the assertion level and comprise tests of details (of classes of transactions, account balances, and disclosures) and substantive analytical procedures. Irrespective of the assessed risks of material misstatement, which take into account our evaluation of the operating effectiveness of controls, we are required to design and perform substantive procedures for each material class of transactions, account balance, and disclosure.

Our audit will be planned and performed so as to provide reasonable assurance that the financial statements are free from material misstatement and give a true and fair view. The concept of materiality, and how we define a misstatement, is explained in more detail in section 8.

The diagram below outlines the procedures we perform at the different stages of the audit.



### 3. AUDIT SCOPE, APPROACH AND TIMELINE (CONTINUED)

**Reliance on internal audit**

Where possible we will seek to utilise the work performed by internal audit to modify the nature, extent and timing of our audit procedures. We will meet with internal audit to discuss the progress and findings of their work prior to the commencement of our controls evaluation procedures.

We do not intend to rely on the work on internal audit.

**Management’s and our experts**

Management makes use of experts in specific areas when preparing the Council's financial statements. We also use experts to assist us to obtain sufficient appropriate audit evidence on specific items of account.

Items of account	Management’s expert	Our expert
Defined benefit liability	Actuary (Aon Hewitt).	NAO’s consulting actuary (PWC).
Property, plant and equipment	Internal valuer from the Council.	NAO’s consulting valuer (Gerald Eve).
Financial instrument disclosures	Link Asset Services.	NAO.

**Reporting deadlines**

As we have previously discussed with the Audit and Governance Committee, the statutory timetable for the production and audit of the Council's financial statements changes for 2017/18. The Council is now required to produce accounts by 31 May 2018 (1 month earlier) and to publish audited accounts by 31 July 2018 (2 months earlier). The Council successfully reduced the amount of time it needed to meet the earlier timetable in 2016/17 and the majority of the audit work was also completed by the end of July 2017.

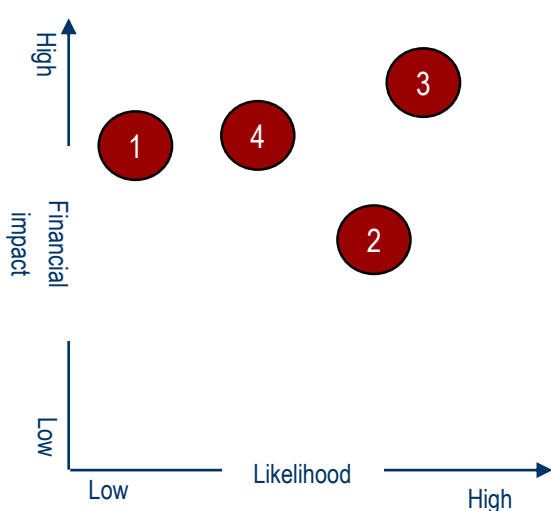


## 4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS

Following the risk assessment approach discussed in section 3 of this document, we have identified relevant risks to the audit of financial statements. The risks that we identify are categorised as significant, enhanced or standard, as defined below:

- Significant risk** A significant risk is an identified and assessed risk of material misstatement that, in the auditor's judgment, requires special audit consideration. For any significant risk, the auditor shall obtain an understanding of the entity's controls, including control activities relevant to that risk.
- Enhanced risk** An enhanced risk is an area of higher assessed risk of material misstatement ('RMM') at audit assertion level other than a significant risk. Enhanced risks incorporate but may not be limited to:
- key areas of management judgement, including accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement; and
  - other audit assertion risks arising from significant events or transactions that occurred during the period.
- Standard risk** This is related to relatively routine, non-complex transactions that tend to be subject to systematic processing and require little management judgement. Although it is considered that there is a risk of material misstatement (RMM), there are no elevated or special factors related to the nature, the likely magnitude of the potential misstatements or the likelihood of the risk occurring.

The summary risk assessment, illustrated in the audit risk continuum below, highlights those risks which we deem to be significant and other enhanced risks. We have summarised our audit response to these risks on the next page.



Risk	
1	Management override of control
2	Revenue recognition
3	Property, plant and equipment revaluation
4	Defined benefit liability valuation

## 4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

We explain the identified risks and our testing approach in the table below. An audit is a dynamic process and if we change our view of risk or our approach to address the identified risks during the course of our audit we will report this to the Audit and Governance Committee.

### Significant risks

	Description of risk	Planned response
1	<b>Management override of controls</b>  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.	We plan to address the management override of controls risk through performing audit work over accounting estimates, journal entries and significant transactions outside the normal course of business or otherwise unusual.
2	<b>Revenue recognition – fees and charges</b>  In accordance with ISA 240 we presume there is a risk of fraud in respect of the recognition of revenue because of the potential for inappropriate recording of transactions in the wrong period. ISA 240 allows the presumption to be rebutted, and we have done this in relation to the Council's most significant sources of income, taxation and grant income.  However, we do not feel that sufficient scope exists within the recognition of fees and charges to conclude that there are grounds for rebuttal in that particular income stream. This does not imply that we suspect actual or intended manipulation but that we continue to deliver our audit work with appropriate professional scepticism.	We will evaluate the design and implementation of controls to mitigate the risk of income being recognised in the wrong period. In addition, we will undertake a range of substantive procedures including testing receipts in March, April and May 2018 to ensure that income has been recognised in the right year, testing material year end receivables, testing adjustment journals and obtaining direct confirmation of year-end bank balances and testing the reconciliations to the ledger. In respect of fees and charges, we will use higher sample sizes reflecting the significant risk in this area.
3	<b>Property, plant and equipment valuations</b>  The financial statements contain material entries on the Balance Sheet as well as material disclosure notes in relation to the Council's holding of PPE.  Although the Council employs a valuation expert to provide information on valuations, there remains a high degree of estimation uncertainty associated with the revaluation of PPE due to the significant judgements and number of variables involved in providing revaluations. We have therefore identified the revaluation of PPE to be an area of risk. This is also the first full year of valuations to be provided by the in-house valuation service.	We will consider the Council's arrangements for ensuring that PPE values are reasonable and will engage our own expert to provide data to enable us to assess the reasonableness of the valuations provided by the Council's valuer. We will also assess the competence, skills and experience of the valuer.  Where necessary we will also perform further audit procedures on individual assets to ensure that the basis and level of revaluation is appropriate.
4	<b>Defined benefit liability valuation</b>  The financial statements contain material pension entries in respect of the retirement benefits. The calculation of these pension figures, both assets and liabilities, can be subject to significant volatility and includes estimates based upon a complex interaction of actuarial assumptions. This results in an increased risk of material misstatement.	We will discuss with officers any significant changes to the pension estimates. In addition to our standard programme of work in this area, we will evaluate the management controls you have in place to assess the reasonableness of the figures provided by the Actuary and consider the reasonableness of the Actuary's output, referring to an expert's report on all actuaries nationally which is commissioned annually by PSAA Ltd.

# 4. SIGNIFICANT RISKS AND KEY JUDGEMENT AREAS (CONTINUED)

## Key areas of management judgement

Key areas of management judgement include accounting estimates which are material but are not considered to give rise to a significant risk of material misstatement. These areas of management judgement represent other areas of audit emphasis.

	Area of management judgement	Planned response
1	<b>Business Rates Appeals</b>  The Council is dependent on the Valuation Office Agency (VOA) for information regarding appeals against Business Rates bills. Council staff are required to use their judgement in order to create a reasonable basis for the provision, given the level of appeals and other relevant information.	We will review the basis for the judgements used in creating the provision and assess the reasonableness of any estimates.
2	<b>Depreciation</b>  The annual depreciation charged against the Property, Plant and Equipment involves an estimation of both the valuation of the asset and the remaining useful economic life of the asset. The valuations risk was identified as a significant risk in the previous section. The residual risk around the remaining useful economic lives of assets is a key area of judgment, but does not amount to a significant risk to the audit.	<p>In our previous audits we have highlighted that the Council must undertake an assessment of the useful economic life of assets that are revalued, this will allow for more accurate and relevant judgements to be made when creating an estimation of the deprecation charge in the year.</p> <p>We will review the asset lives used and perform substantive procedures to establish if the estimates are reasonable.</p>
3	<b>Accruals</b>  A key accounting concept determines that expenditure and income should be accounted for in the period to which they relate, therefore management should assess transactions and apply judgement to ensure that they are translated into the appropriate accounting period.	We will review a sample of balance sheet entries relating to Income and Expenditure and also review the process used by management to create these entries.

# 5. VALUE FOR MONEY WORK

## Our approach to value for money work

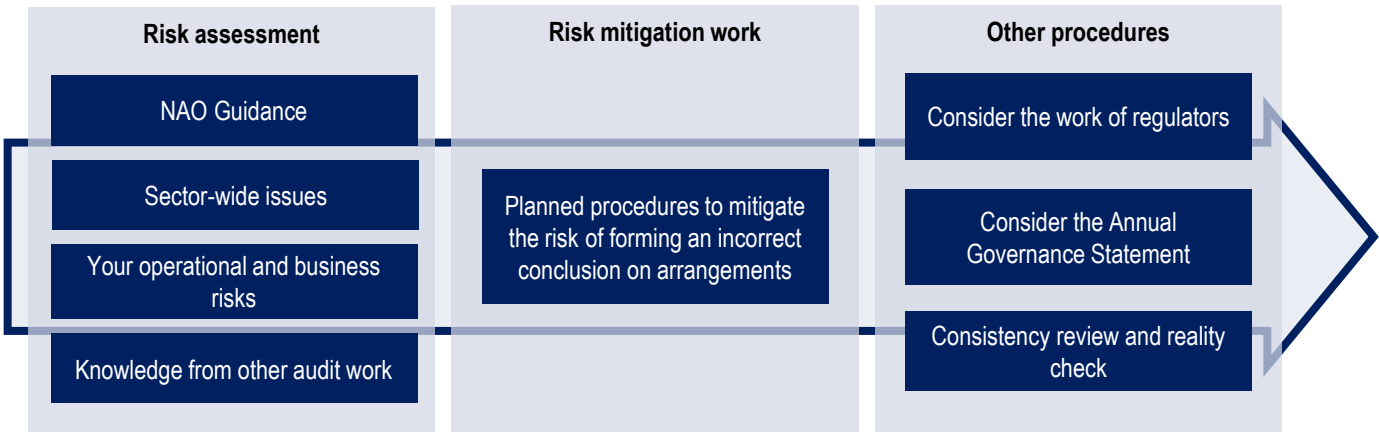
We are required to form a conclusion as to whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The NAO issues guidance to auditors that underpins the work we are required to carry out, and sets out the criterion and sub-criteria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

The overall criterion is that, ‘in all significant respects, the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.’

To assist auditors in reaching a conclusion on this overall criterion, the following sub-criteria are provided set out by the NAO:

- informed decision making;
- sustainable resource deployment; and
- working with partners and other third parties.

A summary of the work we undertake is provided below.



## Significant value for money audit risk

The NAO’s guidance requires us to carry out work at the planning stage to identify whether or not a Value for Money (VFM) risk exists. Risk, in the context of our VFM work, is the risk that we come to an incorrect conclusion rather than the risk of the arrangements in place at the Council being inadequate. As outlined above, we draw on our deep understanding of the Council and its partners, the local and national economy and wider knowledge of the public sector.

For the 2017/18 financial year, we have identified the following significant risk to our VFM work.

Description of significant audit risk	Planned response
<p>Our audit work in previous years has concluded that the Council has arrangements in place for medium term financial planning. The Council, however, continues to face financial pressure in the coming years and the Council has recently updated its Medium Term Financial Strategy (MTFS).</p> <p>We need to ensure our knowledge of the Council’s MTFS arrangements and its monitoring of the planned delivery of savings, remains up to date in order to ensure we give the correct VFM conclusion.</p>	<p>Building on our work in previous years, we will review the Council’s updated 2018 MTFS to ensure it reflects the latest funding position and review and update our knowledge of the arrangements the Council has in place to monitor progress against its savings plans and income projections that underpin the MTFS.</p>



## 6. FEES FOR AUDIT AND OTHER SERVICES

### Fees for work as the Council's appointed auditor

At this stage of the audit we are not planning any divergence from the scale fees set by PSAA as communicated in our fee letter of 24 April 2017, and updated in our Audit Progress Report in January 2018.

Service	2016/17 fee	2017/18 fee
Code audit work	£45,819	£45,819
Housing benefit subsidy certification	£9,503	£7,060

*All fees exclude VAT*

### Fees for non-PSAA work

In addition to the fees outlined above in relation to our appointment by PSAA, we have been separately engaged by the Council to carry out additional work as set out in the table below. Before agreeing to undertake any additional work we consider whether there are any actual, potential or perceived threats to our independence. Further information about our responsibilities in relation to independence is provided in section 7.

Service	2016/17 fee	2017/18 fee
VAT work	£0	£9,000

*All fees exclude VAT*

## 7. OUR COMMITMENT TO INDEPENDENCE

We are committed to independence and are required by the Financial Reporting Council to confirm to you at least annually, in writing, that we comply with the Financial Reporting Council's Ethical Standard. In addition, we communicate any matters or relationship which we believe may have a bearing on our independence or the objectivity of the audit team.

Based on the information provided by you and our own internal procedures to safeguard our independence as auditors, we confirm that in our professional judgement there are no relationships between us and any of our related or subsidiary entities, and you and your related entities creating any unacceptable threats to our independence within the regulatory or professional requirements governing us as your auditors.

We have policies and procedures in place which are designed to ensure that we carry out our work with integrity, objectivity and independence. These policies include:

- all partners and staff are required to complete an annual independence declaration;
- all new partners and staff are required to complete an independence confirmation and also complete computer-based ethical training;
- rotation policies covering audit engagement partners and other key members of the audit team;
- use by managers and partners of our client and engagement acceptance system which requires all non-audit services to be approved in advance by the audit engagement partner.

We confirm, as at the date of this document, that the engagement team and others in the firm as appropriate, and Mazars LLP are independent and comply with relevant ethical requirements. However, if at any time you have concerns or questions about our integrity, objectivity or independence please discuss these with Mark Kirkham in the first instance.

Prior to the provision of any non-audit services Mark Kirkham will undertake appropriate procedures to consider and fully assess the impact that providing the service may have on our auditor independence.

In relation to non-audit work on VAT, recorded as £9,000 in section 7, we considered ethical standards in relation to our firm's ability to carry out this work without compromising auditor independence. This work comprises:

- £2,000 for Mazars VAT Helpline service;
- £4,500 for a Partial Exemption Review for 2016/17 and VAT Implications of Crematoria Capital Expenditure; and
- Up to £2,500 (subject to time taken) of support for the Council in discussions with HM Customs & Excise over Partial Exemption Calculations.

In relation to these reviews, auditor independence is maintained by this work being undertaken by a separate Indirect Tax Team (Partner / Manager), separate from the audit team and as a separate engagement from the audit.

In addition, we considered the latter piece of work against specific guidance in NAO AGN01, General Guidance Supporting Local Audit Issued on 21 December 2017. This is because supporting the Council in discussions with HM Customs & Excise is a service that can only be provided by the firm if certain conditions are met.

Our assessment against these conditions is set out below.

- they [ie. the VAT services] have no direct or, in the case of an objective, reasonable and informed third party, would have an inconsequential effect, separately or in the aggregate on the audited financial statements, or on the audited body's arrangements to secure value for money;

Materiality on the audit is £483k. The potential impact on the year is a £50k loss for the Council if the Partial Exemption case goes against it, which although of concern to the Council and a position it is seeking to avoid, is inconsequential in terms of the impact on the financial statements or our VFM conclusion. Also, the work of our VAT team is just to analyse the Council's case based on the objective facts. In the context of the VFM conclusion, in addition to the limited potential financial impact on recoverable VAT, any issues arising would not necessarily amount to a failure in the Council's proper arrangements to secure economy, efficiency and effectiveness. VAT issues often reflect income streams and judgements around the partial exemption calculation. These areas do not present a significant risk to the VFM conclusion.



## 7. OUR COMMITMENT TO INDEPENDENCE (CONTINUED)

- the estimation of the effect on the audited financial statements, or on the audited body's arrangements to secure value for money, is comprehensively documented and explained to those charged with governance;

Materiality on the audit is £483k. The potential impact on the year is a £50k loss for the Council if the Partial Exemption case goes against it, which although of concern to the Council and a position it is seeking to avoid, is inconsequential in terms of the impact on the financial statements or our VFM conclusion. The work of our VAT team is just to analyse the Council's case based on the objective facts. In the context of the VFM conclusion, in addition to the limited potential financial impact on recoverable VAT, any issues arising would not necessarily amount to a failure in the Council's proper arrangements to secure economy, efficiency and effectiveness. VAT issues often reflect what income streams happen to be and judgements around the partial exemption calculation. These areas do not present a significant risk to the VFM conclusion.

This is the purpose of this disclosure – ie. we are explaining the position to those charged with governance in this report.

- the principles of independence laid down in section 1 of the FRC's ethical standard are complied with;

The VAT work is being carried out by a separate VAT Partner and Manager, independent of the audit team.

- for the purposes of giving an opinion on the financial statements and/or, where appropriate, reaching a conclusion on arrangements to secure value for money, the auditor would not place significant reliance on the work performed in carrying out these services.

Materiality on the audit is £483k. The potential impact on the year is a £50k loss for the Council which is inconsequential in terms of the impact on the financial statement or our VFM conclusion as explained above. The work of our VAT team is just to analyse the Council's case based on the objective facts. Given the levels involved, even if HM Customs and Excise were to go back and recover for previous years (extreme worst case £200k) this is still not something we would rely on for the financial statements work or VFM conclusion. In the context of the VFM conclusion, in addition to the limited potential financial impact on recoverable VAT, any issues arising would not necessarily amount to a failure in the Council's proper arrangements to secure economy, efficiency and effectiveness. VAT issues often reflect what income streams happen to be and judgements around the partial exemption calculation. These areas do not present a significant risk to the VFM conclusion.

## 8. MATERIALITY AND MISSTATEMENTS

### Definitions

Materiality is an expression of the relative significance or importance of a particular matter in the context of financial statements as a whole. Misstatements in financial statements are considered to be material if they, individually or in aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

### Summary of initial materiality thresholds

Threshold	Initial threshold (£)
Overall materiality	£484,000
Specific materiality	
• Members allowances	• £15,000
• Senior manager remuneration	• £15,000
• Exit packages	• £15,000
Trivial threshold for errors to be reported to the Audit and Governance Committee	£15,000

### Materiality

Judgements on materiality are made in light of surrounding circumstances and are affected by the size and nature of a misstatement, or a combination of both. Judgements about materiality are based on consideration of the common financial information needs of users as a group and not on specific individual users.

The assessment of what is material is a matter of professional judgement and is affected by our perception of the financial information needs of the users of the financial statements. In making our assessment we assume that users:

- have a reasonable knowledge of business, economic activities and accounts;
- have a willingness to study the information in the financial statements with reasonable diligence;
- understand that financial statements are prepared, presented and audited to levels of materiality;
- recognise the uncertainties inherent in the measurement of amounts based on the use of estimates, judgement and the consideration of future events; and
- will make reasonable economic decisions on the basis of the information in the financial statements.

We consider materiality whilst planning and performing our audit based on quantitative and qualitative factors.

Whilst planning, we make judgements about the size of misstatements which we consider to be material and which provides a basis for determining the nature, timing and extent of risk assessment procedures, identifying and assessing the risk of material misstatement and determining the nature, timing and extent of further audit procedures.

The materiality determined at the planning stage does not necessarily establish an amount below which uncorrected misstatements, either individually or in aggregate, will be considered as immaterial.

We revise materiality for the financial statements as our audit progresses should we become aware of information that would have caused us to determine a different amount had we been aware of that information at the planning stage.

Our provisional materiality is set based on a benchmark of gross revenue expenditure. We will identify a figure for materiality but identify separate levels for procedures design to detect individual errors, and also a level above which all identified errors will be reported to the Audit and Governance Committee.

# 8. MATERIALITY AND MISSTATEMENTS (CONTINUED)

We consider that gross revenue expenditure remains the key focus of users of the financial statements and, as such, we base our materiality levels around this benchmark.

We expect to set a materiality threshold at 2% of gross revenue expenditure.

Based on last year's audited accounts we anticipate the overall materiality for the year ending 31 March 2018 to be in the region of £484k (£474k in the prior year).

After setting initial materiality, we continue to monitor materiality throughout the audit to ensure that it is set at an appropriate level.

### Misstatements

We aggregate misstatements identified during the audit that are other than clearly trivial. We set a level of triviality for individual errors identified (a reporting threshold) for reporting to the Audit and Governance Committee that is consistent with the level of triviality that we consider would not need to be accumulated because we expect that the accumulation of such amounts would not have a material effect on the financial statements. Based on our preliminary assessment of overall materiality, our proposed triviality threshold is £15,000 based on 3% of overall materiality. If you have any queries about this please do not hesitate to raise these with Mark Kirkham.



# APPENDIX A – KEY COMMUNICATION POINTS

ISA (UK) 260 ‘Communication with Those Charged with Governance’, ISA (UK) 265 ‘Communicating Deficiencies In Internal Control To Those Charged With Governance And Management’ and other ISAs (UK) specifically require us to communicate the following:

Required communication	Audit Strategy Memorandum	Audit Completion Report
Our responsibilities in relation to the audit of the financial statements and our wider responsibilities	✓	
Planned scope and timing of the audit	✓	
Significant audit risks and areas of management judgement	✓	
Our commitment to independence	✓	✓
Responsibilities for preventing and detecting errors	✓	
Materiality and misstatements	✓	✓
Fees for audit and other services	✓	
Significant deficiencies in internal control		✓
Significant findings from the audit		✓
Significant matters discussed with management		✓
Our conclusions on the significant audit risks and areas of management judgement		✓
Summary of misstatements		✓
Management representation letter		✓
Our proposed draft audit report		✓

# APPENDIX B – FORTHCOMING ACCOUNTING AND OTHER ISSUES

## Changes relevant to 2017/18

There are no significant changes to the Code of Practice on Local Authority Accounting (the Code) for 2017/18. Minor changes to the Code include:

- introduction of key reporting principles for the preparation and publication of the Narrative Report;
- clarification of reporting requirements on accounting policies and going concern; and
- updating the accounting requirements for the Housing Revenue Account to align these with changes to underlying regulations and directions.

None of the above are anticipated to have a significant impact on the Council.

## Changes in future years

Accounting standard	Year of application	Implications
IFRS 9 – Financial Instruments	2018/19	<p>The standard will replace IAS 39 and will introduce significant changes to the recognition and measurement of the Council's financial instruments, particularly its financial assets.</p> <p>Although the accounting changes may be complex and may require the reclassification of some instruments, it is likely that the Council will continue to measure the majority of its financial assets at amortised costs</p> <p>For councils that hold instruments that will be required to be measured at fair value under the new standard, there may be instances where changes in these fair values are recognised immediately and impact on the general fund. At this stage it is unclear whether statutory provisions, over and above those already in place, will be put in place to mitigate the impact of these fair value movements on the Council's general fund balance.</p>
IFRS 16 – Leases	2019/20	<p>We anticipate that the new leasing standard will be adopted by the Code for the 2019/20 financial year.</p> <p>IFRS 16 will replace the existing leasing standard, IAS 17, and will introduce significant changes, particularly for lessees. The requirements for lessors will be largely unchanged from the position in IAS 17.</p> <p>Lessees will need to recognise assets and liabilities for all leases (except short-life or low-value leases) as the distinction between operating leases and finance leases is removed.</p> <p>The introduction of this standard is likely to lead to significant work being required in order to identify all leases to which the Council are party to.</p>

The 2018/19 Code will also apply the requirements of IFRS 15 Revenue from Contracts with Customers, but it is unlikely that this will have significant implications for most local authorities.



# Audit Progress Report

Craven District Council

March 2018







## CONTENTS

1. Audit progress
2. National publications and other updates
3. Contact details

This document is to be regarded as confidential to Craven District Council. It has been prepared for the sole use of the Audit and Governance Committee. No responsibility is accepted to any other person in respect of the whole or part of its contents. Our written consent must first be obtained before this document, or any part of it, is disclosed to a third party.

# 1. AUDIT PROGRESS

## Purpose of this report

The purpose of this paper is to provide the Audit and Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This paper also seeks to highlight key emerging national issues and developments which may be of interest to Members of the Committee.

If you require any additional information regarding the issues included within this briefing, please contact any member of your engagement team.

Finally, please note our website address [www.mazars.co.uk](http://www.mazars.co.uk) which sets out the range of work Mazars carries out, both within the UK and abroad. It also details the work Mazars does in the public sector.

## 2017/18 audit planning

We have now completed our 2017/18 planning and the results are reflected in the Audit Strategy Memorandum included as a separate agenda item for discussion at the Audit and Governance Committee on 13 March 2018.

Our planning included:

- identifying the business risks facing the Council, including assessing your own risk management arrangements;
- considering financial performance;
- assessing internal controls, including reviewing the control environment;
- evaluating and testing the IT control environment;
- assessing the risk of material misstatement arising from the activities and controls within the information systems; and
- completing walkthrough tests on the key controls within the material financial systems.

As part of our work, we took into account the most recently published updated VFM guidance for local government bodies. There are no changes in the fundamental approach to our VFM work, although there is an update on the current issues facing local government.

<https://www.nao.org.uk/code-audit-practice/guidance-and-information-for-auditors/>

We held planning meetings with senior managers to inform our planning risk assessments and to better understand the priorities and challenges the Council faces. We also discussed the previous year's audit and considered any areas for continuous improvement.

As part of our commitment to quality, team members have already attended our annual audit training which included technical issues in the sector and feedback from quality reviews to take into account in the coming year.

## Bringing forward the accounts and audit timetable

The key challenge this year is to adhere to the new statutory timetable for accounts production and audit. We have continued to work with officers as they seek to streamline arrangements for preparing your statement of accounts. Officers plan to produce the draft accounts requiring certification by the end of May 2018 and we aim to complete the audit by the end of July 2018.

# 1. AUDIT PROGRESS (CONTINUED)

## Issues arising

There are a small number of issues to report to Members in relation to internal control arising from our planning work. In the table below we have summarised our findings, recommendations and officers response.

Area	Control weakness identified	Control/ Nature of test	Why it failed?	Risk arising	Recommendations and Officer Response
<b>Council tax income</b>	The reconciliation between Northgate and VOA schedules has not been completed on a weekly basis.	The Council uses Northgate SX-3 to process Council Tax, NNDR and Council Tax and Housing benefit claims. They receive schedules from the Valuation Office, confirming deleted properties, changes, new buildings etc. One of the key controls that we look at is that weekly reconciliations are done between Northgate and the figures obtained from the Valuation Office. This ensures that all properties have been included in the system and that the Council are generating all council tax income that they should be.	On 22 January 2018 the Council were unable to show a completed and authorised reconciliation between VOA and Northgate any more recent than the beginning of December, meaning that they were around 7 weeks behind. The reason for this was that the member of staff who normally completes the reconciliations was off work.	The risk associated with this is that any errors or discrepancies will not be resolved in a timely manner making it more difficult to amend.	We recommend that there is a process to re-delegate responsibilities, to ensure that the reconciliations are maintained and kept up to date.  <b>Officers response:</b> We accept that reconciliations should ideally be kept up to date. This was a difficult time for the team with extenuating circumstances which were being kept under review. A plan was put in place to bring in additional help from Bradford which happened and the reconciliation is up to date. It has all been matched to allow annual billing to commence.
<b>NNDR income</b>	The reconciliation between Northgate and VOA schedules has not been completed on a weekly basis, and weekly amendments to rateable values are not actioned on a timely basis.	All Non Domestic Rated properties have a rateable value which is set by the Valuation Office Agency (VOA). The council uses the rateable value provided by the VOA to work out how much rates are payable. On a weekly basis the VOA send a schedule informing the authority of any changes in individual rateable values that have been processed. The schedule also gives the current rateable value of all properties within the Authority. A key control we look at is that billing information on the Northgate system is agreed to VOA reports. This provides assurance that the underlying NNDR database use to issue NNDR bills is consistent with the external VOA rateable valuation report. We also look at the control that weekly amendments to rateable values provided by the VOA are actioned on a timely basis, which provides assurance that amendments to property details/rateable values are actioned in the Northgate SX-3 system.	We found that the reconciliations are done, however the Council were not up to date with doing this on a weekly basis. We found that weekly amendments were not being actioned on a timely basis, as the reconciliations for the weeks in December were still not complete and signed. They are behind due to significant changes following the revaluation in April.	The risk of the delay in completing and taking action from these reconciliations is that the rateable value used may not be consistent with VOA when calculating the NNDR bills.	We recommend that the Council could improve this control by ensuring the amendments are actioned on a more timely basis, and reconciliations are completed weekly.  <b>Officers response:</b> We accept that reconciliations should ideally be kept up to date. This was a difficult time for the team with extenuating circumstances which were being kept under review. A plan was put in place to bring in additional help from Bradford which happened and the reconciliation is up to date. It has all been matched to allow annual billing to commence.

# 1. AUDIT PROGRESS (CONTINUED)

## Issues arising (continued)

Area	Control weakness identified	Control/ Nature of test	Why it failed?	Risk arising	Recommendations and Officer Response
Housing Benefits	Reconciliations between Northgate and the general ledger are not being reviewed on a 3 monthly basis.	On a monthly basis, payments to date per the Northgate system are reconciled to entries through the general ledger. This reconciliation should be reviewed on a 3 monthly basis. This provides assurance that payment transactions through the housing benefits system are consistent with the payments as recorded in the general ledger.	We viewed the reconciliations and were satisfied that these had been completed up until January and were therefore up to date, however the most recently reviewed reconciliation was for August, reviewed on 11th September 2017. We therefore identified a control weakness in terms of the timeliness of the review and authorisation process.	Without timely review of the reconciliation, errors may not get picked up and are subsequently much harder to amend especially if there is an overpayment to recover.	We recommend that the Council ensure that the reconciliations are reviewed and signed off in a timely manner to ensure any errors can be actioned quickly.  <b>Officers response:</b> We accept that reconciliations should be reviewed regularly and a review has been done to confirm that the reconciliations are correct.

## 2018/19 housing benefits work

Although the current year's housing benefits work is covered by the PSAA contract, from 2018/19, the Council needs to make its own arrangements. DWP are producing guidance on the work required and the nature of the future engagement of a reporting accountant to carry out the required housing benefit assurance work. Although this assurance work is not due to be completed until November 2019, DWP are likely to require councils to identify their reporting accountant for this work much sooner, possibly by June 2018, following the extension of an earlier deadline of 1 March 2018, as the guidance is still not complete.

Mazars will be happy to provide a competitive quotation for undertaking this work when the timescales and requirements are clarified.

1. Audit progress

2. National publications

3. Contact details

## 2. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication
1	Financial difficulties experienced by Northamptonshire County Council
2	Local authorities encouraged to consider local public accounts committees, February 2018
3	Sustainability and Transformation in the NHS, National Audit Office, January 2018
4	Preparing for full GDPR implementation by 25 May 2018

### 1. Financial difficulties experienced by Northamptonshire County Council

There has been much media coverage of Northamptonshire County Council's financial problems, which led to the Council issuing a section 114 notice stopping all non-statutory spending (the first such notice issued anywhere for almost 20 years), and difficulties in setting a legal budget for 2018/19 which are still ongoing. These issues highlight the impact that austerity measures can have on local government services, and the importance of delivering any savings needed to balance the budget, however difficult and unpalatable such decisions might be.

The three Public Finance articles (links below) provide a good summary of these issues:

<http://www.publicfinance.co.uk/news/2018/02/northants-revised-budget-finds-further-ps99m-savings1>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-review-budget-following-audit-warning>

<http://www.publicfinance.co.uk/news/2018/02/northamptonshire-sparks-warnings-other-councils-could-fail>

### 2. Local authorities encouraged to consider local public accounts committees, February 2018

Research published by Association for Public Service Excellence (APSE) and written and researched by the Local Governance Research Unit at De Montfort University explores how public services, and the decisions made about them by unelected bodies, can be held to account by local government as an elected governing body. Moreover, it seeks to understand the developing and expanding role of local government as both a vehicle for public accountability and in influencing and shaping the governance networks within which it exists.

The report '*Bringing Order to Chaos. How does local government hold to account agencies delivering public services?*' makes a series of recommendations including:

- A Local Public Accounts Committees should be formed by all councils and be given the same statutory powers over external agencies as has health scrutiny in relation to the NHS
- Securing public accountability must be developed as a role for all councillors and not restricted to a functional overview and scrutiny committee process
- Robust accountability processes need to be put in place for all arms-length bodies created by a council. Mechanisms must be put in place whereby all other councillors are able to challenge, question, seek justification from and influence the actions of arms-length bodies and scrutiny and full council should be engaged in such a process
- Councils should produce a local 'governance framework' policy document which identifies all those organisations with which the council interacts and which creates a shared vision of the development of public services across the councils area
- Councils should create a 'governance forum' where all those organisations with which the council interacts, can regularly meet to ensure a co-ordinated approach to public service delivery and long-term planning for service development and contribute to the 'governance framework'
- There should be a legal requirement – through an extension of the principle of a 'duty to co-operate' - on all public service providers to engage with local government, at the earliest possible time, when developing policy and taking decisions about public services

The full report is available to download for free.

<http://www.apse.org.uk/apse/index.cfm/research/current-research-programme/bringing-order-to-chaos-how-does-local-government-hold-to-account-agencies-delivering-public-services/>

## 2. NATIONAL PUBLICATIONS (CONTINUED)

### 3. Sustainability and Transformation in the NHS, National Audit Office, January 2018

Additional funding, aimed to help the NHS get on a financially sustainable footing, has instead been spent on coping with existing pressures, according to the National Audit Office's (NAO) report.

The NHS received an additional £1.8 billion Sustainability and Transformation Fund in 2016-17 to give it breathing space to set itself up to survive on significantly less funding growth from 2017-18 onwards. It was also intended to give it stability to improve performance and transform services, to achieve a sustainable health system.

The Fund has helped the NHS improve its financial position from a £1,848 million deficit in 2015-16 to a £111 million surplus in 2016-17. Within the overall position, the combined trust deficit reduced to £791 million in 2016-17 from £2,447 million in 2015-16. There has also been an improved underspend of £154 million across clinical commissioning groups, yet 62 groups reported a cumulative deficit in 2016-17, up from 32 in 2015-16.

Despite its overall financial position improving, the NHS is struggling to manage increased activity and demand within its budget and has not met NHS access targets. Furthermore, measures it took to rebalance its finances have restricted money available for longer-term transformation, which is essential for the NHS to meet demand, drive efficiencies and improve the service. For example, the Department transferred £1.2 billion of its £5.8 billion budget for capital projects to fund the day-to-day activities of NHS bodies.

Clinical commissioning groups and trusts are increasingly reliant on one-off measures to deliver savings, rather than recurrent savings that are realised each year. Between 2014-15 and 2016-17 the percentage of savings that were non-recurrent increased from 14% to 17% for commissioners, and from 14% to 22% for trusts. This poses a significant risk to the financial sustainability of the NHS in the future. Progress has been made in setting up 44 new partnership arrangements across health and local government, which are laying the foundations for a more strategic approach to meeting the demand for health services within the resources available. In reality, partnerships' effectiveness varies and their tight financial positions make it difficult for them to shift focus from short-term day-to-day pressures to delivering transformation of services.

The NAO has made a number of recommendations to the Department, NHS England and NHS Improvement, which includes moving further and faster towards aligning nationwide incentives, regulation and processes, as well as reassessing how best to allocate the sustainability and transformation funding.

<https://www.nao.org.uk/report/sustainability-and-transformation-in-the-nhs/>

## 2. NATIONAL PUBLICATIONS (CONTINUED)

### 4. Preparing for full GDPR implementation by 25 May 2018

In January and February 2018, we ran two workshops on compliance with GDPR. Craven District Council was represented at one of the workshops.

We thought a summary of the requirements would be helpful for Members.

The EU's **General Data Protection Regulation (GDPR)** is the result of four years of work by the EU to bring data protection legislation into line with new, previously unforeseen ways that data is now used.

Currently, the UK relies on the Data Protection Act 1998, which was enacted following the 1995 EU Data Protection Directive, but this will be superseded by the new legislation. It introduces tougher fines for non-compliance and breaches, and gives people more say over what organisations can do with their data. It also makes data protection rules more or less identical throughout the EU.

This is the **first comprehensive regulation** dedicated to the European data protection rules in 20 years. Adopted into law on 27 April 2016 and **came into force on 25 May 2016**.

By **25 May 2018**, all organisations are required to have implemented its principles, regardless of Brexit.

The key principles of GDPR are:

- **Fair and Lawful** – Must have legitimate grounds for collecting and using the personal data. Use in accordance with the law and regulations. Transparency.
- **Purposes** should be specified, explicit and legitimate
- **Proportionality** – Must hold personal data about an individual that is sufficient for the purpose it is held for. Do not hold more information than needed for that purpose.
- **Accuracy** - Carefully consider any challenges to the accuracy of information. Consider whether it is necessary to update the information.
- **Deletion** - Personal data shall not be kept for longer than necessary. Only relevant data can therefore be kept.
- **Subject's Access** - Right of access, Right to object to processing, Right to prevent processing for direct marketing, Right to object to decisions being taken by automated means, Right to have inaccurate personal data rectified, blocked or destroyed.
- **Security measures** - Take all necessary steps to ensure the data security.
- **Transfers Limitation** - No transfer to a country or territory outside the EEA unless that country or territory ensures an adequate level of protection for the rights and freedoms of data subjects.

In the UK, the Information Commissioner will have a key role.

“It's an evolutionary process for organisations – 25 May is the date the legislation takes effect but no business stands still. You will be expected to continue to identify and address emerging privacy and security risks in the weeks, months and years beyond May 2018. That said, there will be no 'grace' period – there has been two years to prepare and we will be regulating from this date.

But we pride ourselves on being a fair and proportionate regulator and this will continue under the GDPR. Those who self-report, who engage with us to resolve issues and who can demonstrate effective accountability arrangements can expect this to be taken into account when we consider any regulatory action.”

**Information Commissioner – Elizabeth Denham, 22 December 2017**

The GDPR requirements are particularly important to local government, given the nature of their activities, dealing directly with citizens and holding a range of personal and sensitive data. While there has been much focus on potential financial penalties, there is a need to see this more as an opportunity for enhanced accountability, to ensure that citizens' data is processed in a secure but transparent manner, and realise the benefits to be gained by building trust with citizens through the adoption of a fair and transparent approach to the collection and use of their data. Recent high profile cases highlight the risks of what can happen if data is not adequately protected.

## 2. NATIONAL PUBLICATIONS (CONTINUED)

### 4. Preparing for full GDPR implementation by 25 May 2018 (continued)

What organisations must do now – especially if they are 'behind' with preparations for GDPR – is set out below.

Firstly Organisational commitment – Preparation and compliance must be cross-organisational, starting with a commitment at the highest level. There needs to be a culture of transparency and accountability as to how you use personal data – and recognising that the public has a right to know what's happening with their information.

Privacy Assessment - Ensure you perform a privacy assessment to understand what data you have, from where it is sourced, to whom you provide it, and for what purposes it is used. This will involve reviewing your contracts with third party processors to ensure they're fit for GDPR. Implement accountability measures - including appointing a data protection officer if necessary, considering lawful bases, reviewing privacy notices, designing and testing a data breach incident procedure that works for you and thinking about what new projects in the coming year could need a Data Protection Impact Assessment.

Compliance & Monitoring - Confirm your state of compliance to existing legislation, and whether there are any current operational weaknesses, in-house and within third parties. Perform a gap analysis between as-is and the GDPR to-be.

Privacy Training – Ensure staff know their responsibilities and are appropriately trained.

Privacy Governance - Prepare a strategy and a plan to achieve full GDPR compliance. Prioritise development. Address the riskier areas of non-compliance first. Be able to demonstrate commitment to reasonable and realistic timescales for addressing other weaknesses and shortcomings in respect of the new legislation and, similarly, commitment to continuous monitoring, review and improvement. Ensure appropriate security – you'll need continual rigour in identifying and taking appropriate steps to address security vulnerabilities and cyber risks.



### 3. CONTACT DETAILS

Please let us know if you would like further information on any items in this report.

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1. Audit progress

2. National publications

3. Contact details

## Audit & Governance Committee – 13 March 2018

### Update on the Action Plan For Delivery of Findings From Internal Audit Review of Counter Fraud and Corruption Arrangements



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

#### 1. **Purpose of Report**

- 1.1 To present to Members with an update of the Action Plan to address the issues identified in the Internal Audit Review of the Council's Counter Fraud and Corruption Arrangements

#### 2. **Recommendations**

- 2.1 Members note the progress on the Action Plan.

#### 3. **The Report**

- 3.1 Internal audit presented their findings of their review into the Council's position in relation to the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption to the meeting of Audit and Governance Committee on 15 November 2016.
- 3.2 The assessment contained 68 questions / statements for measurement. The scoring of questions ranged from Red through Dark Amber to Light Amber and Green.
- 3.3 An action plan to address the areas where the Council was assessed as needing to implement improvements or procedures to comply with the Code was created. This report provides an update on the action plan. Overall good progress has been made in addressing the tasks within the action plan.
- 3.4 The aim of the action plan is to ensure that in response to all the questions / statements the Council will achieve a minimum score of Light Amber in a future reassessment.

#### 4. **Implications**

##### 4.1 **Financial and Value for Money Implications**

None as a consequence of this report

#### 4.2 **Legal implications**

Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption in their organisations. This supports good governance and demonstrates effective financial stewardship and strong public financial management.

#### 4.3 **Contribution to Council Priorities**

Effective management of the risk of fraud and corruption contributes to all the Councils Corporate Priorities by protecting assets and resources to ensure our aims are delivered.

#### 4.4 **Risk Management**

The Council must have in place appropriate resources, strategies and policies to assist with mitigation of the risks associated with theft, fraud, corruption, bribery and ICT abuse, whether they are perpetrated by employees, councillors, Craven District residents, visitors, contractors, suppliers or individuals and organisations unconnected with the Council.

#### 4.5 **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.

#### 5. **Consultations with Others**

None

#### 6. **Access to Information : Background Documents**

None

#### 7. **Author of the Report**

Nicola Chick, Chief Finance Officer (s151 officer)  
Tel No 01756 706418; Email: [NChick@cravendc.gov.uk](mailto:NChick@cravendc.gov.uk)

#### 8. **Appendices**

Appendix A – Updated Action Plan for delivery of proposals to meet the CIPFA Code of Practice on Managing the Risk of Fraud & Corruption.

## APPENDIX A

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Target Date	Progress	Revised Target Date
<b>Acknowledge Responsibility</b>							
A1/1	There is a current statement from the leadership team that identifies the specific threats of fraud and corruption faced by the organisation.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
A1/2	Statements by the leadership team on the threats of fraud and corruption include identification of the harm that could arise from the threat.	Red	Light Amber	<ol style="list-style-type: none"> <li>Statement prepared on threat of Fraud for review / update each year to include in AGS.</li> <li>Risk register to be reviewed to include threat &amp; harm of Fraud to all identified risks from services as part of the annual review</li> </ol>	31 May 2017  Commence December 2016, and annually thereafter as part of reviews.	<ol style="list-style-type: none"> <li>Council has an updated anti-fraud and corruption policy statement signed by Chair of Audit &amp; Governance, Leader of the Council and Chief Executive. Review as part of the AGS process.</li> <li>Fraud threats now included as part of Risk Register review process.</li> </ol>	<ol style="list-style-type: none"> <li>Annual process as part of AGS and other year-end reporting.</li> <li>Risk register reviewed quarterly.</li> </ol>
A2/1	The current governance framework of the organisation includes the adoption and maintenance of effective counter fraud and anti- corruption arrangements.	Light Amber	Light Amber	Maintain – No Further Action At Present	N/A	No action required at present	
A2/2	The leadership team regularly refers to the importance of values and behaviours that support enhanced awareness and mitigation of fraud and corruption risks.	Dark Amber	Light Amber	<ol style="list-style-type: none"> <li>Report to audit and governance annually as part of the end of year reporting.</li> <li>Use of Core Brief to remind staff of council values and fraud/corruption issues – top tips corner.</li> <li>Review risk section of reports to ensure that fraud risks are evaluated.</li> <li>Review of risk register to ensure that risk of fraud is assessed as part of service and corporate risks.</li> </ol>	<ol style="list-style-type: none"> <li>April to June 2017</li> <li>Commence January 2017 and continue on regular basis</li> <li>Commence December 2016</li> <li>Commence December 2016</li> </ol>	<ol style="list-style-type: none"> <li>Form part of the AGS reporting.</li> <li>Number of initiatives in place – e-learning, IT e-mails re online scams. Further work to do.</li> <li>Risk section of reports subject to further scrutiny by CFO. Still work to do.</li> <li>Risk register reviews in progress</li> </ol>	May/June 2018

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
A2/2	The leadership team regularly refers to the importance of values and behaviours that support enhanced awareness and mitigation of fraud and corruption risks.	Dark Amber	Light Amber	<ol style="list-style-type: none"> <li>1. Report to audit and governance annually as part of the end of year reporting.</li> <li>2. Use of Core Brief to remind staff of council values and fraud/corruption issues – top tips corner.</li> <li>3. Review risk section of reports to ensure that fraud risks are evaluated.</li> <li>4. Review of risk register to ensure that risk of fraud is assessed as part of service and corporate risks.</li> </ol>	1. April to June 2017  2. Commence January 2017 and continue on regular basis 3. Commence December 2016  4. Commence December 2016	1. Form part of the AGS reporting.  2. Number of initiatives in place – e-learning, IT e-mails re online scams. Further work to do.  3. Risk section of reports subject to further scrutiny by CFO. Still work to do. 4. Risk register reviews in progress – annual process.	July 2018  Review December 2018  Ongoing  December 2018
A2/3	The leadership team publicly supports steps to improve awareness of fraud and corruption risks and promote appropriate behaviours.	Dark Amber	Light Amber	Update of the fraud and corruption strategy and policy to include statement from the Audit & Governance Chair and appropriate Chief Officers.	31 May 2017	Completed – presented to meeting of Audit & Governance 20 June 2017	Completed
A3/1	There is a current statement from the leadership team that acknowledges the responsibility of the team for taking action in response to the risks of fraud and corruption.	Red	Light Amber	Update the fraud and corruption policy / strategy to include a statement.	31 May 2017	Completed – presented to meeting of Audit & Governance 20 June 2017	Completed
A3/2	The leadership team has put in place appropriate delegated authority or nominated an accountable person to lead on the organisation's approach.	Green	Green	Maintain – No Further Action. Other actions may increase this score.	N/A	No action required at present	
A3/3	The leadership team are supportive of the investigation of allegations and the application of sanctions where recommended.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
A3/4	The latest annual governance report includes an assessment of how effectively the body is addressing its fraud and corruption risks.	Red	Light Amber	Specific section to be included within AGS.	June 2017	Annual process to review as part of AGS	July 2018
A4/1	The governing body has approved a specific goal in relation to the resilience of the organisation to fraud and corruption.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
A4/2	Opportunities to improve resilience and achieve financial savings as a result of enhanced fraud detection or prevention initiatives are actively explored and supported by the leadership team.	Dark Amber	Light Amber	1.Ensure that council continues to undertake empty property reviews. 2.Ensure that council continues to undertake single person discount reviews. 3.Council to undertake some reviews of HB claimants as part of quality check. 4.Assessment of value of targeted internal audit reviews as part of annual audit plan process. 5.Service area checks and reviews such as Car Parking – Blue Badge use, Craven Leisure Gym Memberships, Payroll & Creditors.	April – December 2017 June – September 2017 June – September 2017 April 2017 – March 2018  April 2017 – March 2020	1. Undertaken and as part of work of Revenues. Ongoing annual process. 2. Ongoing annual process.  3. Ongoing process. Checks being made. Changes to benefits implemented in relevant cases. 4. To be assessed in annual internal audit report.  5.Part of the audit plan of work.	
<b>Identify Risks</b>							
B1/1	The organisation's risk management policy includes reference to risks arising from fraud and corruption and guidance on how the risks should be assessed.	Red	Light Amber	Risk management policy to be updated to reflect this approach to risk as part of the risk register review.	March 2017	Risk management policy /strategy updated June 2017.	Annually review March 2019

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
B1/2	Fraud risk assessments of principal activities are undertaken.	Dark Amber	Light Amber	Review of risks on risk register will include assessment of Fraud risk for each activity.	December 2016 – February 2017	Commenced and Ongoing	December 2018 & annually
B1/3	Fraud risk assessment is undertaken for significant new operations or changes to processes.	Red	Light Amber	Included as part of the review of the risk register and the guidance notes for service managers.	Commence December 2016	Commenced and Ongoing	December 2018 & annually
B1/4	Fraud risk reporting is made regularly and there is a clear allocation of responsibility for managing the risks.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
B1/5	Escalation of concerns relating to significant or increasing fraud risks are made to senior managers and to those who can advise on the mitigation of the risk.	Dark Amber	Light Amber	<ol style="list-style-type: none"> <li>Review of intelligence that the council receives from various bodies and most appropriate way to disseminate to managers.</li> <li>Include in Fraud policy the method of circulating such information</li> </ol>	July 2017	<ol style="list-style-type: none"> <li>Intelligence from variety of sources. E-mail awareness currently used.</li> <li>Section 10 of the Fraud Strategy refers to methods.</li> </ol>	Continuous annual review  Completed
B2/1	The organisation identifies the main areas of activity where the risk of corruption is present.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
B2/2	Guidance and statements on good governance values, behaviours and codes of conduct include explicit reference to counter fraud and avoidance of corruption.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
B2/3	Training and awareness sessions are undertaken to support the adoption of good ethical conduct by both staff and members of the governing body.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
B3/1	The organisation identifies appropriate fraud loss estimates that are appropriate for its sector or fraud risk types. It uses these to inform its fraud risk assessment and to quantify the value of fraud prevention.	Red	Light Amber	Use of benchmarking data from relevant sources – CIPFA / NFI / NAO, & include in annual reporting.	September 2107	Assessment will be used in reporting as appropriate.	December 2018
B3/2	Where the organisation has significant fraud risk exposures it adopts a methodology to measure its fraud losses.	Red	Light Amber	Internal Audit Review of risk exposures & appropriate plan to be put in place based on findings.	March 2018	Internal audit plan, annual report and external audit reporting as part of annual accounts process.	July 2018
B3/3	The organisation participates in comparative or benchmarking activities with other organisations to evaluate its experience of fraud and the effectiveness of its fraud risk management.	Red	Light Amber	Use of benchmarking data from relevant sources – CIPFA / NFI / NAO, & include in annual reporting.	September 2017	NFI data matching exercise.	Biannual
B4/1	As part of a fraud risk assessment it is made clear where the harm caused by fraud lies.	Red	Light Amber	Risk register to be updated with fraud risk to services information.	Commence March 2017 & continually review as part of quarterly update process	In progress. Risk register review due. Risk Register Audit underway	December 2018
B4/2	The potential harm from fraud is communicated to customers / clients / stakeholders / employees to raise awareness and to educate them that fraud is not a victimless crime.	Red	Light Amber	Information to be placed in Core Brief for employees and on website for customers. IT already highlighting issues with Cyber crime.	Commence January 2017 & continually review as part of end/start of year process.	Ongoing.	



Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
<b>Develop a Strategy</b>							
C1/1	The organisation has an up to date counter fraud and corruption strategy that has been approved by the governing body.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
C1/2	The strategy identifies actions to address the key fraud and corruptions risks to which the organisation is exposed.	Red	Light Amber	1.Strategy reviewed and updated to reflect key risks as a consequence of the review of the Risk register and current emerging risks. 2.Strategy Reviewed on an annual basis as part of the annual review of risks and completion of the annual governance statement.	September 2017  March 2018 onwards	Updated Anti-fraud and corruption strategy approved June 2017. Completed  Year-end reporting in AGS. Review of risk register to assess.	Completed  July 2018
C1/3	The strategy links to the overall business / operational objectives of the organisation and the overall goal of improving or maintaining resilience to fraud.	Red	Light Amber	Review of strategy will ensure that it links to the objectives of the organisation.	September 2017	Updated Anti-fraud and corruption Policy statement and strategy approved June 2017. Completed	Completed
C2/1	The organisation evaluates how it can best work with other organisations to address the fraud risk exposures.	Dark Amber	Light Amber	Evaluation to be undertaken as part of council work programme.	April – September 2018	No update – action for 2018	
C3/1	The strategy includes a range of responses and actions appropriate for the organisation's risks.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
C3/2	The strategy sets out plans to raise and maintain awareness of the risks of fraud and corruption in the organisation amongst staff, members of the governing body and any other key partners.	Green	Green	Maintain – No Further Action.	N/A	No action required at present	

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
C3/3	The strategy sets out how internal control measures will be used to prevent fraud occurring or to aid early detection.	Green	Green	Maintain – No Further Action.	N/A	No action required at present	
C3/4	The strategy sets out how the organisation plans to proactively detect fraud and attempted fraud or provide assurance that fraud has not taken place.	Green	Green	Maintain – No Further Action.	N/A	No action required at present	
C3/5	The strategy sets out how the organisation will publicise its anti fraud and anti corruption activities to its staff, contractors and customers, including its commitment to tackle fraud and the outcomes of successful cases.	Dark Amber	Light Amber	Review of the Strategy will address this issue.	September 2017	Updated Anti-fraud and corruption Policy statement and strategy approved June 2017. Completed.	Completed
C3/6	The strategy considers whether its whistleblowing arrangements adequately support counter fraud and anti corruption. Where appropriate the strategy includes actions to improve the effectiveness of its whistleblowing arrangements.	Red	Light Amber	Review of the Strategy will assess and address this issue if required.	September 2017	Updated Anti-fraud and corruption Policy statement and strategy approved June 2017. Whistleblowing policy reviewed & updated January 2018. Anti-money laundering policy updated January 2018. Assessment as part of year end procedures	July 2018
C3/7	The strategy sets out the organisation's overall approach to sanctions, including the approach to prosecution of offences. Where appropriate a different approach may apply for different types of fraud.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
C3/8	The strategy sets out the organisation's overall approach to recovery of losses resulting from the fraud, including the possibility of recovery of expenses for the cost of investigation etc.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
C4/1	The strategy nominates the person with overall responsibility for implementing the strategy, plus others with significant responsibilities.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
C4/2	The strategy sets out arrangements for accounting for the delivery of the strategy on a regular basis so that performance may be monitored and significant deviation from the strategy accounted for.	Red	Light Amber	Review of the Strategy will address this issue. Appropriate monitoring arrangements will be included.	September 2017	Updated Anti-fraud and corruption Policy statement and strategy approved June 2017. Monitoring review as part of year end procedures.	July 2018
C4/3	The strategy sets out which body will have responsibility to review performance against the strategy and to make recommendations.	Red	Light Amber	Include as part of annual report update to Audit & Governance based on outcomes from annual review.	June 2017	Ongoing. Work on AGS for 2017/18 about to commence.	July 2018
<b>Provide Resources</b>							
D1/1	The available resources are sufficient to implement the agreed counter fraud strategy and reflect the risks identified for the organisation.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
D1/2	The accountable person for the strategy regularly reviews the level of resources available to implement the strategy and considers whether that is appropriate for the current fraud risk profile. Reports on the conclusions are made to the audit committee or other equivalent body.	Dark Amber	Light Amber	Include as part of annual report update to Audit & Governance based on outcomes from annual review	April – June 2017 and annually thereafter.	Part of annual review and year end procedures.	July 2018
D1/3	Internal audit reviews of counter fraud have included the availability of capacity and skills to manage fraud and corruption risks.	Dark Amber	Light Amber	Review to form part of 2017/18 Audit Plan	Commence April 2017	Part of audit plan.	Review March 2019
D2/1	The resource planning that supports the strategy identifies the skills and experience required from the identified resources.	Red	Light Amber	Review of the Strategy will assess and aim to address this issue.	September 2017	Will require joint working with a partner organisation.	Review March 2019
D2/2	Staff undertaking investigation work or bought in to conduct an investigation have appropriate training in fraud investigation, including professional accreditation for investigatory work.	Red	Light Amber	This will be addressed as part of the resource review for fraud work.	April – December 2017	Limited progress. Further development required in 2018. Responsibility for detailed investigations have been passed to relevant authorities.	Review March 2019

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
D2/3	The organisation makes provision for training and development for in-house staff that undertake any role in delivering the counter fraud strategy.	Red	Light Amber	The Council has a training budget which is managed by HR. All training needs are identified as part of the Council's annual Personal Development Review process in which all staff participate. Identified training needs are funded from the HR budget. Additional funds can be made available if required.	April – June 2017 &  March 2018 and ongoing	Appropriate training to be identified.  Commence 2018	Review December 2018  Review March 2019
D3/1	Policies are in place to ensure that investigation staff are able to access the required information and staff to conduct the investigation. Protocols are in place to ensure that such access is proportionate and necessary.	Red	Light Amber	Policies and protocols will be reviewed to ensure that access to appropriate information is available for staff undertaking investigations.	April 2018	Commence 2018	Review March 2019
D3/2	Access rights are in place covering outsourced activities, shared services and partnership arrangements so that an investigator is able to conduct appropriate enquiries.	Red	Light Amber	Policies and protocols will be reviewed to ensure that access to appropriate information is available for staff undertaking investigations.	April 2018	Commence 2018	Review March 2019
D4/1	Where counter fraud activities are to be conducted on a collaborative basis or where there is a sharing of counter fraud resources, the organisation has agreements in place to set out the terms of the arrangement. Responsibilities are clearly identified.	Red	Light Amber	Where counter fraud activities are to be conducted on a collaborative basis or where there is a sharing of counter fraud resources, the Council will put agreements in place to set out the terms of the arrangement. Responsibilities will be clearly identified.	To be implemented prior to commencement of any arrangement	Commence 2018	Review March 2019

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
D4/2	Agreements are regularly reviewed and updated and reports are made to the appropriate oversight body.	Red	Light Amber	Agreements will be regularly reviewed and updated and reports made to the appropriate oversight body.	To be implemented as part of the commencement of any arrangement.	Commence 2018	Review March 2019
<b>Take Action</b>							
E1/1	The organisation has policies in place that are up to date and regularly updated for each of the following: A counter fraud policy, a whistleblowing policy, an anti-money laundering policy, an anti-bribery policy, an anti-corruption policy, a gifts and hospitality policy and register, pecuniary interest and conflicts of interest policies and register, codes of conduct and ethics, an information security policy, a cyber security policy.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
E1/2	The organisation has arrangements in place to ensure that all appropriate staff are aware of the policies and understand their responsibilities under the policy.	Dark Amber	Light Amber	Email to all staff when strategy & policy updated. Use of core brief.	June – September 2017	Commenced	Review Sept 2018 and March 2019
E1/3	The effectiveness of the organisation's policies is reviewed regularly and action taken to remedy any defects / weaknesses.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
E2/1	Arrangements and responsibilities for undertaking an investigation of a fraud referral are in place and up to date.	Green	Green	Maintain – No Further Action. Other actions may increase this score.	N/A	No action required at present	
E2/2	Where intelligence or allegations are received action is taken to analyse the data and plan appropriate action.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
E2/3	Counter fraud and anti-corruption operations during the year are in accordance with those planned in the agreed strategy or reflect new, emerging risks and opportunities.	Dark Amber	Light Amber	A plan to be included in the refreshed strategy	September 2017	Strategy updated and approved. Further work required to create plan.	Review March 2019
E2/4	The organisation is satisfied that its performance in managing fraud and corruption risks over the years has been effective.	Red	Light Amber	Use bench marking and NFI initiatives. Benchmarking comparators to be included in annual report.	June 2018	Commence 2018 & review by March 2019	Review March 2019
E2/5	Investigations undertaken are considered to be effective. They comply with legislation and internal regulations, they are conducted efficiently and have resulted in clear recommendations for action.	Red	Light Amber	Only one investigation so far in current year which has followed appropriate protocols & involved National Crime Agency & North Yorkshire Police. Include protocol in fraud strategy / policy.	May 2017 and Review as part of the AGS and other internal Audit / Fraud year end procedures.	To be reviewed as part of AGS process	Annual ongoing process June each year

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
E2/6	A programme of actions is underway to prevent fraud through the application of appropriate controls and building an anti-fraud culture in the organisation.	Dark Amber	Light Amber	To be reviewed as part of the review of the strategies & policies. Anti-money laundering training made available to all staff in April 2016.	September 2017	Anti-Money laundering and Whistle blowing policies updated. Further awareness work required	Review March 2019
E3/1	The organisation takes part in initiatives that will help it detect or prevent fraud.	Dark Amber	Light Amber	The organisation currently takes part in the NFI data matching. A review of single person discounts has been done in 2016. A review of empty homes has been undertaken in 2016.	November 2016 – October 2017	NFI Data matching.  Reviewed empty homes as part of the CTax base review – ongoing process	Ongoing process – embedded into procedures
E3/2	When undertaking data matching appropriate data protection notices and data sharing protocols are put in place in accordance with agreed protocols.	Dark Amber	Light Amber	When undertaking data matching appropriate data protection notices and data sharing protocols will be put in place in accordance with agreed protocols.	November 2016 – October 2017	Implementation of GDPR in May will require further changes	Bi annual process
E3/3	The effectiveness of any data sharing initiative is assessed and judged to be satisfactory.	Light Amber	Light Amber	Maintain – No Further Other actions may increase this score. er Action At Present.	N/A	No action required at present	
E4/1	Internal audit or another independent assurance provider undertakes an independent assessment over the adequacy of the organisation's management of fraud risk, including how it identifies risks, its strategy, resources allocated and whether performance against this code has been assessed.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	



Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
E4/2	Results of internal audit or consultant's reports and any recommendations are reported to the audit committee.	Green	Green	Maintain – No Further Action.	N/A	No action required at present	
E4/3	There is an annual review of the effectiveness of the organisation's whistleblowing arrangements with findings reported to the audit committee.	Red	Light Amber	To be included as part of the annual report.	June 2017	Report to be presented as part of year end procedures. May be combined with other reporting.	July 2018
E4/4	Audit committee terms of reference include review of the counter fraud strategy and annual report.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A	No action required at present	
E5/1	An annual report is prepared that covers the following: Any changes made to the strategy during the year, performance against the strategy and summary of principal actions undertaken, assessment of resource availability in the year, conclusion on whether actions taken are effective in helping to achieve the overall goal, action plan for next year, results of an assessment of performance against the CIPFA Code.	Red	Light Amber	Annual report to be presented to A&G as part of the year end reporting.	June 2017	Report to be presented as part of year end procedures	July 2018
E5/2	The governing body receives the annual report on performance against the strategy.	Red	Light Amber	Annual report to be presented to A&G as part of the year end reporting. This will include any information re performance.	June 2017	Reported as part of other reporting activities. Further work required.	July 2018

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
E5/3	Taking into account the annual report and the internal audit report the organisation makes an appropriate disclosure in its annual governance report.	Red	Light Amber	AGS to include specific reference as appropriate.	June 2107	Ongoing – annual process	July 2018

Scoring -:

Red = Never or No

Dark Amber = Sometimes

Light Amber = Partially or Regularly

Green = Always or Yes or Always without Exception

## Audit & Governance Committee – 13 March 2018



# Internal Audit – Implementation of Recommendations

Report of the **Chief Finance Officer**

Ward(s) affected: All

- 1 **Purpose of Report** – To update committee members on Priority 1 internal audit recommendations outstanding, all those completed in the period and provide a summary of the numbers of Priority 2 and Priority 3 recommendations have not yet been cleared.
- 2 **Recommendations** – Members are recommended to:
  - 2.1 Note the contents of Appendix A – Outstanding Priority One Internal Audit Recommendations and consider inviting responsible officers to the next meeting where appropriate.
  - 2.2 Note the contents of Appendix B – Audit Recommendations Completed in the Period and approve the contents of that Appendix. Recommendations will not be archived before this approval is received together with that of the Audit Services Manager, Shared Audit Service.
  - 2.3 Note the contents of Appendix C - Summary of Outstanding Audit Recommendations
- 3 **Implications**
  - 3.1 **Financial and Value for Money (vfm) Implications** – as highlighted for individual recommendations in Internal Audit Reports
  - 3.2 **Legal Implications** - none
  - 3.3 **Contribution to Council Priorities** – not applicable
  - 3.4 **Risk Management** – as highlighted for individual recommendations in Internal Audit Reports
  - 3.5 **Equality Analysis** – not applicable
- 4 **Consultations with Others**

Senior Managers/Action Owners
- 5 **Access to Information: Background Documents**

None
- 6 **Author of the Report**

Rebecca Steel, Performance Management Officer  
Telephone: 01756 706215  
e-mail: [rsteel@cravenc.gov.uk](mailto:rsteel@cravenc.gov.uk)

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

Appendix A – Outstanding Priority 1 Internal Audit Recommendations  
Appendix B – Audit Recommendations Completed in the Period  
Appendix C – Summary of Outstanding Priority 2 and Priority 3 Audit Recommendations

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### Appendix A – Outstanding Priority 1 Internal Audit Recommendations

Priority 1 Recommendations relate to significant gaps in the Internal Control Framework.  
Recommendations are included where the original completion date was prior to January 2018.

Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C6 08 - Physical Security of ICT Equipment and Data - Priority 1	IA 17/18 263 The security and condition of the Engine Shed Lane archive store should be assessed in terms of its adequacy for data storage and appropriate action taken	C6 08 - Mar 2016	ICT	Amber		Following the report by the Internal Auditor, which questioned the suitability of the Engine Shed Lane storage facility for the Council's archives, a review was conducted which looked at the broader issue of storage of archived documents at the three sites being utilised across the District, including at Engine Shed Lane. The preferred solution is to convert all the documents into digital format, however, following receipt of quotations, to digitise all the documents involved (around 2,000 archive boxes in total), will be expensive. A Business Case has been prepared, looking at the alternatives available - including offsite storage - and which aims to keep costs within current expenditure, and a further report has been made to the Corporate Leadership Team. Further discussion is underway with suppliers to try to get the anticipated costs reduced. Anticipated project completion remains by March 2018.	DRN	19/01/18
C7 01 - Payroll including use of iTrent - Priority 1	IA 17/18 295 Payroll should establish with HR and the service whether an overpayment has been made to employee reference 00850, and investigate the reason why and how this occurred. If the overpayment is valid, the figure should be calculated and recovery promptly initiated with the employee. An audit trail should be present to evidence incremental changes made.	C7 01 - Mar 2017	Financial Management	Red		Overpayment now established and discussed with HR/Service Manager. Final recovery decision made by HR and Service Manager. Payroll awaiting instruction from Service Manager and will then pursue recovery as directed.	CH	04/01/18

## AGENDA ITEM 8(a)

C7 08 - National Fraud Initiative (NFI) - Priority 1	IA 17/18 316 Update the fair processing notices on all forms and correspondence on all key systems.	C7 08 - Jul 2017	Financial Management	Amber		Project underway. Work on the Statement of Accounts and 2018/19 budgets has taken priority. Recommendation should now be implemented by the end of October. CDC Website updated and links to Gov.uk corrected. Amendments to all required forms have been requested and 2 of the 5 have completed. The remaining 3 Hackney Carriage and Licensing Forms issued by staff have been updated but Website versions reflect older narrative - this will be corrected when new website goes live (January 9th). Payslips, HB Claim form contain updated information.	JH	21/02/18
C7 08 - National Fraud Initiative (NFI) - Priority 1	IA 17/18 319 A report on NFI results should be presented to CLT and the Audit Committee, including progress on data match reviews	C7 08 - Oct 2017	Financial Management	Amber		Initial discussions as to the best approach have taken place. The number of outstanding Matches is to be included in the Quarterly performance reports that are presented as part of the VFM Clinics held on a quarterly basis. These are next scheduled for the 13th and 14th of February.	JH	31/01/18
C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 323 Files should be reviewed and any personal and / or sensitive information removed from any historic files no longer required	C7 04 - Jul 2017	Licensing	Amber		Files are being reviewed during transfer onto Uniform. Driver information potentially required in the future will be scanned in and source documents destroyed. This is on going -no exact date for completion Reasons for delay - Delays in implementation of software/Officer time	DB	02/01/18

## Appendix B – Audit Recommendations Completed in the Period

Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C4 11 - Craven Pool Follow Up - Priority 3	IA 17/18 129 The signage around the town and especially that at the entrance to the site should be drastically improved so as to sell the site, especially to Pay As You Go Members or holidaymakers. Any cost incurred in making these improvements should be repaid through additional income generated from new members as a result.	C4 11 - No date specified	Leisure Services	Green		New signs have been installed and additional signage has been placed 100m in either direction (FOC by Highways). This has now been completed.	LH	18/01/18
C7 02 - Garden Waste Collection - Priority 2	IA 17/18 287 The Garden Waste Subscription accounts should be fully established in order to provide an accurate forecast of the net cost of the service (after internal recharges) and demonstrate its commercial viability. The financial position of the service should then be used in future decisions on increasing the annual garden waste fee to be more consistent with charges applied by other authorities providing a chargeable garden waste service.	C7 02 - Jun 2017	Waste Management	Green		Members agreed at Policy Committee on the 5th December that charges for the Garden Waste subscription be increased to £32.50/annum for the financial year 2018/19. Such fees will achieve full cost recovery in the Financial year.	WA	18/01/18
C7 02 - Garden Waste Collection - Priority 3	IA 17/18 290 Standard operating procedures should be written for the administration, processing and reconciliation of garden waste licence applications	C7 02 - Jun 2017	Waste Management	Green		Standard operating procedures have now been written, however these will need to be amended to reflect the change to Meritec as the Council's new website provider.	WA	18/01/18
C7 01 - Payroll including use of iTrent - Priority 2	IA 17/18 301 The Pool casual and overtime timesheets should be revised in order to accurately reflect breaks taken and calculate the total hours for payment.	C7 01 - May 2017	Leisure Services	Green		This has been completed and the LSM selects randomly timesheets for verification.	LH	15/01/18
C7 01 - Payroll including use of iTrent - Priority 2	IA 17/18 305 There should be an independent check of Pool timesheets to the monthly Payroll spreadsheet to verify that timesheets are completed in full and are accurately input onto the spreadsheet for payment. This should be performed by the Leisure Services Manager either in full or on a sample basis.	C7 01 - May 2017	Leisure Services	Green		This has been completed and the LSM selects randomly timesheets for verification. As per IA 301	LH	15/01/18

Version No		AGENDA ITEM 8(a)						
C7 04 - Licensing 2016/17 - Priority 1	IA 17/18 321 A Managerial sample check of licences should be implemented	C7 04 - Jul 2017	Licensing	Green		All licences produced are signed off by D Bragg on IDOX and where needed signature on licence completed - this ensures that at least two people are involved in the issue of licences and errors rectified.	DB	02/01/18
C7 04 - Licensing 2016/17 - Priority 2	IA 17/18 332 Records should be held of any premises RV's which may need verification at a later date	C7 04 - Dec 2017	Licensing	Green		All rateable values will be double checked again before entering onto new software to ensure accuracy - new applications are being checked to ensure correct RV and correct fee is charged.	DB	02.01.18



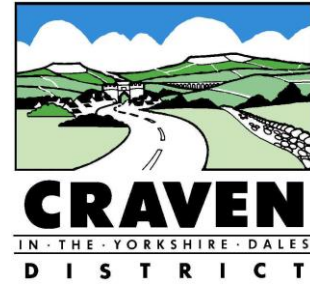
**Appendix C – Summary of Outstanding Priority 2 and Priority 3 Audit Recommendations**

Data excludes three recommendations from the NFI report where original completion dates are unrealistic due to the timing of matching exercises. This will be discussed with the Principal Auditor.

	Priority 2	Priority 3	Total
<b>Total Overdue at end of month</b>	18	4	27
<b>By Service Area</b>			
Bereavement Services	1		1
Financial Management	2	4	9
ICT	6		7
Leisure Services			
Licensing	5		6
Planning & Building Control	3		3
Revenues & Benefits	1		1
<b>By Year Originally Due to be Implemented</b>			
2014	1	1	2
2015	1		1
2016	4	2	7
2017	12	1	17

## **Audit & Governance Committee 13 March 2018**

### **Audit Services Progress Report as at 31st January 2018**



Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

#### **1. Purpose of Report**

- 1.1 To update Committee Members on the progress made against the 2017/18 Internal Audit plan up to 31<sup>st</sup> January 2018.

#### **2. Recommendations**

Members are recommended to:-

- 2.1 Note the contents of the report and the attached Appendix.

#### **3. Background Information**

- 3.1 The work undertaken by Audit Services is governed by the Accounts and Audit (England) Regulations 2011 and the Public Sector Internal Audit Standards (PSIAS). In accordance with paragraph 2.11 of the Standards, the Audit Committee must receive progress reports detailing progress made against the agreed Annual Audit Plan.

#### **4. The Report**

- 4.1 This report details the work undertaken by Audit Services and contains a summary of completed reviews along with the overall audit opinion given.

4.2 **Breakdown of Current Position as at 31<sup>st</sup> January 2018 including b/fwd audits from 2016/17 Audit Plan**

**2016/17 audits**

<b>2016/17 Audits</b>	<b>Audit Opinion</b>	<b>Current Status</b>
Money Laundering	Good	A&G Committee January
Planning Fees	Significant	A&G Committee March
Car park income		Draft report being written
Asset Rentals & Lettings income		Testing

**2017/18 audits**

<b>2017/18 Audits</b>	<b>Audit Opinion</b>	<b>Current Status</b>
Trade Waste	Postponed with approval of A&G Committee – January meeting.	
Business Continuity & Disaster Recovery	Good	A&G Committee March
Software Asset Management		Draft report being written
Procurement Cards	Significant	A&G Committee January
Travel & Subsistence		Testing
Pay Elements		Testing
G4S Contract Arrangements		Draft report being written
NNDR		Q4 audit
Council Tax		Q4 audit
Information Governance	Good	A&G Committee January
Customer Complaints	Significant	A&G Committee January
Duplicate Payments	n/a	3 duplicate payments identified – total value £1541 – to be recovered.
Risk Management Arrangements		Draft report with Audit Manager for review
Member Grants	Good	A&G Committee – March

- 4.3 The following table shows the progress against the 2017/18 operational plan for the period 1<sup>st</sup> April 2017 to 31<sup>st</sup> January 2018.

<b>Audit Area</b>	<b>Total Days per approved Audit Plan 2017/18</b>	<b>Days spent as at 31<sup>st</sup> January 2018</b>
Follow up Audit work	2	1
ICT	30	27
Management	20	18
Service Areas	76	65
Fundamentals	30	0
Fraud	15	8
Contingency	52	0
Contingency (CDC Discretion)	10	0
Risk	15	4
<b>TOTAL</b>	<b>250</b>	<b>123</b>

- 4.4 The current position on the 2017/18 Audit Plan as at 31<sup>st</sup> January 2018 is as follows:

<b>Status of Audits</b>	<b>Number of Audits</b>	<b>Percentage of Plan</b>
Final report issued	7	41%
Draft report issued	0	0%
Managers Review	1	6%
In progress	6	35%
Yet to start	2	12%
No audit report due	1	6%
<b>Total</b>	<b>17</b>	<b>100%</b>

## **5. Priority Areas to 31<sup>st</sup> March 2018**

### **5.1 Audit Plan**

Arrangements are being put in place to ensure that the Craven Audit Plan is delivered as agreed.

## **6. Conclusion**

- 6.1 All Audits will be completed in line with the agreed plan, including those brought forward from the 2016/17 Audit Plan. Monthly meetings will continue to be held with the Strategic Manager – Financial Services (s151 Officer) to provide assurance that audit work is progressing as planned

## 7. **Implications**

### 7.1 **Financial and Value for Money Implications**

None

### 7.2 **Legal implications**

None

### 7.3 **Contribution to Council Priorities**

The delivery of an Internal Audit Service contributes to Council transformation.

### 7.4 **Risk Management**

The internal audit function is an integral part of internal control.

### 7.5 **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.

## 8. **Consultations with Others**

Strategic Manager Financial Services (S151 Officer

## 9. **Access to Information : Background Documents**

None

**10. Author of the Report**

Kim Betts, Audit Services Manager, Craven District Council and Harrogate Borough Council Shared Audit Service.

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

**11. Appendices**

Internal Audit Plan 2017/18 April – January 2018 Monitoring

**APPENDIX 1**

**Internal Audit Plan April – January 2018 MONITORING**

<b>Audits (includes audits brought forward 2016/17 and 2017/18 audits)</b>	<b>Approved Plan (Days)</b>	<b>Actual April-January (Days)</b>	<b>Comments (at time of writing)</b>
<b>2016/17 audits b/fwd</b>			
Money Laundering	10	7	A&G Committee - January
Planning Fees	15	25	A&G Committee – March
Car park Income	15	1	In progress
Asset Rentals & Lettings Income	15	0	In progress
<b>TOTAL</b>	<b>55</b>	<b>33</b>	
<b>2017/18 audits</b>			
Follow up work	2	1	Ongoing
Customer Complaints	15	20	A&G Committee – January
Member Grants	10	12	A&G Committee – March
Trade Waste	0	0	Postponed (A&G Approval January 2018)
Business Continuity & Disaster recovery	15	15	A&G Committee – March
Software Asset Management	15	12	Draft report being written
Pay Elements	7	2	In progress
Travel & Subs	3	1	In progress
G4S Arrangements	15	8	In progress
NNDR	15	0	To start Quarter 4
Council Tax	15	0	To start Quarter 4
Information Governance	15	15	A&G Committee - January
Duplicate payments	1	1	£1,541 to be recovered
Planning fee system review	10	3	See Planning fees 2016/17 b/fwd for audit report – A&G March
Risk Arrangements	15	4	Draft report being written
Contingency	52	0	To be used as required/requested
Contingency (discretionary)	10	0	Use with agreement of s151 officer
Use of Procurement Cards	15	11	A&G Committee - January
CDC Management	20	18	Ongoing
<b>TOTAL</b>	<b>250</b>	<b>123</b>	

**\* Key – Levels of Assurance**

<b>Level</b>	<b>Definition</b>
Significant	The system of internal control is designed to support the Councils corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good	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	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 area reviewed.
None	There are weaknesses in control, or inconsistent non-compliance which places corporate and service objectives at risk in the area reviewed.



## Audit and Governance Committee 13<sup>th</sup> March 2018

### DRAFT INTERNAL AUDIT PLAN 2018/19



Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

#### 1. **Purpose of Report**

- 1.1 The purpose of this report is to provide the proposed Internal Audit Plan for 2018/19 for consideration and approval.

#### 2. **Recommendations**

- 2.1 That the Audit & Governance Committee considers and approves the Internal Audit Plan for 2018/19 as set out in this report and attached Appendices.

#### 3. **Background Information**

- 3.1 The 2018/19 Internal Audit Plan relates to year one of the agreement for the Harrogate and Craven Shared Internal Audit Service. This new agreement is for the three year period from 1<sup>st</sup> April 2018 to 31<sup>st</sup> March 2021, with an option to extend for an additional 2 years.
- 3.2 The draft Audit Plan for 2018/19 is attached at Appendix A and sets out the areas, functions or activities at Craven which are to be reviewed together with an estimated number of days for each.

#### 4. **The Report**

- 4.1 Under the Public Sector Internal Audit Standards, the Chief Audit Executive must give an overall opinion on the adequacy and effectiveness of their authority's internal controls, risk management and governance arrangements. The 2018/19 Internal Audit Plan must therefore include a sufficient range of audit work for this opinion to be given at the year-end in the Annual Internal Audit Report.
- 4.2 As all of the key financial systems within the Council have either been awarded "significant" or "good" levels of assurance with regards to the internal control environment, the approach from now on will be to adopt a more risk based approach whereby other internal controls are assessed. The controls relating to the key systems will therefore be reviewed on a rolling basis.

- 4.3 The draft Internal Audit Plan for 2018/19 is attached at Appendix A. The number of days allocated to specifically provide the Audit Services Manager with the evidence for the opinion on the control environment is 180 (2017/18: 240 days), with an additional 20 days available for any ad hoc, consultancy or unforeseen work. This split is in line with the contractual terms of the new Shared Internal Audit Agreement and payment is only requested for the additional 20 days if the S151 Officer agrees that they should be used.
- 4.4 The draft Internal Audit Plan has been developed in consultation with members of Craven District Council's Corporate Leadership Team (CLT) including the s151 Officer, and takes into account:
- Risks of the Authority
  - Corporate Priorities
  - Proposed audit areas identified by the Institute of Internal Auditors
- 4.5 Progress against the plan will be monitored throughout the year and key issues/findings will be reported to CLT and members of Audit & Governance Committee.

## **5. Implications**

### **5.1 Financial and Value for Money Implications**

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

### **5.2 Legal implications**

### **5.3 Contribution to Council Priorities**

The delivery of an Internal Audit Service contributes to Council transformation.

### **5.4 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 arising. If the situation arises, it will be addressed by the Internal Audit Shared Service Partnership Board, reporting to the respective Audit Committee of the two Councils if necessary.
- The need for a major investigation which will mean that some planned work will have to be deferred or an increase in the days provided at an additional cost to Craven.

## 5.5 **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.

## 6. **Consultations with Others**

Corporate Leadership Team  
Strategic manager – Financial Services (s151 Officer)

## 7. **Access to Information : Background Documents**

None

## 8. **Author of the Report**

Kim Betts, Audit Services Manager, 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. (Telephone 01423 500600 (ext 58587) or email [kim.betts@harrogate.gov.uk](mailto:kim.betts@harrogate.gov.uk)).

## 9. **Appendices**

Appendix A – Draft Internal Audit Plan 2018/19.

## APPENDIX A

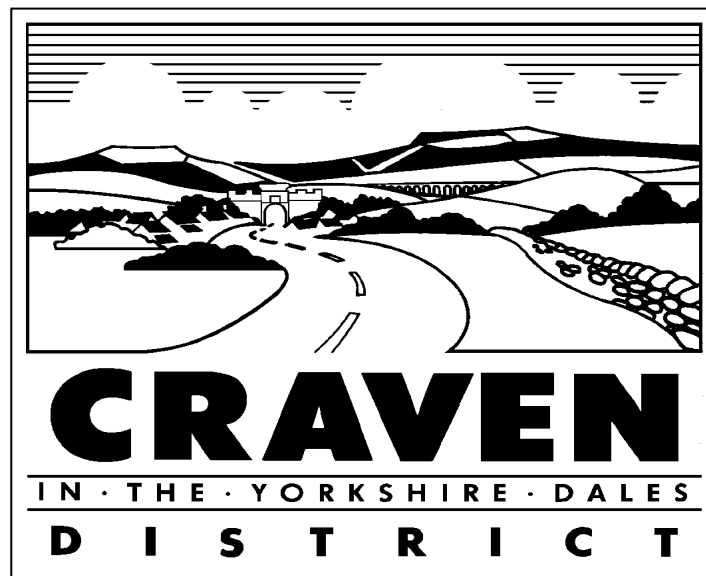
### 2018/19 DRAFT INTERNAL AUDIT PLAN

AUDIT	DAYS	COMMENTS
Succession Planning	15	An audit to review how the council will ensure that adequate resource plans are in place should key staff leave, at a time when Local Government in general is finding it hard to recruit the right candidates.
Peer Review	12	Audit to provide assurance that suitable action plans are in place as a response to the findings from the recent peer review.
Debtors	12	An audit of a fundamental system on a 3 year rolling programme.  Audit will consider risks and controls in place to ensure that all invoices are raised accurately, on a timely basis and adequate arrangements are in place to collect all debts.
Creditors	12	An audit of a fundamental system on a 3 year rolling programme.  Audit will consider risks and controls in place to ensure that payments are made to the correct suppliers, on a timely basis.
Housing Benefits	15	An audit of a fundamental system on a 3 year rolling programme.  Audit will consider risks and controls in place to ensure that benefit payments are made only to valid benefit claims, backlogs are kept to a minimum and that the level of overpayments is as low as possible.
Property Valuations	10	A review to ensure that valuations are occurring in line with regulations and that this work is undertaken on a timely basis.
Fraud – flexi time and overtime arrangements	15	An audit to ensure flexi and overtime is operating per council policy and that fraud does not exist.

AUDIT	DAYS	COMMENTS
Arrangements for Agency and Contract staff	15	A review of compliance with the Council's policy on employing agency and contract staff.
Social Media	15	An audit to ensure that the council has considered the risks of the increased use of social media and that adequate control is in place.
Health & Safety Arrangements	12	An audit to ensure that the council's health and safety arrangements are adequate and working as expected
Transparency Agenda	15	An audit to ensure that the council is compliant with the requirements of the Local Government Transparency Code 2015
Environmental Services Review	15	An on-going review of service changes introduced during 2018/19 with regards to waste management to ensure that all risks have been considered and appropriate controls introduced. This will include changes made to the Trade Waste service, which was postponed from the 2017/18 Audit Plan.
Follow up of previous audit recommendations	2	Follow up of all outstanding audit recommendations
Management time/Committee Meetings etc	15	Includes preparation and monitoring of the Audit Plan, review of audit files and reports plus attendance at meetings.
<b>TOTAL</b>	<b>180</b>	

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

Agenda Item 8di



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## Internal Audit Report

### *Planning Fees*

Report ref: C1/2017

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Report Issued

Draft: 08/12/2017  
Final: 05/03/2018



**Audit Score 91.4%**

## Contents

Background	page 2
Audit Scope	page 3
Audit Opinion	page 6

### Distribution:

Name	Job Title
Paul Shevlin (Final only)	Chief Executive
Paul Ellis	Director of Services
David Smurthwaite	Strategic Manager, Planning and Regeneration
Neville Watson	Planning Manager (Development Management)

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# 1 Background

- 1.1 This audit is being undertaken as part of the 2017/18 audit plan. This is the inaugural audit of planning fees.
- 1.2 The Town and country Planning (Fees for Applications, Deemed Applications, Requests and Site Visits) (England) Regulations 2012 set the scale of fees payable to the local planning authority. In 2016/17 the Council received 579 minor and other applications. Planning application fees can be received electronically through the Planning Portal, electronically through the Craven District Council website, electronically by telephone to Customer Services or by cheque. Fees are recorded on the Planning system Idox which replaced the previous system early in 2017.
- 1.3 Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisations 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.
- 1.4 As part of this review Internal Audit undertook a walkthrough of the system which has identified the following Key Control Objectives (KCOs):
- To ensure that all pre-application advice is being charged for
  - To ensure that the validation process is operating as intended in relation to fees
  - To ensure that no refunds have occurred without legitimate reason
  - To ensure that the web page for planning applications is clear and shows the correct fees payable



## 2 Audit Scope

2.1 The following testing was undertaken:

KCO	Test	Sample size
To ensure that all pre-application advice is being charged for	<ul style="list-style-type: none"><li>– Obtain the Committee/ Council minutes where the fees for pre-application advice was approved.</li><li>– Examine a sample of pre-application advice cases to confirm that payment has been received, is for the correct approved fee as per Uniform and confirm that the payment was promptly posted to Agresso.</li></ul>	<p>N/A</p> <p>10 pre-application advice cases</p>

<p>To ensure that the validation process is operating as intended in relation to fees</p>	<ul style="list-style-type: none"> <li>- Examine a sample of applications, confirm that the sampled applications received date, date registered, date allocated for processing, date of validation or fee request date are all in order and as expected</li> <li>- Confirm that no application is validated where there is no fee or an incorrect fee</li> <li>- Enquire of management whether there is a method of checking that the fee was confirmed as being the correct amount for the application during the validation process.</li> <li>- Examine a sample of applications to ensure that the fee received agrees to the charges as per the Town &amp; Country planning legislation and the amount showing received on Agresso.</li> <li>- Confirm that a fee request notice was sent out to the customer and that the application was put into abeyance for any for any of the above 15 samples where no payment or incorrect payment was received.</li> <li>- Check for evidence that any of the applications sampled above has been worked on before the correct fee being paid.</li> <li>- Enquire of management whether any credit card surcharges are added to credit card payment, check a sample of credit card payment to ensure surcharges are applied correctly</li> <li>- Obtain a report form Idox on applications where no payment has been received and confirm what process has been carried out the find payments for these</li> <li>- Ensure that all electronic payments and credit/ debit card payments received for the sample above have a reference number associated when payment is processed.</li> <li>- For each of the above samples, check that each electronic payment is shown on the daily transaction list and has been checked to the application on the system. Ensure initials are marked on the daily transaction list.</li> </ul>	<p>15 applications (3 of which to be multi use, 2 of which to be major and 10 to be minor/other applicable where possible)</p> <p>N/A</p> <p>15 applications (3 of which to be multi use, 2 of which to be major and 10 to be minor/other applicable where possible)</p> <p>Any of the above 15 where no payment received.</p> <p>N/A</p> <p>N/A</p> <p>15 applications (3 of which to be multi use, 2 of which to be major and 10 to be minor/other applicable where possible)</p>
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To ensure that no refunds have occurred without legitimate reason	Obtain an income report from Agresso and seek explanation for any credits/ refunds that are shown in the report.	N/A
To ensure that the web page for planning applications is clear and shows the correct fees payable	<ul style="list-style-type: none"> <li>– Compare the web page to other local authorities' to ensure that no important information is missing</li> <li>– Ensure fees and charges and pre-application advice charges advertised are current and match charges set in legislation/ policy</li> <li>– Obtain information on when the fees were last uploaded and confirm</li> </ul>	N/A

## Audit Opinion

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

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

3.2 This audit has been given a **Significant level of assurance**. Based on the testing carried out, Audit Services are satisfied that 4 out of 4 control objectives were met. Further details can be found in section 4 of this report.

3.3 The table below shows the breakdown of the audit score across the key control objectives identified. The score reflects the adequacy and effectiveness of the controls assessed.

<u>Key Control Objective</u>	<u>Weighting of Key Control</u>	<u>Score</u>
To ensure that all pre-application advice is being charged for	1 (25%)	75.0%
To ensure that the validation process is operating as intended in relation to fees	1 (25%)	90.7%
To ensure that no refunds have occurred without legitimate reason	1 (25%)	100%
To ensure that the web page for planning applications is clear and shows the correct fees payable	1 (25%)	100%
<b>Total Average</b>	<b>100%</b>	<b>91.4%</b>

## 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 recommendations relate to significant gaps in the Internal Control Framework, Priority 2 – These recommendations relate to minor gaps in the Internal Control Framework or significant issues of non-compliance with key controls, Priority 3 - These issues relate to minor issues of non-compliance with controls.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
<b>KC01: To ensure that all pre-application advice has been charged for</b>				
1	<p>1/15 cases reviewed contained no details of the amount due although there were details confirming the correct fee had been received and marked off the daily transaction list.</p> <p>System controls prevent any application from becoming valid until the charge requested has been received. In this instance no charge was requested but the system still allowed the application to be validated.</p>	Fee could be incorrect as no details exist within the application that states how much should be due.	<p>Priority 2</p> <p>Ensure the system has updated settings that make an entry in the charge field mandatory before allowing the status of the application to be updated to "validated".</p> <p><b>Management Response</b></p> <p>The LLC/TSO will look into setting prompt on the charge field.</p>	<p>Local Land Charges/Technical Support Officer (LLC/TSO)</p> <p>30<sup>th</sup> September 2018</p>
2	The date on the majority of payments allocated from the daily transaction list was found to have been incorrectly recorded in the payment screen on the application in Uniform.	Audit trail is affected as incorrect dates are allocated to Uniform. In the event of any query, staff could find it difficult to	<p><b>Priority 2</b></p> <p>Provide training to staff and update office procedure notes to ensure</p>	Local Land Charges/Technical Support Officer

	Staff were entering the date the payment was allocated to the application when it should be the date on the daily transaction list as this is the date that payment was actually received..	find the data.	that the date entered as the payment received date is the daily transaction date.  <b>Management Response</b>  The LLC/TSO will provide training and create new procedures verifying payments in Uniform.	30 <sup>th</sup> September 2018
Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
3	The Audit trail between the Daily Transaction List and Uniform was incorrect.  Cheque payments included within the sample failed to show the unique transaction number within Uniform.	Cheque payments could be allocated to incorrect application on the system	<b>Priority 2</b>  Ensure that the 'Trans ref' from the daily transaction list is always entered in the receipt number field in the payment details on the application in Uniform. Staff should investigate whether the field can be made mandatory when updating the payment details.  <b>Management Response</b>  The LLC/TSO will investigate.	Local Land Charges/Technical Support Officer  30 <sup>th</sup> September 2018

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
4	2/15 cases reviewed had no charge and no payment allocated. Further investigation work identified both instances related to one application but had to be recorded separately to cover 3 addresses. Audit work confirmed that the charge due was received however no notes were present on the other 2 applications to evidence this payment.	Audit trail affected. Staff time taken to trace all payments when notes on each case would have completed the audit trail.	<p><b>Priority 3</b></p> <p>Where one application is entered as multiple applications on the system, the applications on Uniform that do not have the payment allocated should have case notes added to create an audit trail to the respective payment by referencing the application where the payment has been recorded.</p> <p><b>Management Response</b></p> <p>The LLC/TSO will advise on the importance of keeping a full audit trail of activity and the use of case notes within Uniform.</p>	<p>Local Land Charges/Technical Support Officer</p> <p>30<sup>th</sup> September 2018</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
<b>KC02: To ensure that the validation process is operating as intended in relation to fees</b>				
5	<p>All applications tested were found to have had the fee received or fee request letters had been sent. However audit work has identified additional issues uncovered during our testing.</p> <p>The report from IDOX on insufficient fees contained:</p> <ul style="list-style-type: none"> <li>• 1 application where fees had been received but the status had not been changed</li> <li>• 1 application that had been superseded by another application, the status on the original should have been changed to "closed".</li> <li>• 1 application was found to be on hold as a relating application needed to be approved first before this application could go ahead. The auditor however found no notes present on file to explain what action had been taken.</li> <li>• Another application was found to have the automatic marker added to say that a fee request letter had been generated but there was no letter on file.</li> </ul> <p>None of the above should therefore have remained on the insufficient fees report as the above actions should have been noted.</p>	<p>Integrity of the data could be compromised as key information is either missing or has not been updated</p> <p>Staff resource wasted chasing fees based on inaccurate information</p>	<p><b>Priority 2</b></p> <p>The Local Land Charges/Technical Support Officer should periodically check the list of insufficient fees applications to ensure they are legitimate insufficient fees cases only.</p> <p><b>Management Response</b></p> <p>Agreed.</p> <p><b>Priority 3</b></p> <p>Staff should check a sample of applications where the system has marked the fee request letter check box to ensure that all have a fee request letter on file.</p> <p><b>Management Response</b></p> <p>Agreed, will aim keep this an electronic process in all cases of fee requests.</p>	<p>Local Land Charges/Technical Support Officer</p> <p>30<sup>th</sup> September 2018</p> <p>Local Land Charges/Technical Support Officer</p> <p>30<sup>th</sup> September 2018</p>



Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
6	7/10 payments listed on the daily transaction list were found to not have been initialled by the Support Officer who allocated the payment to an application. If applications are not matched to their payments promptly this can cause a delay in the verifying process.	Longer waiting times for customers	<b>Priority 2</b> Ensure the daily transaction list is marked and initialled when the payment is assigned to an application.  <b>Management Response</b>  Agreed.	Local Land Charges/Technical Support Officer  30 <sup>th</sup> September 2018
	The daily transaction list creates many small reports, when ensuring that all payments have been allocated or when looking for a payment for an application just received. The use of multiple reports makes it more cumbersome for staff to check payment information when the use of 1 report would make this function easier.	Staff resource wasted tracking payments through the system	<b>Priority 3</b> Compile a monthly transaction list  <b>Management Response</b>  This would appear to create extra work but if priority 2 above fails then this may be an alternative.	Local Land Charges/Technical Support Officer  30 <sup>th</sup> September 2018
	Some daily transaction list files could not be opened due to the file name being too long. Completed transaction list file names are being changed to indicate that all payments have been allocated.	Audit trail lost as files cannot be read.	<b>Priority 2</b> Move completed daily transaction lists to a different folder marked completed.  <b>Management Response</b>  Compiling a monthly transaction list has been tried in the past but the format of the daily transaction list kept changing	Local Land Charges/Technical Support Officer  30 <sup>th</sup> September 2018

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
			which made it difficult to do but it would be useful. Will try again and hope the format is consistent.	

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



## **Agenda Item 8d ii**

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### **Audit Services Report**

### **Ward Member Grants 2017/18**

### **Report ref: C13/2017**

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Report

Draft: 19/12/2017  
Final: 01/03/2018



## Contents

Background	page 2
Scope	page 2
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Detailed Findings & Action Plan	page 4 onwards

### Auditor:

J. Fearn

### Distribution:

Name	Job Title
Paul Shevlin	Chief Executive
Nicola Chick	Chief Finance Office (S151 Officer)
Sharon Hudson	Communications and Partnerships Manager
Rebecca Steel	Performance Management Officer

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## 1 Background

- 1.1 This audit is being undertaken as part of the annual audit plan for 2017/18.
- 1.2 As part of this review Audit Services identified the following key control objectives:
  - KCO1: Appropriate criteria have been established governing grant issue
  - KCO2: Grants are issued in accordance with set criteria
- 1.3 The Ward Member Grant Scheme operates by allowing each Councillor to award up to £1k to community projects in their ward. It was run as a pilot scheme in 2016/17 and is being re-run in 2017/18. Since the scheme's inception in 2016/17, to date £42.9k has been awarded in total.
- 1.4 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.

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## 2 Audit Scope

- 2.1 The scope of the audit involved the review of key controls by undertaking compliance testing on 20 randomly selected projects which were awarded grant funding from 2016/17 onwards. The testing strategy included documentation review in addition to discussion with staff.

### 3 Audit Opinion

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

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

3.2 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 new Public Sector Internal Audit Standards.

3.3 The audit found that grants were being issued in accordance with the set criteria but that these criteria were weak, for which stricter control needs to be demonstrable. As a result, of the 2 key control areas reviewed, KCO1 is not being met and KCO2 met; the key risks for which are set out in the main body of the report. 7 recommendations have been made in total, all graded at priority 2.

3.4 The audit software, MK Insight, now being used gives us the ability to score the results of each individual test, the assessed strength of the control and the assurance given to the key control objective. Each score from each key control objective compiles the overall audit score for the audit. Using these criteria, this audit has been given an overall score of 61% and therefore has been awarded 'Good assurance'. The breakdown is as follows:

- KCO1 – scored 25% overall
- KCO2 - scored 97% overall

## 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.

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
<b>KCO1: Appropriate criteria have been established governing grant issue</b>				
1	<p>Evidence of a project's or activity's anticipated costs are not required to be submitted with the grant application e.g. via quotes. This includes any matched funding already approved outside of the council.</p> <p>Once the grant has been awarded, evidence of all expenditure incurred is not required to be submitted. Project or activity costs and the value of any unspent grant are simply noted on the monitoring form by the Group without any supporting documentation.</p>	<p>Grant monies are fraudulently obtained whereby cost values could be fabricated in an attempt to obtain a higher grant</p> <p>Any unspent grant could be retained.</p>	<p><b>R1:Priority 2</b> Evidence of a project's or activity's expected costs should be submitted with an application and evidence of expenditure submitted with the monitoring form</p> <p><b>Management Comment:</b> Noted and when scheme is reviewed for 2018/19 will be amended to require this.</p>	<p>Communications and Partnerships Manager</p> <p>01/04/18</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
2	<p>There is no documented evidence on file to indicate specific considerations made by Councillors and no reasons justifying approval to show satisfaction that particular conditions are being met i.e. funding:</p> <ul style="list-style-type: none"> <li>• meets the ambitions of the local community,</li> <li>• does not discriminate but enhances quality of life,</li> <li>• can be awarded as all required permissions, insurance and any DBS checks are in place,</li> <li>• can be awarded as the activities are not unlawful, political, trade union related, lobbying, promoting a faith, only benefiting one individual, or are contrary to equality and diversity,</li> <li>• has not been received over the last 2 years.</li> </ul>	<p>Grant monies are fraudulently obtained</p> <p>Grant monies are awarded to illegal activities</p>	<p><b>R2:Priority 2</b> A checklist should be introduced for Councillors to evidence that specific points have been considered, checked and justifiable reasons for approval documented.</p> <p><b>Management Comment:</b> Noted and when scheme is reviewed will amend approval form to include a checklist</p>	<p>Communications and Partnerships Manager</p> <p>01/04/18</p>



Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
3	<p>The criteria states that Members must be satisfied that certain permissions are in place, including insurance and DBS checks (if appropriate). However our opinion is that Officers and not Councillors are best placed to check the criteria is observed.</p> <p>The application form requires groups to provide details of permissions or any consents, however, no evidence is required to be submitted with the application enabling confirmation.</p>	<p>Grant monies are awarded for non-compliant projects or activities</p> <p>Grant monies are fraudulently obtained</p>	<p><b>R3:Priority 2</b> Expected permissions should be reviewed by appropriate Council officers and evidence of permissions already obtained submitted to the Council <b>Management Comment:</b> Noted and when scheme is reviewed for 2018/19 will include requirement to check permissions are in place with grant offer letter. Funding will not be released until copies of documentation are received.</p>	<p>Communications and Partnerships Manager</p> <p>01/04/18</p>
4	<p>No record is retained of rejected applications and the reasons for rejection</p>	<p>Accusations of a lack of transparency</p> <p>Inconsistent approach if a new application is reviewed by a different councillor who approves it</p>	<p><b>R4:Priority 2</b> The grants log should be amended going forward to include all applications received so that those ultimately rejected, and reasons for rejection, are monitored <b>Management Comment:</b> Noted and will implement immediately.</p>	<p>Communications and Partnerships Manager</p> <p>01/03/18</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
5	No timeframe has been established within which Councillors must approve or reject applications	Accusations of favouritism where approval of one application could be delayed in favour of anticipated receipt and immediate approval of another.	<p><b>R5:Priority 2</b> A timeframe should be introduced for Councillors within which applications should be either approved or rejected.</p> <p><b>Management Comment:</b> Noted and recommendation made to introduce timeframe when scheme is reviewed for 2018/19.</p>	<p>Communications and Partnerships Manager</p> <p>01/04/18</p>

**KCO2:** Grants are issued in accordance with set criteria

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
6	<p>Audit testing identified 2 occasions where a Councillor had approved an application from a group that had already received funding for a recurring event within the past 2 years.</p> <ol style="list-style-type: none"> <li>1. Funding was approved for a different aspect of an annual event</li> <li>The acceptability of such funding was not included in the published grant funding criteria</li> <li>2. (See next page)</li> </ol>	<p>Accusations of favouritism made towards the Council.</p> <p>Lack of transparency over all grants awarded</p>	<p><b>R6:Priority 2</b> Either the application criteria should be formally expanded to allow for a different aspect of an activity to be funded which has already received previous funding in a 2 year period, or, the existing criteria should be appropriately adhered to. <b>Management Comment:</b> Noted, when scheme is reviewed for 2018/19 it will be made clear in the application criteria that an organisation or event can apply again for funding as long as it is for a different project or activity. We will state that applications will not be forwarded to Members that have already received funding so the check is made by Officers.</p>	<p>Communications and Partnerships Manager</p> <p>01/03/18</p>

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
6 cont	2. Funding was approved for an event that had received funding 20 months before.	<p>Accusations of favouritism made towards the Council.</p> <p>Lack of transparency over all grants awarded</p>	<p><b>R7:Priority 2</b> Those approving funding must ensure that the applicant is not in receipt of any grant funding that has occurred in the last 2 years.</p> <p><b>Management Comment:</b> As above</p>	<p>Communications and Partnerships Manager</p> <p>01/03/18</p>

The agreed actions will be subject to a follow up review to establish whether they have been implemented.

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.