

Audit and Governance Committee

**Tuesday, 26 June 2018 at 6.30pm
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 the consideration of agenda items 10c, 11 and 12 on the grounds that it is likely that if members of the public were present that 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 13 March 2018.
(Note: A copy of the action 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.)

5. External Audit: Audit Progress Report – Report of the External Auditor

Purpose of Item – To update Audit and Governance Committee on progress in delivering their responsibilities as the Council's external auditors.

6. Annual Governance Statement 2017/18 – Report of the Chief Finance Officer (s151 Officer)

Purpose of report – To present the Draft Annual Governance Statement for 2017/18 for consideration and approval by Committee.

7. Update on the Counter Fraud and Corruption Arrangements Action Plan – Outstanding Actions – Report of the Chief Finance Officer (s151 Officer)

Purpose of report – To present an analysis of the Counter Fraud and Corruption Arrangements Action Plan elements that still require further work.

8. Update on the Implementation of the General Data Protection Regulation (GDPR) – Report of the Director of Services

Purpose of report – To provide an update on the implementation of the reformed data protection arrangements across Council services since 25 May 2018.

9. Contract Procedure Rules: Exemptions Granted – Report of the Chief Finance Officer (s151 Officer)

Purpose of Item – To report on any exemptions granted from the Council's Contract Procedure Rules.

10. (a) Outstanding Internal Audit Recommendations – Report of the Chief Finance Officer (s151 Officer)

Purpose of report – To update Audit and Governance Committee 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 which have not yet been cleared.

(b) Internal Audit Annual Report 2017/18 – Report of the Audit Services Manager

Purpose of report – To consider the key findings and conclusions from audit work undertaken in 2017/18 and provide an update on the overall adequacy and effectiveness of the Council's arrangements for risk management and governance and on its internal controls.

(c) Internal Audit Reports – Reports of the Audit Services Manager

- i. G4S (**Excluded**)
- ii. Risk Management Arrangements (**Excluded**)
- iii. Car Park Income (**Excluded**)
- iv. Asset Management (**Excluded**)

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

11. Information Management and Governance Strategy Delivery Plan: Update – Report of the Director of Services (Excluded)

Purpose of report – To provide a progress update against the Council's Information Management and Governance Strategy Delivery Plan, and an annual report to this Committee.

12. Risk Management, Strategic Risk Register and Action Plans Update – Report of the Chief Finance Officer (s151 Officer) (Excluded)

Purpose of report – To update Audit and Governance Committee on corporate risk register action plan progress and changes.

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

Agenda Contact Officer:

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(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.

Emergency Evacuation Procedure

In case of an emergency, or if the alarm sounds, leave the meeting room and exit the building using the main doors onto the Square. If those doors are not available, please use the nearest available door.

The assembly point is in Belle Vue Square at the front of the building, nearest the main road. An officer will take a roll call once everyone is out of the building.

Please do not leave a meeting without telling the Chairman or a representative of Legal and Democratic Services.

Terms of Reference – Audit and Governance Committee

(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

13 March 2018

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

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

Apologies for absence were received from Councillors Brockbank and Hull.

Start: 6.30pm

Finish: 7.55pm

Councillor Lis arrived at 7.12pm.

The minutes of the Committee's meeting held on 23 January 2018 were confirmed and signed by the Chairman.

EXCLUSION OF THE PUBLIC

Resolved – That, in accordance with the Council's Access to Information Procedure Rules, the public is excluded from the meeting during consideration of Minutes AC.314(d) and AC.315 (marked \$) below on the grounds that it is not in the public interest to disclose the Category 3 exempt information (financial or business affairs of any particular person including the Council).

Minutes for Report

AC.310

INFORMATION GOVERNANCE

a. Information Governance Audit

As requested at Minute 307(b)/17-18 the Internal Audit Services Manager submitted a briefing paper presenting the Committee with additional details in respect of the conduct of the recent audit of the Council's arrangements in respect of information governance, including the testing of the key controls, risks identified, findings and the ability of the Council to investigate any data breaches. Amongst conclusions reached by the auditor was the view that the Council had appropriate plans in place to achieve compliance with the new General Data Protection Rules which would come into effect on 25th May 2018.

b. General Data Protection Regulation: Presentation

The Chairman welcomed the Council's Information Governance Manager who, with support from the Head of ICT and Transformation had been invited to the meeting to deliver a presentation on the changes introduced by the General Data Protection Regulation (GDPR) and the requirements thereof from 25th May 2018.

During the course of the presentation Members were assured that although there would be some residual issues to be resolved, the Council would be compliant with key elements of the new Regulation by 25th May, and a number of controls had been put in place to ensure compliance with criteria in respect of accountability. All relevant practices, procedures and policies were being

amended to reflect the requirements of the Regulation, and the Information Governance Manager suggested that given the Committee's role, it may wish to establish an understanding of

- The extent to which the Council is compliant with the new scheme, and introduced the new requirements.
- The extent to which the Council can demonstrate compliance with the Accountability Principle.
- The extent to which Councillors are aware of their responsibilities.
- The impact of the new scheme on the Council, for example, increase in subject access requests).

In responding to a Member's question regarding off-site storage arrangements, the Head of ICT and Transformation stated that a business case for digitising archived and other documents was being prepared, and changes had been introduced to the practices in a number of departments meaning documents in those areas were no longer being sent to storage.

Details of both the existing data protection principles and the "new" principles relating to the processing of personal data introduced by the GDPR were circulated at the meeting.

Resolved – (1) That the Information Governance Manager is asked to produce a report for the next meeting of this Committee highlighting the areas which the Council needs to have particular regard to / which may require particular attention, including the four areas indicated above.

(2) That the intention to arrange training for all Members to ensure they are aware of their responsibilities under the General Data Protection Regulation is supported; this Committee's expectation being that all Members will engage with that training.

AC.311

EXTERNAL AUDIT – AUDIT STRATEGY MEMORANDUM

Mark Kirkham, Partner with the Council's external auditors, Mazars, submitted a copy of the Audit Strategy Memorandum for the financial year ending 31 March 2018 which summarised the approach Mazars would be taking in auditing the Council's 2017/18 financial statements. In planning the audit the following significant areas of risk in terms of possible material misstatement had been identified

- Management override of controls;
- Revenue recognition – fees and charges;
- Valuation of property, plant and equipment;
- Pension entries in respect of employee retirement benefits.

As in previous years the audit would also reach a conclusion on the Council's arrangements for securing value for money. Ongoing financial pressure had again resulted in the level of savings the Council needed to achieve over the period of its medium term financial plan being identified as a value for money conclusion risk, the arrangements for monitoring and securing the required savings would therefore be assessed. The fee for the audit would be £45,819, plus £7,060 for the housing benefit subsidy certification work.

Resolved – That the Audit Strategy Memorandum for the year ending 31 March 2018 is received.

AC.312

EXTERNAL AUDIT: AUDIT PROGRESS REPORT

Mark Kirkham, Partner with the Council's external auditors, Mazars, submitted a report informing the Committee of progress made in delivering their responsibilities as the Council's external

AC.313 **COUNTER FRAUD AND CORRUPTION ARRANGEMENTS**
- ACTION PLAN

The Chief Finance Officer expressed the opinion that good progress had been made in addressing tasks within the action plan, but pointed out that without a follow up assessment, for which a fee would be charged, it was a little difficult to be sure as to the position reached. During the course of the ensuing discussion it was proposed, and

(2) That at the above meeting in June the Committee considers and determines when next to require a further update.

Further to Minute AC.270(a)/16-17, the Strategic Manager for Financial Services submitted a report updating the Committee on the position reached with implementation of Priority One internal audit recommendations where the original completion date was prior to January 2018. Details of all recommendations, seven in total, completed in the monitoring period were also reported, together with a summary of the position in respect of the number of Priority Two and Three recommendations outstanding.

In responding to a Member's comment regarding the need for a clearer timeline for implementation of an outstanding priority one recommendation regarding the need to review licensing files, the Chief Finance Officer indicated that an updated position would be requested.

Resolved – That the position in respect of implementation of internal audit recommendations is noted, and that action taken in completing Priority One, Two and Three audit recommendations in the monitoring period is approved.

Further to Minute AC.307(a)/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 1st April 2017 to 31st January 2018. As at 31st January, a total of 123 of the approved 250 audit days within the plan had been spent; just two of the planned audits, both in respect of fourth quarter audits, had yet to commence.

The Audit Services Manager expressed confidence that all audits within the revised plan (Minute AC.307(a) refers), including those brought forward from 2016/17, would be completed in line with the plan.

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

c. Draft Internal Audit Plan 2018-19

The Audit Services Manager submitted a report presenting the draft 2018-19 Internal Audit Plan for the Committee's consideration and approval.

The draft Plan set out the areas, functions or activities to be audited in the 2018/19 financial year, together with an estimate as to the number of days for each audit. The Plan provided for 180 audit days, plus an additional 20 days, if required, for any ad hoc or unforeseen work, or for the provision of consultancy advice. No costs would be incurred for the additional days without the Section 151 Officer having first agreed to their use.

The draft Plan had been developed in consultation with Corporate Leadership Team and took into account risks of the Authority, corporate priorities and proposed audit areas as identified by the Institute of Internal Auditors.

In responding to a Members request for inclusion of an audit in respect of the Council's environmental impact, it was

Resolved – (1) That the proposed Internal Audit Plan 2018-19, as now submitted, is approved.

(2) That consideration is given to inclusion of an audit of the Council's environmental impact within the draft 2019-20 Internal Audit Plan.

d. 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.

- Planning Fees : Level of Assurance : Significant
- Ward Member Grants : Level of Assurance : Good
- \$ - Business Continuity and Disaster Recovery 2017-18: Level of Assurance: Good

Resolved – 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.

\$AC.315

CORPORATE RISK REGISTER - UPDATE

The Chief Finance Officer submitted a report updating the Committee on progress against actions intended to mitigate risks within the Council's corporate risk register.

The number of risks on the strategic register (those risks scoring above the Council's risk appetite of 10) had increased from five to six with the inclusion of Risk CRR31- non-compliance with the Data Protection and Freedom of Information Acts. The Chief Finance Officer explained that as indicated at Minute AC.310(b) above, the Council was expecting to be compliant with the requirements of the General Data Protection Regulations taking effect on 25th May 2018, post this date it was expected that the risk score would reduce and Risk CRR31 would no longer feature on the strategic register.

The Chief Finance Officer stated that she was aware from previous discussions of Members' interest in participating with officers in a risk management working group. Three senior officers had expressed interest in working with Members on the proposed group, and with this in mind committee members were now asked to consider volunteering. It was suggested and

Resolved – (1) That the Chief Finance Officer e-mail all committee members seeking up to three volunteers to participate in a Risk Management Working Group.

(2) That progress against risk register actions, as presented at the appendix to the Chief Finance Officer's report now submitted, is noted.

Minutes for Decision

- None -

Chairman

CRAVEN DISTRICT COUNCIL

AUDIT AND GOVERNANCE COMMITTEE

Action Check Sheet for Meeting held on 13 March 2018

For the attention of: Nicola Chick, Kim Betts, Rebecca Steel, David Roper-Newman and Guy Close.

For information: Chairman and all Committee Members, Paul Shevlin, Annette Moppett and Greg Robinson.

Min no.	Decision	Officer
AC.310	General Data Protection Regulation - produce a short report for the next meeting of Audit Committee (26 June 2018) highlighting the areas which the Council needs to have particular regard to / which may require particular attention, including the four areas suggested in the meeting. - training to be provided (all Members) to ensure they are aware of their responsibilities under the Regulation.	D Roper-Newman G Close / D Roper-Newman
AC.312	Counter Fraud and Corruption Arrangements : Action Plan Update - set aside those elements of the action plan which you believe to have been delivered and identify those elements still to be delivered, and which should be the focus of attention. Report back to the Committee in June 2018. At the June meeting Members to indicate when next require a further update.	N Chick
AC.313	Internal Audit Implementation of Recommendations - action taken in completing Priority One, Two and Three audit recommendations in the monitoring period approved. - Licensing File Review: Recommendation IA 17/18 323 – a Member indicated that a clearer time line for implementation would be helpful. Ask the responsible officer for a position update. Draft Plan 2018-19 - proposed audit plan approved. - for the 2019/20 plan consider inclusion of an audit of the Council's environmental impact.	R Steel N Chick Kim Betts Kim Betts

	Internal Audit Reports - Reports received, add recommendations therein to the monitoring database.	R Steel
AC.314	Corporate Risk Register - progress against risk register actions noted; e-mail all committee members seeking volunteers for the Risk Management Group.	N Chick

No action arising / report and content noted.

External Audit: Audit Strategy Memorandum.

External Audit: Progress Report.

Internal Audit Plan: Progress Report.

Audit Progress Report

Craven District Council

June 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 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 work

The Council published its financial statements (subject to audit) on its website on 31 May 2018, in accordance with the new brought forward timetable for accounts and audit.

We now have until 31 July 2018 to complete the audit in accordance with the new timetable.

The audit team is in place and ready to begin the detailed audit work in mid-June, in accordance with the timetable agreed with officers.

We will work closely with your officers to ensure a smooth audit process. Any issues arising will be discussed with officers as soon as they are identified so that appropriate action can be considered and taken.

We will report the outcomes of the audit in our Audit Completion Report to the Audit and Governance Committee at the end of July 2018.

2. NATIONAL PUBLICATIONS AND OTHER UPDATES

	Publication
1	Inaugural meeting of the Local Audit Quality Forum developed by Public Sector Audit Appointments Ltd, 18 April 2018
2	Financial sustainability of local authorities 2018, National Audit Office, March 2018
3	Transformation guidance for audit committees, National Audit Office, May 2018

1. Inaugural meeting of the Local Audit Quality Forum developed by Public Sector Audit Appointments Ltd, 18 April 2018

Over 150 Chairs of Audit Committees and Directors of Finance attended the inaugural event to hear from speakers and panel members with a wealth of experience of public audit from across the UK. The programme included:

- Sir Amyas Morse, Comptroller and Auditor General of the National Audit Office, on the importance of public audit, and the NAO's role and responsibilities in relation to local audit
- Caroline Gardner, Auditor General for Scotland and PSAA Board Member, comparing and contrasting different models of public audit
- Rob Whiteman, CIPFA Chief Executive, on their guidance on audit committees and on the annual governance statement
- Jon Hayes, Chief Officer PSAA, outlining the appointing person arrangements
- Gareth Davies, Partner Mazars LLP, on the key issues arising from 2017/18 audits
- Q&A panel of audit committee chairs

The materials from the event are available to download from PSAA's website:

<https://www.psaa.co.uk/local-audit-quality-forum/18-april-2018-inaugural-meeting/>

2. Financial sustainability of local authorities 2018, National Audit Office, March 2018

We have reproduced below the summary of this work from the NAO's website. Although focused on the central government Departments that oversee local government, there are some important messages for the local government sector arising from their review.

Background to the report

Since 2010, successive governments have reduced funding for local government in England as part of their efforts to reduce the fiscal deficit. Changes in funding arrangements and new pressures on demand have created both new opportunities and further pressures for the sector.

Local authorities deliver a range of services. The government sets statutory duties for them to provide services, ranging from adult social care to waste collection. Local authorities also provide discretionally services according to local priorities. The Ministry of Housing, Communities & Local Government views authorities' ability to deliver their statutory services as the defining test of their financial sustainability.

The Department has overall responsibility in central government for local authorities' funding and dictates the overall levels and distribution of funding provided to the sector, and local authorities' statutory responsibilities. Responsibility for statutory services delivered by local authorities is spread across government departments.

Content and scope of the report

This report reviews developments in the sector and examines whether the Department, along with other departments with responsibility for local services, understands the impact of funding reductions on the financial and service sustainability of local authorities. We reported on the financial sustainability of local authorities in 2013 and 2014.

2. NATIONAL PUBLICATIONS (CONTINUED)

This report updates and builds on that work. It has four parts:

- Part One sets out the financial and non-financial challenges faced by local authorities since 2010-11 and examines how they have responded.
- Part Two examines service sustainability by exploring changes in patterns of service spending and activity in local authorities.
- Part Three assesses levels of financial pressure and their implications for financial sustainability in the sector.
- Part Four assesses whether the Department and other departments are sufficiently informed about the risks and impacts from pressures in the sector and are managing those risks. This assessment is informed by our independent analysis of risks and impacts presented in the preceding parts.

Report conclusions

The Department

The sector has done well to manage substantial funding reductions since 2010-11, but financial pressure has increased markedly since our last study. Services other than adult social care are continuing to face reducing funding despite anticipated increases in council tax. Local authorities face a range of new demand and cost pressures while their statutory obligations have not been reduced. Non-social-care budgets have already been reduced substantially, so many authorities have less room for manoeuvre in finding further savings. The scope for local discretion in service provision is also eroding even as local authorities strive to generate alternative income streams. The current pattern of growing overspends on services and dwindling reserves exhibited by an increasing number of authorities is not sustainable over the medium term. The financial future for many authorities is less certain than in 2014. The financial uncertainty created by delayed reform to the local government financial system risks longer-term value for money.

The Department's performance has improved since our last study. The Department's work on the 2015 Spending Review was an improvement on its predecessors and the Department has improved its oversight of the sector's financial sustainability. However, conditions in the sector have worsened and the Department must continue to strengthen its oversight and assurance mechanisms to protect against risks to value for money from financial failure in the sector. It must also set out at the earliest opportunity a long-term financial plan for the sector that includes sufficient funding to address specific service pressures and secure the sector's future financial sustainability.

Wider government

The Department's capacity to secure the sector's financial sustainability in the context of limited resources is shaped by the priorities and agendas of other departments. The Department's improvements in understanding and oversight are necessary but not enough. Equally, because responsibility for services is dispersed across departments, each department has its own narrow view of performance within its own service responsibilities. There is no single central understanding of service delivery as a whole or of the interactions between service areas. To date, the current spending review period has been characterised by one-off and short-term funding fixes. Where these fixes come with restrictions and conditions, this poses a risk of slowly centralising decision-making. This increasingly crisis-driven approach to managing local authority finances also risks value for money.

The current trajectory for local government is towards a narrow core offer increasingly centred on social care. This is the default outcome of sustained increases in demand for social care and of tightening resources. The implications for value for money to government from the resulting re-shaping of local government need to be considered alongside purely departmental interests. Departments need to build a consensus about the role and significance of local government as a whole in the context of the current funding climate, rather than engaging with authorities solely to deliver their individual service responsibilities.

The full report is available to download from the NAO website.

<https://www.nao.org.uk/report/financial-sustainability-of-local-authorities-2018/>

2. NATIONAL PUBLICATIONS (CONTINUED)

3. Transformation guidance for audit committees, National Audit Office, May 2018

The NAO has published a short, focused and useful guide for Audit Committees covering the key questions Audit Committees should consider covering in the various phases of any organisation's transformation agenda. NAO summarise the guidance as follows:

Transformation programmes can be highly complicated and risky. This guidance assists those overseeing them by setting out questions committees should ask during set-up, delivery and live-running phases.

The government continues to aim to make significant savings and improve services by transforming organisational models and ways of working. For such programmes to achieve their intended benefits they must deliver a step-change in operations and service delivery – and not just, for example, a headcount reduction, or a new online means of accessing existing services.

Understanding and overseeing transformation programmes is harder than for more traditional programmes for three reasons. Firstly, transformation programmes can be very broad and organisations can be quite vague about intended outcomes. Secondly, they can evolve and change over time. Thirdly, it can be difficult to measure and evidence the real impact and know when a programme has succeeded or when it should close.

This guidance helps audit committees to encourage clarity about what management intends by transformation, how services will change, and the strategy for achieving the objectives. It sets out questions and the evidence and indicators to look out for at three stages:

- **Set-up:** including vision, strategy, governance, architecture and the evolving nature of transformation.
- **Delivery:** covering change and implementation, and service and performance management.
- **Live-running and benefits realisation:** looking at people, process and technology.
- Given the central role that data plays in transformation, the guidance also provides questions audit committees can ask about the role and management of data.

The NAO guidance is based on our previous work and provides links to other government guidance and NAO resources.

It can be found at this link:

<https://www.nao.org.uk/report/transformation-guidance-for-audit-committees/>

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 – 26th June 2018

Annual Governance Statement 2017/18



Report of the Chief Finance Officer (Section 151)

Ward(s) affected: All

1. Purpose of Report

- 1.1. To present the Draft Annual Governance Statement for 2017/18 for consideration and approval by Committee, and sign off by the Chair of the Audit Committee and the Chief Executive.

2. Recommendation

- 2.1. Members are recommended to approve the Annual Governance Statement which will form part of the Statement of Accounts 2017/18.

3. Annual Governance Statement (AGS)

- 3.1. Governance comprises the arrangements put in place by the Council to ensure that the intended outcomes for stakeholders are defined and achieved.
- 3.2. The Council operates a governance framework which brings together an underlying set of legislative requirements, governance principles and management processes, as set out in the Local Code.
- 3.3. The Code reflects the core principles taken for the delivery of good governance taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) as contained within the Delivering Good Governance in Local Government: Framework (updated April 2016) developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE).
- 3.4. The CIPFA/SOLACE Framework defines proper practices for the form and content of a governance statement that meets the requirement to prepare and publish a statement of internal control. The preparation and publication of an AGS in accordance with the CIPFA/SOLACE Framework meets the statutory requirements set out in Regulation 4(2) of the Accounts and Audit Regulations which requires authorities to “conduct a review at least once a year of the effectiveness of its system of internal control” and to prepare a statement on internal control “in accordance with proper practices.
- 3.5. In common with most local authorities, the Council has a well-established system of internal control in place. The review of effectiveness formally demonstrates that these controls are operating effectively and if they are not then identify areas for improvement.

- 3.6. The AGS provides public assurance that the Council has a sound system of internal control, designed to help manage and control risks that will impede the achievement of its objectives. The AGS should not be seen as a purely financial requirement, but as an important public expression of what has been done and how priorities have been set out and monitored. The requirement for it to be signed by the Chair of Audit and Governance Committee and the Chief Executive reflects the importance with which it is viewed.
- 3.7. Whilst all meetings of the Authority and its Committees are an integral part of our corporate governance framework, the Audit and Governance Committee has a specific role which is key to its operation. The Committee should determine whether it is satisfied that the review process has been rigorous and thorough.
- 3.8. The AGS sets out the significant governance issues outstanding at the end of 2017/18 and the proposals for addressing them during 2018/19. Committee Members should ensure that they are satisfied with the corrective actions being proposed.
- 3.9. The External Auditor will be considering the AGS as part of the review of the Statement of Accounts for 2017/18. The Auditor is required to issue an opinion on the accounts and “sign them off”.
- 3.10. Members are recommended to approve the Annual Governance Statement which will form part of the Statement of Accounts 2017/18.

4. Implications

4.1. Financial and Value for Money Implications

None arising directly from this report.

4.2. Legal implications

The Council is required to publish an Annual Governance Statement (AGS) which must accompany its Annual Statement of Accounts in compliance with the Accounts and Audit (England) Regulations 2015 – Regulation 6(1)b.

4.3. Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

4.4. Risk Management

Implementation of measures to improve the Council's governance arrangements help to mitigate against Corporate Governance risks.

4.5. Equality Analysis

An equality impact assessment has not been completed against the Annual Governance Statement does not directly invoke any changes to policy, strategy, procedure or function.

5. Consultation with Others

CLT, Corporate Governance Working Group, SLT, Internal Audit Manager,

6. Access to Information : Background Documents

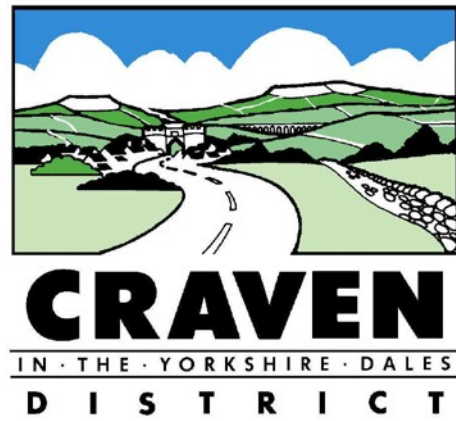
CIPFA – Delivering Good Governance in Local Government.
Local Code of Governance

7. **Author of the Report**

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8. **Appendices**

Appendix 1 - Annual Governance Statement 2017/18



DRAFT

ANNUAL GOVERNANCE STATEMENT

2017/18

Annual Governance Statement (AGS)

Scope of Responsibility

Craven District Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The Council has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

In discharging these overall responsibilities, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which include arrangements for the management of risk.

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

A copy of the Local Code can be obtained from the Council's website www.cravendc.gov.uk or by writing to: - Financial Management, Craven District Council, 1 Belle Vue Square, Broughton Road, Skipton, North Yorkshire, BD23 1FJ.

This Statement demonstrates how Craven District Council has complied with the Code and meets the requirements of Regulation 6 of the Accounts and Audit (England) Regulations 2015, which require the Council to prepare an annual governance statement.

The Purpose of the Governance Framework

The Governance Framework comprises the systems, processes cultures and values, by which the Council is directed and controlled and the activities through which it accounts to, engages with and, where appropriate, leads the community. It enables the Authority to monitor the achievements of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost effective services.

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Craven District Council's policies, aims and objectives, to evaluate the likelihood of those risks being realized and the impact should they be realised, and to manage them efficiently, effectively and economically.

This statement gives assurances on compliance with Craven District Council's governance framework for the year ending 31 March 2018 and up to the date of approval of the Statement of Accounts for 2017/2018.

Annual Review of Effectiveness

Craven District Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework, including the system of internal control.

In preparing the Annual Governance Statement for 2017/18, the Council has reviewed the effectiveness of the principles and mechanisms to secure good governance in place as outlined in the Local Code of Governance.

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

Review of the governance framework is overseen by the Council's Strategic Finance Manager (s151 Officer) and undertaken by the Corporate Governance Working Group consisting of the Corporate Leadership Team (CLT) and representatives of the service managers that form the Council's Senior Leadership Team (SLT).

The review of effectiveness is informed by the work of the Corporate Leadership Team (CLT) who have responsibility for developing and maintaining the governance environment, the Internal Audit Services Manager's annual report, and also by the comments made by external auditors, and other review agencies and inspectorates.

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

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

Specific Assurances

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

• Chief Finance Officer, Section 151 Officer

In accordance with the CIPFA statement on the role of the Chief Financial Officer, they must provide assurance in a number of governance arrangements including those relating to financial decision making, financial accounting and reporting, internal control, and risk management, in order to protect that financial control is exercised consistently, and that the organisation implements appropriate measures to protect its assets from fraud and loss. These assurances have been considered through the review of our governance arrangements, and it has been established that the Council's arrangements confirm to the CIPFA requirements.

• Chief Information Officer

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

- **Audit Services Manager**

The 2017/18 financial year was the third year of a three year shared service arrangement between Craven District Council and Harrogate Borough Council.

This arrangement has been renewed and will continue for a 3 year term from 1 April 2018 year to 31 March 2021 with provision for an additional 2 year extension beyond that period.

The overall opinion of the Council's Internal Audit is that:

“.....Governance: This concerns the combination of protocols, procedures and structures in place to inform, direct, manage and monitor activities towards the achievement of the Council's objectives. The opinion is that generally speaking, adequate and effective arrangements are in place. The Annual Governance Statement sets out those arrangements and I can confirm that

“.....Risk Management: The Council has adequate arrangements in place with risk management being embedded within the Authority. This is based on Internal Audit's experience together with a review of the Risk Management Strategy and risk registers (both corporate and specific (recent examples include, Skipton Town Hall refurbishment, Health and Safety). There is also robust challenge by Members when risk registers are submitted to the Audit and Governance Committee for consideration and approval.” Audit and Governance Committee appointed its Independent Member to be its representative on the Risk Management Group. His remit is to report back to the Committee the scope for improving effectiveness of the Council's arrangements and provide suggestions for areas of focus. However, due to recent changes in approach, risk management is now considered and integrated into the work of the Senior Leadership Team (SLT) replacing the work of the former Risk Management Group, and arrangements need to be put in place to ensure the continued involvement of the Independent Member during 2017/18.

“.....Internal Control: Generally, fundamentally sound systems of internal control are in place. During 2017/2108 seven internal audits have been concluded and opinions used, 57% received a good level of assurance and 43% significant level of assurance. “significant” or “good”.

- **External Audit**

The external audit of the Council is provided by Mazars. Whilst external auditors are not required to form an opinion on the effectiveness of the Council's risk and control procedures, their work does give a degree of assurance. The Council believes that a proactive relationship with the Mazars strengthens its governance arrangements. Regular meetings have taken place to cover corporate matters and accounting and internal audit matters.

Conclusions and significant issues arising in 2017/18 are included in their report to those charged with governance. There were no significant issues from the 2016/17 Audit.

- **Local Government Ombudsman**

The Local Government Ombudsman Annual Review letter was reported to the Council's Standards Committee in September 2017. The report considered 7 complaints referred to the Ombudsman in for the year ended 31 March 2017. Of the complaints received, none were upheld. 5 were referred back to the Council for local resolution, none were considered incomplete/invalid and 2 were closed after initial enquiries.

The Review letter for the year ended 31 March 2018 is expected in July 2018.

Performance against the Local Code of Corporate Governance

The Council considers that its governance arrangements continue to be regarded as fit for purpose and comply with our Local Code of Corporate Governance which sets out the detail of the Council's Governance Framework.

In undertaking our review of effectiveness we have assessed our performance against the detailed arrangements set out in our Local Code.

The Council has assessed and confirms that arrangements detailed within the Local Code are in place and no significant weaknesses to our governance arrangements have been identified.

However, in doing so we have identified a number of areas for improvement to form part of our Governance Improvement Plan.

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

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

Review of Governance Improvement Actions

In undertaking our annual review of effectiveness for 2017/2018 we have considered the progress we have made during 2017/2018 in the implementation of our Governance Improvement Plan.

This was set out in our 2016/2017 Annual Governance Statement and identified 19 actions we would take to improve our performance against governance arrangements set out in our Local Code.

We have made good progress and consider the actions listed below as completed.

Ref	Action to Improve Governance Arrangements	Link to Principle	Completion Date
1.	Constitution - Undertake a light touch review of the Constitution	A	October 2017
6.	Website Engagement - Implement the Council's new website	C	December 2017
11.	PDR Process - Review and improve the effectiveness of the Council's staff Performance Development Review (PDR) process	E	March 2018
16.	Data Protection - Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations	F	Largely completed – but some work to continue to June 2018 – so also rolled forwarded into our 2018/19 plan.
19.	Effective Accountability - Participate in Local Government Association led Peer Review and develop an action plan to respond to improvement recommendations	G	September 2017 – Peer Review Completed Action Plan - January 2018

Implementation of the remaining actions is ongoing or requires further improvements; other intended actions during 2017/18 are outstanding. These actions have been integrated into our updated Governance Improvement Plan for implementation during the 2018/2019 financial year.

Further information on our 2017/2018 Annual Review of Effectiveness and our updated Governance Improvement Plan is detailed on the following pages.

Review of Effectiveness for 2017/2018

Principle	
Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law Supporting Principles <ul style="list-style-type: none"> • Behaving with integrity • Demonstrating strong commitment to ethical values • Respecting the rule of the law 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some areas for continual improvement.
Commentary	<p>The Council's Constitution is subject to annual review and update. A light touch review was presented to Council in October 2017. Further review and update will continue.</p> <p>A review of the Whistleblowing Policy was undertaken and approved following its final presentation to Standards Committee in March 2018</p> <p>The Council's Member and Officer Code of Conduct explicitly follow the seven principles of work in public life (Nolan Principles). The Council's Core Values are linked to the same principles and the annual staff award programme also focus on demonstrating the Code Values. However, there is further work required to develop and embed understanding of those linkages amongst Officers at all levels.</p>
Link to Improvement Actions	1 and 2

Principle B - Ensuring openness and comprehensive stakeholder engagement Supporting Principles <ul style="list-style-type: none"> • Openness • Engaging with individual citizens and service users effectively 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	<p>We have a range of processes and mechanisms in place to consult with stakeholders. We have had successes in with working with a number of groups such as the Friends of Aireville Park in delivering a number of new facilities within Aireville Park, Skipton, through matched funding and fundraising efforts.</p> <p>The Council has signed up to the North Yorkshire Joint Principles for consultation and we have a range of processes and mechanisms in place to consult with stakeholders and citizens. However, we have identified that there is an opportunity to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services, through the work of our Senior Leadership Team.</p> <p>Whilst the Council engages with a number of outside bodies through representation from Craven District Council Members, we have identified an opportunity to improve understanding of this work amongst all Members and Senior Officers through developing Member reporting on this work to Council.</p> <p>The Council implemented its new website in December 2017. We will make it easier for the public to contact their local Councillor through enhancements to the Contact Your Councillor section of our website during 2018.</p>
Link to Improvement Actions	3 and 4

Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits Supporting Principles <ul style="list-style-type: none"> • Defining outcomes • Sustainable economic, social and environmental benefits 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with some minor areas of improvement required.
Commentary	The Council's policy making and decision making processes take into account the financial, legal, risk and equality impact of decisions. However, we recognise the need for greater consideration of wider economic, social and environmental impacts in our decision making processes.
Link to Improvement Actions	
5	

Principle D - Determining the interventions necessary to optimise the achievement of the intended outcomes Supporting Principles <ul style="list-style-type: none"> • Determining interventions • Planning interventions • Optimising achievement of intended outcomes 	
Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>We have identified an opportunity to improve our approach to project implementation and management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources. A Programme Office was established in early 2018 to lead on this work following the outcomes of the Peer Review.</p> <p>We are continuing to review and strengthen our approach to procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community.</p> <p>During 2018 we have actively participated in the review of the National Procurement Strategy through our membership of the Regional Strategic Procurement Group. An updated Council Procurement Strategy will be agreed during the 2018/19 financial year to mirror the national and regional priorities for procurement.</p> <p>The Council has agreed a Value for Money Framework detailing the principles and actions for securing value for money in service delivery. The Framework will be reviewed and updated during 2018/2019.</p>
Link to Improvement Actions	
6, 7 and 8	

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

Supporting Principles

- Developing the entity's capacity
- Developing the capability of the entity's leadership and other individuals

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.	
Commentary	<p>We have an agreed induction programme in place for officers, however, we have identified that these arrangements may not be operating consistently across all services. We will be undertaking a review to identify gaps and make improvements to our induction process going forward as necessary.</p> <p>We have effective arrangements in place to identify and respond to training needs through our annual Training Plan and Member training programmes. However, we have identified training for new Members as an area for further improvement, which requires continual focus due to the Council undertaking elections in thirds.</p>	
Link to Improvement Actions		9 and 10

Principle F - Managing risks and performance through robust internal control and strong public financial management

Supporting Principles

- Managing risk
- Managing performance
- Robust internal control
- Managing data
- Strong public financial management

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.	
Commentary	<p>We have continued to review our corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed. An Internal Audit of our risk management arrangements concluded in April 2018. We will continue to improve our approach to risk management during 2018/19 as we respond to the findings and recommendations of the Internal Audit.</p> <p>During 2016/17 Internal Audit undertook work to assess the Council's arrangements in place to protect against the risk of fraud and corruption based on the CIPFA Code of Practice, we have made good progress in the implementation of our action plan first approved by Audit & Governance Committee in January 2017. Further work on outstanding actions is required over the next financial year.</p> <p>The work of internal audit in local authorities is now governed by the Public Sector Internal Audit Standards (PSIAS). These took effect from April 2013 (revised 1st April 2017) and it is a legal requirement for local authorities to comply with them. The PSIAS state that at least once every five years, local authorities are required to commission a review to see how far their internal audit service meets the Standards. Craven commissioned its external auditors, Mazars LLP, to review its Internal Audit Services during March 2014.</p> <p>Whilst the overall conclusion of the review was that Internal Audit is "substantially compliant", with required standards, it identified a number of areas where there was scope for improvement. All actions included in the improvement plan have now been implemented, with the exception of developing an assurance map which will now be completed in 2018 as part of the 2018/19 Audit Plan.</p> <p>We have continued to implement our action plan in relation to compliance with the new General Data Protection Regulations that come into force in May 2018, and have completed most actions intended during 2017/18. However, some work will continue in June/July 2018 and will then keep ongoing compliance under regular review.</p>	
Link to Improvement Actions		11, 12, 13 and 14

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

Supporting Principles

- Implementing good practice in transparency
- Implementing good practices in reporting
- Assurance and effective accountability

Overall Assessment	We consider that we are meeting our arrangements to meet this principle as set out in our Local Code, but with more significant areas of improvement required.
Commentary	<p>The Council is currently developing a number of new partnerships to deliver a range of projects. We need to instigate appropriate governance arrangements for these new partnership arrangements; which include the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Partnership, and ensure we embed review of partnership performance within the Council's performance review and monitoring arrangements.</p> <p>We remain committed to publishing a range of data under the Data Transparency Guidelines, however to ensure we continue to meet requirements, we have identified the need to raise awareness of requirements and improve ownership within a number of services impacted upon by staff changes within the last year. There are also opportunities for improvement arising from the implementation of the new website.</p>
Link to Improvement Actions	15 and 16

Governance Improvement Plan for 2018/2019

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
1.	Constitution - Undertake a light touch review of the Constitution	A	Solicitor to the Council and Monitoring Officer	March 2019
2.	Nolan principles - Further develop and embed understanding of the Nolan Principles and the linkages between them and the Council's Officer Code of Conduct and Core Values amongst Officers at all levels throughout the Council	A	Solicitor to the Council and Monitoring Officer /Senior Leadership Team (SLT)	March 2019
3.	Consultation and Engagement - Work to further develop understanding of and embed the North Yorkshire Joint Principles for Consultation across all services	B	Director of Services/ Senior Leadership Team (SLT)	March 2019
4.	Member Engagement - Enhance approaches to Member engagement through improvements to the Contact Your Councillor section of the Council's website and Member reporting on their work with Outside Bodies	B	Solicitor to the Council and Monitoring Officer /Member Services Manager	December 2018
5.	Economic, Social and Environmental Impacts – Improve our approach to ensure greater consideration of wider economic, social and environmental impacts of policy decisions in our decision making processes	C	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2019
6.	Project management - Improve our approach to project management to ensure that the range of improvement projects implemented across Council services are done so effectively to maximise outcomes and make best use of resources.	D	Corporate Leadership Team (CLT)/ Programme Office	March 2019
7.	Procurement - Review the procurement to ensure arrangements continue to be fit for purpose, secure value for money, and contribute the achievement of added value (social value) within the community including publication of an updated Procurement Strategy, improved use of E Tendering, staff training and development, and improved supplier engagement and contract management	D	Chief Finance Officer/ Exchequer and Performance Manager	March 2019
8.	Arrangements to secure value for money - Review and update of the Council's Value for Money Framework	D	Chief Finance Officer / Exchequer and Performance Manager	March 2019
9.	Officer induction - Review and improve the effectiveness of the Council's approach to Officer Induction	E	Chief Executive/ Senior HR Manager	March 2019
10.	Member training - Review and improve the Council's approach to training for new Members	E	Chief Executive/ Member Services Manager	March 2019

Ref	Action to Improve Governance Arrangements	Link to Principle	CLT Lead/ Lead Officer(s)	Expected Completion
11.	Risk Management - Implement the revised corporate approach to risk management to ensure arrangements are fully embedded within the culture of the organisation, are fit for purpose and identified risks effectively addressed.	F	Chief Finance Officer/ Senior Leadership Team (SLT)	March 2019
12.	Counter Fraud and Corruption - Further strengthen Counter Fraud and Corruption Arrangements to drive a strong anti-fraud and corruption culture from a corporate to operational level	F	Chief Finance Officer/ Senior Leadership Team (SLT)	March 2019
13.	Internal Audit - Undertake an assurance mapping exercise to further integrate the role of Internal Audit within the Council's 'assurance framework '	F	Chief Finance Officer / Internal Audit Services Manager	March 2019
14.	Data Protection - Implement our action plan to ensure compliance with the requirements of the new General Data Protection Regulations	F	Director of Services/ Chief Information Officer	June 2018
15.	Partnership Governance - Ensure appropriate governance arrangements are instigated for and effectively embedded in Council performance review and monitoring arrangements existing and new partnership arrangements, including the Great Places Partnership with South Lakeland District Council and the Council's Joint Venture Regeneration Scheme	G	Corporate Leadership Team (CLT)/ Senior Leadership Team (SLT)	March 2019
16.	Data Transparency - raise awareness of requirements for data publication under Data Transparency Guidelines, improve ownership across services of services and look to opportunities for improvement to data publication arising from the implementation of the new website.	G	Director of Services/ Chief Information Officer	March 2019

We will address the issues identified above to further enhancing our governance arrangements. We are satisfied that these steps will address the need for improvements identified in our review of effectiveness and we will monitor their implementation and operation as part of our next annual review.

Signed Councillor C Harbron Chairman of the Audit & Governance Committee	Signed Paul Shevlin Chief Executive
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Audit & Governance Committee – 26 June 2018

Update on the Counter Fraud and Corruption Arrangements Action Plan – Outstanding Actions



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

- 1.1 To present to Members with an analysis of the Counter Fraud and Corruption Arrangements Action Plan elements that still require further work.

2. Recommendations

- 2.1 Members note the elements of the Action Plan that are still to be delivered or require further work.

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. The report to the meeting of Audit & Governance Committee on 13 March provided an update on the action plan. Members requested that a further report be brought to the next meeting identifying the elements that require further work or are still to be delivered of which there are 22 and these are identified at Appendix A. Appendix B contains the completed actions which total 46.
- 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.
- 3.5 The Council does not currently subscribe to the CIPFA Counter Fraud Service and this is something that will need to be considered for the reassessment.

4. Implications

4.1 Financial and Value for Money Implications

None as a consequence of this report. However should additional resources be required to address any of the issues then there will be a financial consequence. To enable re-measurement there will need to be a subscription paid to CIPFA of £2,300.

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

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8. Appendices

Appendix A –Action Plan – Actions Outstanding.

Appendix B – Actions considered completed or progressed and embedded.

FRAUD ACTION PLAN – ACTIONS OUTSTANDING
APPENDIX A

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Target Date	Progress	Revised Target Date
Acknowledge Responsibility							
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"> 1. Report to audit and governance annually as part of the end of year reporting. 2. Use of Core Brief to remind staff of council values and fraud/corruption issues – top tips corner. 3. Review risk section of reports to ensure that fraud risks are evaluated. 4. Review of risk register to ensure that risk of fraud is assessed as part of service and corporate risks. 	<ol style="list-style-type: none"> 1. April to June 2017 2. Commence January 2017 and continue on regular basis 3. Commence December 2016 4. Commence December 2016 	<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> July 2018 Review December 2018 Ongoing December 2018
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	<ol style="list-style-type: none"> 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. 	<ol style="list-style-type: none"> April – December 2017 June – September 2017 June – September 2017 April 2017 – March 2018 April 2017 – March 2020 	<ol style="list-style-type: none"> 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. 	

FRAUD ACTION PLAN – ACTIONS OUTSTANDING
APPENDIX A

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
Identify Risks							
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
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
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
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
Develop a Strategy							
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	March 2019

FRAUD ACTION PLAN – ACTIONS OUTSTANDING
APPENDIX A

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
Provide Resources							
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
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 &	Appropriate training to be identified.	Review December 2018
					March 2018 and ongoing	Commence 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

FRAUD ACTION PLAN – ACTIONS OUTSTANDING
APPENDIX A

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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
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
Take Action							
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
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

FRAUD ACTION PLAN – ACTIONS OUTSTANDING
APPENDIX A

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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
E2/6	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
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 / September 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 / September 2018

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
Acknowledge Responsibility							
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"> Statement prepared on threat of Fraud for review / update each year to include in AGS. Risk register to be reviewed to include threat & harm of Fraud to all identified risks from services as part of the annual review 	31 May 2017 Commence December 2016, and annually thereafter as part of reviews.	<ol style="list-style-type: none"> Council has an updated anti-fraud and corruption policy statement signed by Chair of Audit & Governance, Leader of the Council and Chief Executive. Review as part of the AGS process. Fraud threats now included as part of Risk Register review process. 	<ol style="list-style-type: none"> Annual process as part of AGS and other year-end reporting. Risk register reviewed quarterly.
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	
A2/3	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

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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	
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	
Identify Risks							
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"> 1. Review of intelligence that the council receives from various bodies and most appropriate way to disseminate to managers. 2. Include in Fraud policy the method of circulating such information 	July 2017	<ol style="list-style-type: none"> 1. Intelligence from variety of sources. E-mail awareness currently used. 2. Section 10 of the Fraud Strategy refers to methods. 	<p>Continuous annual review</p> <p>Completed</p>
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	

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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	
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	
B3/2	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
B4/2	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 highlights issues with Cyber-crime.	Commence January 2017 & continually review as part of end/start of year process.	Ongoing.	
Develop a Strategy							
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	

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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.	September 2017	Updated Anti-fraud and corruption strategy approved June 2017. Completed	Completed
				2. Strategy Reviewed on an annual basis as part of the annual review of risks and completion of the annual governance statement.	March 2018 onwards	Year-end reporting in AGS. Review of risk register to assess.	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
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	
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	

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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	
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	

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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
Provide Resources							
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	
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

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
Take Action							
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	
E1/3	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	
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	

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date	Progress	Revised Target Date
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
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	

FRAUD ACTION PLAN – ACTIONS COMPLETED
APPENDIX B

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	
E5/3	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

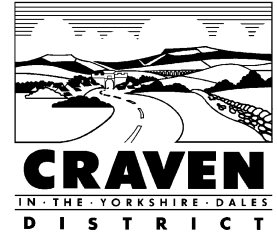
Scoring -:

Red = Never or No

Dark Amber = Sometimes

Light Amber = Partially or Regularly

Green = Always or Yes or Always without Exception



Update on the Implementation of the General Data Protection Regulation (GDPR)

Report of the Director of Services

Ward(s) affected: All

1. Purpose of Report

To provide an update to Members on the implementation of the reformed data protection arrangements across Council services since 25 May 2018.

2. Recommendations

Members invited to note the progress of implementation described in Appendices A and B.

3. Background

On 25 May 2018, the GDPR came into effect in all countries in the EU, including the UK. In addition, Parliament has also passed into law the Data protection Act 2018 ('the Act'), which repealed the previous Data Protection Act 1998. The latter legislation includes UK-specific laws which are not covered by the GDPR. The combined package of legislation places new responsibilities on organisations that handle (or process data) – particularly in terms of improved accountability, and also confers new rights on citizens of EU countries. The GDPR runs to 99 Articles, and 173 Recitals (which provide further detail in the interpretation of the Articles), and the Act consists of 215 Sections and an additional 20 Schedules. Therefore it is important to provide officers information on the more important parts of the legislation.

The previous Data Protection Act included eight 'Data Protection Principles' which governed how organisations processed personal data. The new legislation carries forward six of those Principles in more or less identical form, and includes the new 'Accountability Principle' which requires organisations to 'be responsible for, and be able to demonstrate compliance with [the six Principles]'.

For the majority of employees of organisations, particularly in public authorities, given that most of the Principles continue to apply, they should not see much change in the way that personal data is handled – organisations still have to look after personal data, ensure that it is only collected for legitimate purposes, it is kept up to date, and not retained for longer than necessary, and kept securely and not disclosed without authority. However, there are new rights of individuals, new requirements for transparency, requirements to ensure that contracts reflect appropriate data protection clauses, new rules on data breach reporting and privacy impact assessments, and a requirement to appoint a data protection officer (DPO) in public authorities. All of these requirements fall on the organisation, rather than on individual officers. The above have been summarised in various briefings to managers and staff (including a recent example attached in Appendix A). Progress on implementation of other aspects is provided in Appendix B.

4. Implications

4.1 Financial and Value for Money implications

All expenditure is contained within existing revenue budgets. There have been some changes required to certain IT systems in consequence of the need to improve record management and deletion of historical records.

4.2 Legal implications

Because these changes are consolidated into UK law, and the Council is a responsible data controller, it is important that these new requirements are embedded into the Council's protocols for handling personal data.

4.3 Contribution to Council Priorities

The effective management of personal data ensures that residents can be confident that their information is handled correctly, and contributes to the Council's corporate priority to ensure that information assets are protected so that wider objectives can be delivered without disruption.

4.4 Risk Management

Compliance with legal requirements to manage personal data is essential to support the management of information risks.

4.5 Equality Analysis

Because the reforms are UK law, no separate Equality Impact Assessment has been conducted by the Council.

5. Consultation with others

Changes to local arrangements, for example revised privacy notices, and contract revisions have been subject to consultation with individual Service Managers.

6. Access to information: Background Documents

None

7. Author of Report

David Roper-Newman, Information Governance Manager (Tel: 01756 706336)
Email address: droper-newman@cravendc.gov.uk

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

8. Appendices:

Appendix A: example briefing provided to officers
Appendix B: detailed update on progress of implementation

Example of briefing provided to officers

GDPR is almost on us – so what do managers need to be aware of?

Definition of personal data (GDPR Article 4)

Any information relating to an identified or identifiable natural person (*'data subject'*) who can be identified directly or indirectly by reference to an identifier, such as name, identification number, location data, online identifier, or to one or more factors specific to the physical, physiological, genetic, mental, economic, cultural or social identity of that natural person.

Privacy Notices (GDPR Article 12, 13)

Must be provided when the Council collects *personal data* from individuals, and describes the purpose of the processing, the information collected, how it is retained, who it's shared with, and the ability for the *data subject* to receive a copy of the data, and their right to complain.

Subject Access Requests (GDPR Article 12, 15)

(Request for a copy of person's own *personal data*) Most are now free – all are handled by the DPO or the Elections Team. Now have to be replied to within a month (previously 40 days).

Data Protection by Design (GDPR Article 25)

When creating new systems or procedures involving the processing of *personal data* you must include provisions to safeguard personal data and the rights of *data subjects*.

Contract Clauses (Article 28)

All contracts that involve the processing of *personal data* must include mandatory clauses. The clauses that CLT have agreed are available from the DPO and must be incorporated in all new and existing contracts.

Data breach reporting (GDPR Art 33-34)

Any incidents involving *personal data*, for example, accidental or deliberate unauthorised disclosure to a third party, or loss, compromise or destruction, must be reported to senior management and the Data Protection officer (DPO) immediately, to consider further action/notification (Security Incident Report Form on the intranet).

Data Protection Impact Assessments (DPIA) (GDPR Article 35)

All new processing activities involving IT processes in particular, of *personal data*, must be subject to a DPIA, before the processing starts, or when processing operations are changed. Submit all cases to the Chief Information Officer. DPO has to sign off.

The General Data Protection Regulation (GDPR)

What's the same?

- Organisations must protect people's information (*'personal data'*)
- Six of the current eight Data Protection Principles remain (including fairly and lawfully processed, must be collected for limited purposes, adequate, relevant and not excessive, accurate and kept up to date, kept no longer than necessary, processed and kept in a secure manner)

What's different?

- GDPR is **binding across EU, including UK**, and is not affected by Brexit.
- GDPR applies to **data controllers and data processors** (DPA 1998 only applies to data controllers).
- Definition of ***personal data* is wider than now** (modernised, e.g. online identifiers).
- Greater **accountability requirements on organisations**.
- Data Breaches **mandatory reporting to ICO and within 72 hours**.
- **Subject Access Requests** (currently maximum fee for access of £10) **free under GDPR, and response in a month** (currently 40 days).
- ICO **maximum fines for non-compliance much higher** under GDPR.
- New rights for *data subjects* including **objection to and restriction of processing**, and right to receive **compensation for material and non-material damage**.
- Nearly all public authorities have to appoint a **Data Protection Officer**.
- Where **consent** for processing is required, has to be **freely given, specific and informed – no pre-ticked boxes**. Consent can be withdrawn at any time.
- Where children's *personal data* is involved, **parental consent is required**.
- **New fee structure for organisations**.

GDPR implementation – Update on progress

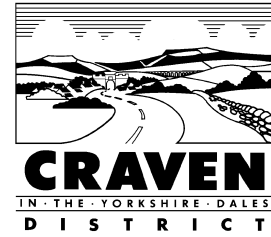
The Council has followed the Information Commissioner's 12-steps to GDPR in managing implementation of the reformed data protection scheme

The following table describes those steps, and provides details of the Council's progress to date.

<p>Step 1: Awareness (Make sure that decision-makers and key people in the organisation are aware that the law is changing to GDPR. They need to appreciate the impact that this is likely to have)</p> <p><i>Update: Various briefings have been provided to managers and staff, some via Core Brief, and others, particularly to senior managers, targeted on a need to know basis. The latest briefing to managers is attached in Appendix A. Discussions are taking place on improving awareness of elected members. Briefings have also been provided to a number of parish liaison meetings, including clerks, and a number of elected District Council Members.</i></p> <p><i>The Audit and Governance Committee is an ideal opportunity to provide suggestions for improving the awareness of elected Members.</i></p>
<p>Step 2: Information the Council holds (Document what personal data is held, where it came from, and who it is shared with. There may be a need to organise an information audit)</p> <p><i>Update: An information audit was commenced last year and is still being completed. Article 30 of the GDPR requires that a 'Record of Processing Activities' is prepared and this was completed in early 2018.</i></p>
<p>Step 3: Communicating privacy information (Review the current privacy notices and put in a plan for making any necessary changes in time for GDPR implementation)</p> <p><i>Update: At the time of writing, around 30 privacy notices have been drafted and either made available in the service areas or placed on the appropriate Council web pages.</i></p>
<p>Step 4: Individuals' rights (Check procedures to ensure that they cover all the rights that individuals have, including how the personal data will be deleted, or provided electronically or in a commonly used format)</p> <p><i>Update: Procedures for data retention are described in new privacy notices. Given that much of the personal data collected by the Council relates to specific statutory functions, some specific rights have limited impact, although those areas which may be impacted have been discussed with the relevant service.</i></p>
<p>Step 5: Subject Access Requests (Update procedures and plan how we will handle requests within the new timescales, and provide any additional information)</p> <p><i>Update: Impact is that Subject Access Requests have to be replied to within a month and are now free (previously answered within 40 days and a charge of £10 was made). The entry on the website has been revised, and as all requests are handled centrally, the impact on services is low.</i></p>

<p>Step 6: Legal basis for processing personal data (Look at the various types of data processing carried out, identify legal basis for carrying it out and document it)</p> <p><i>Update: This is being completed as part of the information audit referred to in Step 2 above. The majority of personal data processed by the Council is pursuant to tasks carried out in the exercise of official authority vested in the Council as a data controller. Other data is either processed by virtue of contractual arrangements (for example membership of Craven Leisure), or in a very limited number of cases, where consent has been obtained. The Council is unable to use 'legitimate interests' as a lawful purpose any longer.</i></p>
<p>Step 7: Consent (Review how we are seeking, obtaining and recording consent, and whether we need to make any changes)</p> <p><i>Update: Although this is being recorded as described in Step 2, discussions have been held with individual service areas where consent has been used as the legal basis of processing, and specific amendments made.</i></p>
<p>Step 8: Children (Start thinking now about putting systems in place to verify individuals' ages and to gather parental or guardian consent for the data processing activity)</p> <p><i>Update: Limited impact on the Council's services – discussions have been held with Leisure services, but processes were already complaint.</i></p>
<p>Step 9: Data breaches (Make sure that the right procedures are in place to detect, report and investigate a personal data breach)</p> <p><i>Update: Data breaches have to be reported to the Information Commissioner within 72 hours. Procedures for reporting breaches has been revised and updated including reporting form and escalation procedure.</i></p>
<p>Step 10: Data protection by design and data protection impact assessments (Improve awareness and familiarity with the ICO guidance on Privacy Impact Assessments and work out how to implement)</p> <p><i>Update: All requests for new IT have to be approved by the Chief Information Officer and this includes a mandatory check for the need for a Privacy Impact Assessment.</i></p>
<p>Step 11: Data Protection Officers (Designate a data protection officer, or someone to take responsibility for data protection compliance and assess where this role will sit within the organisation's structure and governance arrangements)</p> <p><i>Update: As a public authority, the Council is required to appoint a Data Protection officer, and that appointment was made in August 2017. Since then, the Data Protection Officer has been working to ensure that the relevant aspects of the data protection reforms are being correctly implemented across all Council service areas.</i></p>
<p>Step 12: International (If the organisation operates internationally, determine which supervisory authority will apply)</p> <p><i>Update: This does not apply to any Council services.</i></p>

Audit and Governance Committee – 26 June 2018



Exemptions granted under Contract Procedure Rules

Report of the Chief Finance Officer

Ward(s) affected: All

1. Purpose of Report

- 1.1. To report on the exemptions granted from the Council's Contract Procedure Rules from December 2017 to June 2018.

2. Recommendations

- 2.1. Members are requested to note the exemptions granted.

3. Exemptions Granted

- 3.1 Under the Contract Procedure Rules it is recognised that under certain circumstances there are occasions when it's appropriate not to seek tenders or quotations provided that an alternative method of selection can demonstrate value for money. On other occasions quotations are sought but insufficient responses are received.
- 3.2 Under the contract Procedure Rules there is one current named circumstance under which a responsible officer may seek exemption from the normal procedures.
- 3.3 The responsible officer seeking an exemption must obtain the prior approval of the Solicitor to the Council & Monitoring Officer and the Chief Financial Officer. The exemptions granted must then be reported to Audit & Governance Committee.
- 3.4 In the period December 2017 to June 2018 three exemptions have been granted. A summary of the exemptions can be found at Appendix A and Members are recommended to note these.

4. Financial Implications

- 4.1 There are no financial implications associated with this report.

5. Legal Implications

- 5.1 None

6. Contribution to Corporate Priorities

- 6.1 Procurement contributes to Council Priority Financial Sustainability by ensuring all services and products required deliver value for money.

7. Risk Management

7.1 There are no risks arising as a direct result of this report.

8. Consultations with Others - None

9. Access to Information: Background Documents – Exemption reports

10. Author of the Report

Claire Hudson, Exchequer and Performance Manager

Tel No: 01756 706493

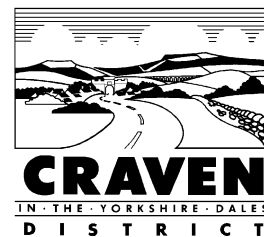
E-mail: chudson@cravendc.co.uk

**Summary of Exemptions granted from tendering under CPR 6.2 of Craven District Council's Contract Procedure Rules
December 2017 to June 2018**

Number	Date	Date of Approval	Description	Value	Reason for Exemption
1	26.1.18	8.2.18	Xpress - Elections Management System	£40,375	<p>The current contract with Xpress is on a one year rolling contract basis at a current cost of £9,779 p.a. plus inflation (RPI/CPI). Opportunity to renegotiate the contract for a 5 year fixed annual price saving £1,704 p.a. a total of £8,520 plus inflation over the 5 years.</p> <p>Exemption sought to agree the new terms.</p> <p>Exemption granted under 6.2(d) and 6.2(e)</p> <p>(d) That goods are required as a partial replacement for or in addition to existing goods or installations and obtaining them from another Provider would result in incompatibility or disproportionate technical difficulties in operation or maintenance.</p> <p>(e) That where the technical characteristics of the goods are only compatible with an existing supply or installation, such that procurement of another product other than one available from the original contractor would result in</p> <ul style="list-style-type: none"> • disproportionate technical difficulties • diseconomy • significant disruption to the delivery of Council services. • incompatibility
2	30.04.18	11.06.18	Low voltage electricity connection to the Crematorium – Non-contestable	£27,200	<p>The replacement of the two cremators at the crematorium has been tendered and the contract will commence later in the summer. The electricity supply needs to be upgraded to for the completion of the project. There is certain work that only Northern Power Grid can do (non-contestable). There is also work required that any electrical contractor can do (contestable works) and quotes are being obtained for this work.</p>

			works		<p>Northern Power Grid have provided a quote for the contestable works as well.</p> <p>An exemption is sought for the work that only Northern Power Grid can do.</p> <p>Exemption granted under 6.2(a) (a) that only one Provider is able to carry out the work or service or to supply the goods for technical or artistic reasons or because of exclusive or proprietary rights;</p>
3	30.04.18	31.5.18	VAT advice for the Cremator Replacement Project in addition to current annual subscription paid to Mazars	£4,500	<p>The majority of the income at the crematorium is exempt from VAT and special rules apply. Detailed VAT advice has been required to assess the options for the Council on the most appropriate way to mitigate as far as possible the impact of the Replacement of the Cremators project.</p> <p>When adhoc advice is required it is usual practice to ask the current service provider to give this advice as they have detailed knowledge of the Council's situation.</p> <p>An exemption is sought for this work.</p> <p>Exemption granted under 6.2(c) and 6.2(d) (c) That additional goods, works or services are required which, through unforeseen circumstances, were not included in the original contract and which are either strictly necessary for the completion of the Contract or, for technical or economic reasons, cannot be carried out separately without great inconvenience/additional costs;</p> <p>(d) That goods are required as a partial replacement for or in addition to existing goods or installations and obtaining them from another Provider would result in incompatibility or disproportionate technical difficulties in operation or maintenance.</p>

Audit & Governance Committee – 26 June 2017



Internal Audit – Implementation of Recommendations

Report of the Corporate Head, Financial Management

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@cravendc.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 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 June 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 18/19 263 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		A Business Case has been submitted to the Corporate Leadership Team, and further enquiries have been commissioned to ascertain holdings of paper documents in Belle Vue Square, and to confirm that no further documents are being submitted to the archives. Implementation has therefore been delayed because of these further enquiries. It is expected that a final decision will be reached during Summer 2018. Projected completion date - August 2018	DRN	20/04/18
C7 01 - Payroll including use of iTrent - Priority 1	IA 18/19 295 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. Payroll awaiting instruction from Service Manager/HR regarding recovery action. Reasons for Delay - Decision pending with Service Manager Projected completion date - 30/06/2018	CH	17/04/18
C7 08 - National Fraud Initiative (NFI) - Priority 1	IA 18/19 316 Update the fair processing notices on all forms and correspondence on all key systems.	C7 08 - Jul 2017	Financial Management	Green		All forms now reflect the new Fair Processing Notice.	JH	03/05/18

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C7 08 - National Fraud Initiative (NFI) - Priority 1	IA 18/19 319 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		The number of outstanding matches is included in the quarterly performance reports that are presented to the quarterly Value for Money Clinics. These were last held on the 14th and 15th of May. A decision will be taken in the second quarter of 2018/19 as to the most appropriate time to submit a summary report to CLT and Audit and Governance Committee.	JH	03/05/18
C7 04 - Licensing 2016/17 - Priority 1	IA 18/19 323 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 when renewed or accessed for other reasons. The remainder of the historic information will form part of the digitisation project. Reasons for delay - Officer time and awaiting start of project to batch scan records. Estimated completion date - not yet known. (See IA 18/19 263 above)	DB	11/06/18
C8 08 - Information Governance - Priority 1	IA 18/19 352 Continue the implementation of the strategic approach and to implement actions for those areas already identified that require improvement	C8 06 - May 2018	ICT	Green		A number of actions have already been taken and implemented. The Council will conform to the main requirements of the GDPR by May 2018, and any residual work to require full compliance will be completed by the end of 2018.	DRN	20/04/18

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Appendix B – Audit Recommendations Completed in the Period

Source Report	Recommendation Name	Original Target Date	Service Area	Status		Latest Update	Updated by	Date
C4 08 - Data Protection - Priority 2	IA 18/19 154 Procedures should be expanded to include registering, indexing, classifying, security marking and tracking as part of the creation and maintenance of records	C4 08 - Oct 2014 A&G Nov 15 - Jan 2016	ICT	Green		A Records Management Policy has been published, and a 'Records of Processing Activities' in compliance with Article 30 of the General Data Protection Regulation has now been prepared. The majority of records created are stored and managed electronically, and the Council is taking steps to minimise the amount of personal and other data stored in hard document form. No further action is now required.	DRN	20/04/18
C6 05 - Online Payments - Priority 3	IA 18/19 276 Management should promote electronic payment to their customers in order to drive further efficiency in officer time and processes	C6 05 - Dec 2016	Financial Management	Green		Opportunities for electronic payments form part of the channel shift element of the IT implementations currently in progress and planned.	NC	16/04/18
C6 05 - Online Payments - Priority 3	IA 18/19 277 The scope and benefits of expanding the online payment facility should be investigated by Service Managers. Management should respond as to whether they consider it a feasible business decision for their service and if not their reasons	C6 05 - Dec 2016	Financial Management	Green		As part of the digitisation and channel shift projects and reviews of IT systems the feasibility of online payments will be reviewed for services. One of the aims of the implementation of the new website is to aid facilitation of this service.	NC	17/04/18

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C7 05 - Cybercrime - Priority 2	IA 18/19 308 Officer contact details in the AUP and the Data Protection Breach Policy should be updated	C7 05 - Aug 2017	ICT	Green		The new Security Incident reporting process which is compliant with the requirements of the General Data Protection Regulation has been published on the Intranet and the attention of staff drawn to the same. Reminders of the existence of the process will continue to be sent to managers and staff.	DRN	20/04/18
C7 05 - Cybercrime - Priority 2	IA 18/19 310 The creation of a second separate user account for ICT staff, from their existing Domain Admin accounts, should progress	C7 05 - Aug 2017	ICT	Green		All actions have been completed.	DRN	20/04/18
C7 05 - Cybercrime - Priority 2	IA 18/19 311 Instruction to staff should make clear to whom incidents should be promptly reported in the first instance; referencing the ICT&T Manager and the Audit Services Manager. This should bear in mind confidentiality issues so that only those who need to know about a particular incident are informed	C7 05 - Aug 2017	ICT	Green		Guidance has been published and will be refreshed as required.	DRN	20/04/18
C7 05 - Cybercrime - Priority 2	IA 18/19 313 Update of disaster recovery and business continuity documentation should be progressed	C7 05 - Aug 2017	ICT	Green		Completed, all documentation has been updated in line with the recommendation.	DRN	20/04/18
C7 08 - National Fraud Initiative (NFI) - Priority 1	IA 18/19 316 Update the fair processing notices on all forms and correspondence on all key systems.	C7 08 - Jul 2017	Financial Management	Green		All forms now reflect the new Fair Processing Notice.	JH	03/05/18

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C7 08 - National Fraud Initiative (NFI) - Priority 2	IA 18/19 317 Data quality checks, using a recognised system, should be undertaken prior to data being submitted	C7 08 - Oct 2017	Financial Management	Green		Column validation is undertaken by the NFI who get in touch with the Key Contact if there are any queries. No further action required.	JH	03/05/18
C7 08 - National Fraud Initiative (NFI) - Priority 2	IA 18/19 318 Produce a procedure guide for system owners	C7 08 - Oct 2017	Financial Management	Green		This was discussed with the Audit Services Manager on 2 May 2018 and it is now agreed that as the NFI provides comprehensive guidance notes there is no requirement for Craven to draw up its own procedure documents. This should now be treated as actioned. .	JH	03/05/18
C7 04 - Licensing 2016/17 - Priority 2	IA 18/19 324 Results of all visits to licensed premises should be recorded	C7 04 - Dec 2017	Licensing	Green		All visits are now being recorded on Uniform. This includes dates, conditions and licensable activities.	DB	11/06/18
C7 04 - Licensing 2016/17 - Priority 2	IA 18/19 330 The reclamation or refunding of any previous years' potential undercharged or overcharged premises licence annual fees should be investigated.	C7 04 - Dec 2017	Licensing	Green		Completed - The Licensing Technician went through all records and updated rateable values that were incorrect. As part of the move to Uniform this is ongoing as we check the most up to date rateable value as information is entered.	DB	11/06/18
C7 04 - Licensing 2016/17 - Priority 2	IA 18/19 331 Going forward, the Licensing Technician should check when calculating pro rata premises licence invoices that the system entered annual fee is that expected for the particular category, allowing any anomalies to be clarified with the Licensing Officer and corrected.	C7 04 - Dec 2017	Licensing	Green		Pro rata invoices are no longer issued and all rateable values are checked prior to entry on Uniform.	DB	11/06/18

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C8 14 - Procurement Cards - Priority 3	IA 18/19 345 The Council must contact Barclaycard to ensure they have set up each card holders' address as 1 Belle Vue Square and not their home address.	C8 14 - Mar 2018	Financial Management	Green		Further contracted has been made with Barclaycard and all card holder billing addresses have been updated to the Council Office address.	CH	17/04/18
C8 14 - Procurement Cards - Priority 2	IA 18/19 346 VAT receipts should support each purchase. This should be reiterated to all card holders.	C8 14 - Mar 2018	Financial Management	Green		Further reminders and requests have been issued on a monthly basis to cardholders not submitting VAT receipts with procurement card logs.	CH	17/04/18
C8 09 - Money Laundering - Priority 2	IA 18/19 349 The Money Laundering Policy should be included on the induction checklist	C8 09 - Apr 2018	Human Resources	Green		The checklist has been amended.	JH	18/04/18
C8 08 - Customer Complaints - Priority 2	IA 18/19 350 Ensure that enquiries and complaints taken at the swimming pool are also registered on the corporate complaints and enquiries register	C8 08 - Feb 2018	ICT	Green		Action completed - Leisure Centre manager has agreed that complaints that are made in accordance with the Council's Complaints Procedure will be raised as such and properly recorded on the Corporate Record.	DRN	20/04/18
C8 08 - Customer Complaints - Priority 2	IA 18/19 351 Include service as a category in the complaints register to enable reporting on a service basis. The CLT report may not regularly need the information presenting this way but having the ability to do so when required may assist with determining trends.	C8 08 - Feb 2018	ICT	Green		The action to include service area in the complaints record was completed shortly after the audit recommendation was made.	DRN	20/04/18

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C8 08 - Information Governance - Priority 1	IA 18/19 352 Continue the implementation of the strategic approach and to implement actions for those areas already identified that require improvement	C8 06 - May 2018	ICT	Green		A number of actions have already been taken and implemented. The Council will conform to the main requirements of the GDPR by May 2018, and any residual work to require full compliance will be completed by the end of 2018.	DRN	20/04/18
C8 13 -Ward Member Grants) - Priority 2	IA 18/19 364 The grants log should be amended going forward to include all applications received so that those ultimately rejected, and reasons for rejection, are monitored	C8 13 - Marr 2018	Partnerships & Communications	Green		This has been implemented	SH	19/04/18
C8 03 Business Continuity and Disaster Recovery - Priority 2	IA 18/19 368 The new business impact analysis and incident management plan templates should be completed	C8 03 - Sep 2018	ICT	Green		This action has been completed, and is part of the Disaster Recovery Plan, which itself has been completed, and copied to CLT and Internal audit.	DRN	04/05/18
C8 03 Business Continuity and Disaster Recovery - Priority 2	IA 18/19 369 The failover sequence in work instruction WI0123 should be updated to reflect the server recovery priority in the Technical Infrastructure document	C8 03 - Sep 2018	ICT	Green		The action forms part of the Disaster Recovery Plan which has been completed and copied to CLT and internal audit.	DRN	04/05/18
C8 03 Business Continuity and Disaster Recovery - Priority 2	IA 18/19 370 ICT's plan for business continuity and disaster recovery should be endorsed by senior Management	C8 03 - Sep 2018	ICT	Green		The Disaster Recovery Plan has been completed and endorsed by CLT and copied to internal audit.	DRN	04/05/18

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C8 03 Business Continuity and Disaster Recovery - Priority 2	IA 18/19 371 ICT business continuity and disaster recovery documentation should be expanded to produce a fully comprehensive plan with a testing schedule implemented that ensures annual testing	C8 03 - Sep 2018	ICT	Green		This has been completed and a testing schedule included in the relevant portfolio.	DRN	04/05/18
C8 03 Business Continuity and Disaster Recovery - Priority 2	IA 18/19 372 A copy of the disaster recovery plan and technical instructions should be securely held off site	C8 03 - Mar 2019	ICT	Green		This has been implemented.	DRN	04/05/18
C8 03 Business Continuity and Disaster Recovery - Priority 3	IA 18/19 373 An appropriate method of systems recovery testing needs to be developed and carried out	C8 03 - Sep 2018	ICT	Green		The Disaster Recovery Plan which has been completed includes the relevant process for testing.	DRN	04/05/18
C8 03 Business Continuity and Disaster Recovery - Priority 3	IA 18/19 374 The key pad code to the Town Hall's disaster recovery room should be changed when a member of staff with knowledge of the code leaves CDC employmen	C8 03 - Sep 2018	ICT	Green		A process has been put in place to ensure that the keypad code is changed when an employee with access to the code leaves the Council's employment.	DRN	04/05/18

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Appendix C – Summary of Outstanding Audit Recommendations

	Priority 1	Priority 2	Priority 3	Total
B/F 1/4/18	8	44	11	63
Less Green	2	20	5	27
	6	24	6	36
Less not yet due	2	8	3	13
	4	16	3	23

By Service Area

Bereavement Services		1		1
Financial Management	2	2	3	7
ICT	1	1		2
Legal Services	1			1
Licensing		2		2
Partnerships & Communications		6		6
Planning & Building Control		3		3
Revenues & Benefits		1		1
	4	16	3	23

By year originally due to be implemented

2014/15			1	1
2015/16	1	1		2
2016/17	1	4		5
2017/18	2	7	2	11
2018/19		4		4
	4	16	3	23

Audit and Governance Committee 26th June 2018

INTERNAL AUDIT ANNUAL REPORT 2017/18



Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

1. Purpose of Report

- 1.1 To consider the key findings and conclusions from audit work undertaken in 2017/18 and to give an opinion on the overall adequacy and effectiveness of the Council's arrangements for risk management and governance and on its internal controls.

2. Recommendations

- 2.1 Members are recommended to note the contents of the report and note the opinion given based on the audit work undertaken during 2017/18.

3. Background Information

- 3.1 2017/18 was the third year of a 3 year Shared Internal Audit Service collaboration arrangement with Harrogate Borough Council, shared arrangements having been in place under previous agreements since April 2010.

The service was hosted by Harrogate and provided 240 days per annum of audit time plus an additional 10 days per annum to be used at the discretion of Craven District Council's Chief Finance Officer (s151 Officer).

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

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

In addition, the report should:

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

- 3.3 The Council is responsible for ensuring it complies with the law and proper standards to carry out its business. As such the Council is responsible for ensuring that effective Risk Management and Governance Arrangements and Internal Controls are in place in order to deliver value for money in the use of its resources and to achieve its corporate and service objectives.
- 3.4 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of Risk Management, Control and Governance processes (PSIAS)
- 3.5 Internal Audit can provide reasonable assurance on the arrangements and controls examined. This does not imply infallibility. Internal Auditors cannot be expected to identify each weakness or irregularity. Also, Internal Audit is not an extension or substitute for management. It is for management to accept Internal Audit findings and implement recommendations or to accept the risks of not taking action.

4. Audit Approach

- 4.1 At the conclusion of all audit work undertaken, meetings have taken place between relevant service managers and chief officers to discuss and agree audit findings within our audit report. The Audit Services Manager has attended all meetings of the Audit & Governance Committee during 2017/18 to present each audit report for scrutiny and challenge. Progress reports against the approved Audit Plan have also been submitted and discussed.
- 4.2 On reporting lines, the Audit Services Manager held regular monthly meetings with the Strategic Manager – Financial Services (s151 Officer) and has also been given unrestricted access to both the Chief Executive and the Chair of this Committee. Meetings with the Chief Executive have occurred every 6 months whilst meetings with the Chair of Audit & Governance have occurred in advance of every Audit & Governance Committee meeting.
- 4.3 On individual assignments, Internal Audit liaised with relevant Managers to agree the programme of work, kept them informed of progress during the course of the audit in question and subsequently discussed findings and agreed recommendations.

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

5. Summary of Audit Findings

- 5.1 The Appendix attached to this report sets out details of all audits undertaken between 1st April 2017 and 31st March 2018. It includes details of planned audit days compared to actual days for each audit as well as the assurance level given and the number of recommendations made.
- 5.2 The Appendix shows 89% of audit work was completed by 31st March 2018 (2016/17: 89%) Any outstanding audit work from 2017/18 has been brought forward into the 2018/19 Audit Plan and will be undertaken by 31st March 2019.
- 5.3 In summary:
- All 4 audits brought forward from 2016/17 were completed during 2017/18.
 - 9 planned audits from the approved 2017/18 audit plan were completed in the year (2016/17: 9).
 - Follow up audits / 6 month reviews were completed within the year. These confirmed that good progress had been made by Management with the implementation of audit recommendations.
 - The remaining 3 audits (2016/17: 4) are in progress at the year end and will be brought to this committee as soon as possible.
- 5.4 The following assurance levels were awarded during the year:

	Audit work undertaken	Assurance Level awarded
1	ICT Business Continuity and Disaster Recovery	Good
2	New Planning System & Planning fees	Significant
3	Use of Procurement Cards	Significant
4	G4S contract	Good
5	Information Governance	Good
6	Customer Complaints	Significant
7	Risk Management	Partial
8	Member Grants	Good

9	Car Park Income	Good
10	Money Laundering	Good
11	Asset rentals and lettings income	Partial
12	Cybercrime	Good

The above results confirm that 83% (10 out of 12) of the audit work undertaken resulted in the auditor awarding either significant or good assurance score on the control environment in place. This represents continual improvement from the position reported in 2016/17 (82%); 2015/16 (67%) and 2014/15 (71%).

6.0 Quality Assurance and Improvement (QAIP)

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

6.2 The QUAIP consists of:-

- Ongoing monitoring of the performance of internal audit
- Periodic self-assessments
- Maintenance of an internal audit manual
- An external assessment which must be undertaken at least once in every 5 years by a qualified independent assessor or assessment team from outside of the Authority. This was completed during April 2014 with an overall conclusion that internal audit was substantially compliant with the PSIAS.

6.3 Ongoing Monitoring

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

6.4 Following each applicable audit, Audit Services send out a post audit questionnaire (PAQ) to the relevant Client Manager for feedback on the quality of the audit from the client perspective and on whether any improvements could be made. The PAQ asks 9 questions and provides for responses ranging from "very satisfied" to "very dissatisfied". In 2017/18 100% of responses received were either satisfied or very satisfied with the work of the internal audit team.

6.5 Internal Audit also has various performance indicators which are monitored during the year. These include:-

Delivery of Audit Plan – Measured in terms of actual chargeable audit days compared to planned chargeable audit days. As at 31st March 2018 89% of the agreed Audit Plan had been delivered.

Sickness Monitoring - The total number of days recorded sick for the audit team was 5 days – well below average.

7.0 Audit Opinion

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

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

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

7.2 **The overall opinion is that, based on the audit work undertaken during 2017/18, the council’s framework of governance, risk management and internal control is satisfactory and operating effectively in practice.**

8. Implications

8.1 Financial and Value for Money Implications

The contribution paid by Craven District Council towards the cost of the Shared Service for 2017/18 was £58,000.

8.2 Legal implications

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

8.3 Contribution to Council Priorities

Council Transformation

8.4 Risk Management

The internal Audit function is an integral part of internal control. The major risks to the provision of the service to Craven include:-

- Insufficient resources and capacity – for example due to long-term sickness or vacant posts. If this situation arises it will be addressed by the Internal Audit Shared Service Partnership Board, reporting to the respective audit committees of the two Councils if necessary.

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

8.5 **Equality Impact Assessment**

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

9. **Consultations with Others**

Strategic Manager – Finance Services (S151 Officer)

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

None

11. **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. Email kim.betts@harrogate.gov.uk)

12. **Appendices**

Appendix 1 – Internal Audit Plan 2017/18

APPENDIX 1

INTERNAL AUDIT PLAN 2017/18

Audit Work	Planned Days	Actual Days	Assurance Level	Number of Recommendations
6 Month Review/Follow up work:				
Follow up of recommendations	2	2	N/A	N/A
2016/17 audits b/fwd.				
Planning fees including review of the system	30	30	Significant	9
Asset rentals and lettings income	35	34	Partial	9
Joint Venture	5	5	N/A	N/A
Cybercrime	5	5	Good	6
2017/18 Audits				
Money Laundering	10	9	Good	3
ICT Business Continuity and Disaster Recovery	15	17	Good	7
Use of Procurement Cards	15	15	Significant	4
G4S contract	15	15	Good	4
Information Governance	15	15	Good	1
Customer Complaints	20	22	Significant	2
Risk Management	15	22	Partial	9
Members Grants	10	15	Good	7

Car Park income	15	17	Good	8
Duplicate payments	1	2	N/A	N/A
Audits c/fwd into 2018/19				
Software Asset Management	15	15	To be determined	N/A
Council Tax and NNDR	30	30	To be determined	N/A
Trade Waste	12	3	To be determined	N/A
Contingency (CDC discretion) – Not paid for unless days are required	10	0	N/A	N/A
CDC Auditing Reporting / Committee Papers / Audit Reviews /	20	22	N/A	N/A
Totals	295 ¹	295		

1. This includes the 55 days b/fwd. from 2016/17