

Audit and Governance Committee

**6.30pm on Tuesday, 24th January 2017
in the Belle Vue Suite, Belle Vue Offices, Skipton**

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

AGENDA

Exclusion of the Public: In accordance with the Council's Access to Information Procedure Rules, Members are recommended to exclude the public from the meeting during consideration of Item 6aii on the grounds that it is likely that if members of the public were present there would be disclosure to them of exempt information as defined in Paragraph 3 (relates to the financial or business affairs of any person including the Authority holding that information) of those Rules and Part 1 of Schedule 12A of the Local Government Act 1972 (as amended).

1. **Apologies for absence**
2. **Confirmation of Minutes** of meeting held on 15th November 2016. Note : A copy of the action check sheet for this meeting is also attached.
3. **Public Participation** – In the event that any questions/statements are received or members of the public attend, the public participation session will proceed for a period of up to fifteen minutes.
4. **Declarations of Interest** – All Members are invited to declare at this point any interests they have in items appearing on this agenda, including the nature of those interests and whether they wish to apply the exception below.

(Note: Declarations should be in the form of:
a "disclosable pecuniary interest" under Appendix A to the (new) Code of Conduct, and
"other interests" under Appendix B or under Paragraph 14 where a matter arises at the meeting which relates to a financial interest of a friend, relative or close associate, in which case the Member must leave the meeting room.

[Exception: Where a member of the public has a right to speak at a meeting, a Member of Council who has a disclosable pecuniary interest has the same rights and may make representations, answer questions or give evidence, but at the conclusion of that, must then leave the room and not take part in the discussion or vote.)

<i>Note of Agenda Item No. and type of Interest to be Declared at this Meeting:</i>
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5. **External Audit : Grants Certification Work 2015-16** – External Auditor’s letter reporting the findings of certification work on grant claims / returns. Attached.

Purpose of Item – To enable the External Auditor to present the findings of grant certification work carried out for 2015/16.

6. **Internal Audit (a) Internal Audit Reports** – Reports of the Audit Services Manager. Attached.

- i. Disabled Facilities Grants
- ii. Garden Waste Collection (**Excluded Item**)

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

- (b) Internal Audit Plan 2016-17 Progress Report** – Report of the Audit Services Manager. Attached.

Purpose of Item – To update Committee Members on the progress made against the 2016/17 Internal Audit Plan up to 31st December 2016.

7. **Contract Procurement : Local Framework Agreement** – Report of the Director of Services. Attached.

Purpose of Item – To inform Members that the Council is seeking to develop a local framework agreement for the procurement of contractors to undertake building construction and small development works within Craven.

- 8 **Contract Procedure Rules : Exemptions** – Report of the Strategic Manager Financial Services and Section 151 Officer. Attached.

Purpose of Item – To report on the exemptions granted from the Council’s Contract Procedure Rules from July 2016 to December 2016.

9. **Regulation of Investigatory Powers Act** – Report of the Monitoring Officer. Attached.

Purpose of Item – To advise the Committee on the Council’s use of covert surveillance under the Regulation of Investigatory Powers Act 2000 since June 2016.

10. **CIPFA Code of Practice Fraud Assessment Audit : Action Plan** – Report of the Strategic Manager Financial Services and Section 151 Officer. Attached.

Purpose of Item – To present to Members a proposed action plan to address the issues identified in the Internal Audit Review of the Council’s counter fraud and corruption arrangements.

11. **Independent Member Appointment** – Report of the Strategic Manager Financial Services and Section 151 Officer. Attached.

Purpose of Item – To recommend to Council the re-appointment of Mr Greg Robinson as the independent member on Audit and Governance Committee.

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

Agenda Contact Officer: Chris Waterhouse,
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16th January 2017.

Emergency Evacuation Procedure

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

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

Recording at Council Meetings

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

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

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

Committee Terms of Reference

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

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

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

- ensure the effective development and operation of corporate governance within the Council and to maintain the Council's Constitution : the Standards Committee to be consulted on the review of any codes and protocols that relate to the ethical framework;

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

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

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

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

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

AUDIT AND GOVERNANCE COMMITTEE

15th November 2016

Present – The Chairman (Councillor Harbron) and Councillors Barrett, Hull, Lis, Morrell, Rose and Whitaker. Independent Person : Greg Robinson.

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

Apologies for absence were received from Councillors Brockbank and Place.

Start: 6.30pm

Finish: 8.03pm

Councillor Lis arrived at 6.42pm

The minutes of the Committee's meeting held on 27th September 2016 were confirmed and signed by the Chairman, subject to it being recorded that Councillor Hull had tendered her apologies to the meeting.

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.270(c) and 272, (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.269

EXTERNAL AUDIT – ANNUAL AUDIT LETTER

Further to Minute AC.243/15-16, the External Auditors submitted their Annual Audit Letter for the 2015/16 financial year. The final fee for the audit had amounted to £52,879. The Chairman welcomed Mark Kirkham, of Mazars LLP, who had taken over responsibility from Cameron Waddell as the company's engagement lead for delivery of the Council's external audit. Mr Kirkham was accompanied by Nicola Hallas, Manager, also of Mazars.

The Letter summarised the work and findings of the 2015/16 audit and key messages arising from the audit of the Council's financial statements which were

- An unqualified opinion on the Council's 2015/16 financial statements had been issued.
- The Council had proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources; an unqualified value for money conclusion had been issued.
- The major challenges facing the Council in the coming years included:
 - sustaining income levels;
 - containing expenditure within budget parameters;
 - realising savings that had been built into the budget and delivering the projects on the income and savings plan going forward; and
 - the continued uncertainty around the business rates retention scheme.

The 2016/17 audit would focus on the risks the above challenges presented to the Council's financial statements and its ability to maintain proper arrangements for securing value for money.

Resolved – (1) That the Annual Audit Letter for 2015/16 is accepted.

(2) That the Committee expresses its appreciation to Cameron Waddell for the support, advice and guidance provided by him to the Council in his time as the Council's external auditor, and extends its best wishes to him for the future.

AC.270

INTERNAL AUDIT

a. Recommendations : Implementation Monitoring

Further to Minute AC.259(b)/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 November 2016. Details of all recommendations, seventeen in total, completed in the monitoring period were also reported.

During the course of the Committee's discussion Members' expressed some disquiet at the time being taken to implement priority One recommendations concerning Bereavement Services and Information Services in respect of access levels to the payments system and data security respectively.

Resolved – (1) 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.

(2) That the relevant service managers are asked to provide Committee Members with updates and explanations as to why internal audit recommendations IA 16/17 245, IA 16/17 257 and IA 16/17 259 remain outstanding; in the event of Members not being satisfied with either of the responses provided, the relevant manager is asked to attend this Committee's next meeting on 24th January 2017.

(b) Internal Audit Plan 2016-17 : Progress Report

Further to Minute AC.254(c)/15-16, the Audit Services Manager submitted a report updating the Committee on progress made against the 2016/17 Internal Audit Plan in the period 1st April 2016 to 30th September 2016. As at 30th September, a total of 63 of the approved 250 audit days within the plan, had been spent; five of the planned eleven audits had yet to start. There were no concerns regarding delivery of the Plan.

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

\$c. Internal Audit Reports

The Internal Audit Services Manager presented copies of the audit reports / reviews listed below, which had been commissioned as part of the 2015/16 Internal Audit Plan.

- Treasury Management : Level of Assurance : Partial
- \$Counter Fraud and Corruption Arrangements : Level of Assurance : Not applicable

In commenting on the audit report in respect of treasury management, the Strategic Manager confirmed that concerns therein had been addressed, and a revised treasury management strategy statement had been agreed by Policy Committee in April 2016.

It was pointed out that the purpose in reviewing the Council's counter fraud and corruption arrangements had been to assess current arrangements against the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption published in December 2014. The Strategic Manager for Financial Services indicated that a number of changes had already been made to the Council's arrangements and a copy of the action plan to ensure the review's findings

were addressed would be presented to the Committee in January 2017. Assessment against the Code of Practice was entirely voluntary.

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

AC.271

CONTRACT PROCEDURE RULES - EXEMPTION

The Strategic Manager for Financial Services submitted a report presenting a request for an exemption under Procedure Rule 6 - Clause 6.4 of the Council's Contract Procedure Rules, for the extension of an existing contract for the provision of temporary waste management staff to March 2018. It was pointed out that acceding to the request would ensure a smooth transition to new collection arrangements in 2017 and allow for the revised collection methodology to be fully embedded without additional complications associated with a possible change in supplier.

In considering the request Members indicated that a further extension beyond that now requested would not be appropriate, and it was

Resolved – That an exemption under Contract Procedure Rules for the extension of the existing contract for the provision of temporary waste management staff for a further 12 months ending 10th March 2018 is approved.

\$AC.272

RISK MANAGEMENT

Further to Minute AC.264/16-17, the Strategic Manager for Financial Services submitted a report updating the Committee on progress against actions intended to mitigate risks within the Council's corporate risk register.

No changes had been made to the Council's risk profile which was comprised of 121 risks in the period since the Committee's meeting in June 2016, however the following risks had been removed from the Corporate Risk Register, which now comprised of three strategic and three operational risks :-

- Human Resources : Failure to address health and safety issues.
- Information Services : Loss of disaster recovery site.
- Information Services : Lack of in house expertise and capacity.
- Assets : Delay in implementation of actions within fire risk assessments.
- Assets : State of repair of cemeteries and crematorium.

A complete review of the risk register was to be carried out following a meeting with service managers at the end of November, and a report presenting the revised register would be presented to this Committee in April 2017.

Resolved – That progress, as now reported, against actions to mitigate risks within the risk register is noted.

Minutes for Decision

AC.273

APPOINTMENT OF EXTERNAL AUDITOR – SECTOR LED BODY

Further to Minute AC.261/16-17, the Strategic Manager for Financial Services submitted a report

informing the Committee that the Council had now been formally invited by Public Sector Audit Appointments Limited (PSAA) to opt in to the sector led external auditors appointment scheme. Copies of the offer letter and prospectus received from PSAA had been circulated with the Strategic Manager's report. In summary the scheme provided the following:-

- The appointment of a suitably qualified audit firm for the financial years commencing 1st April 2018;
- Appointing the same auditor to the other opted in bodies that were involved in formal collaboration or joint working initiatives to the extent that this is possible;
- Managing the procurement process to ensure that both quality and price criteria are satisfied. PSAA will seek views from the sector to help inform its detailed strategy;
- Ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise;
- Minimising the scheme management costs and returning any surpluses to members;
- Consulting with authorities on auditor appointments, giving the Council the opportunity to influence which auditor is appointed;
- Consulting with authorities on the scale of audit fees and ensuring that these reflect scale, complexity and audit risk; and
- Ongoing contract and performance management of the contracts once these have been let.

In summary the timetable for implementation of the new arrangements and appointment of an auditor was expected to be as follows:-

- Closing date for receipt of notices to opt in 9th March 2017
- Contract notice published 20th February 2017
- Award audit contracts by end of June 2017
- Consult on and make auditor appointments by end of December 2017
- Consult on and publish scale of fees by end of March 2018

In responding to questions the Strategic Manager confirmed that PSAA would, on the Council's behalf, appoint an external auditor from a pool of nine firms, the Council would not interview the auditor, but could request an alternative appointment if it had an objection to the appointment proposed by PSAA. Fee rates would be standardised but actual audit fees would vary depending on the size of the authority concerned.

RECOMMENDED – (1) That Craven District Council accepts Public Sector Audit Appointments Limited's invitation to 'opt in' to the sector led option of external auditors for five financial years commencing 1 April 2018.

(2) That the Chief Executive and Strategic Manager Financial Services (Section 151 Officer) are authorised to undertake the necessary steps to ensure that the appointment of Public Sector Audit Appointments Limited is made by 9th March 2017.

Chairman.

Audit & Governance Committee – 24 January 2017

Action Plan For Delivery of Findings From Internal Audit Review of Counter Fraud and Corruption Arrangements



Report of the Strategic Manager – Financial Services (s151 Officer)

Ward(s) affected: All

1. **Purpose of Report**

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

2. **Recommendations**

- 2.1 Members note the Action Plan proposals to address the issues in the Internal Audit Review.
- 2.2 Members note the timetable for the delivery of the remedial actions and monitor progress in March 2018.

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 This report presents a proposed action plan to address the areas where the Council has been assessed as needing to implement improvements or procedures to comply with the Code.
- 3.3 The assessment contained 68 questions / statements for measurement. The scoring of questions ranged from Red through Dark Amber to Light Amber and Green. The action plan aims to ensure that in response to all the questions / statements the Council will achieve a minimum score of Light Amber in a future reassessment.

4. **Implications**

4.1 **Financial and Value for Money Implications**

None as a consequence of this report

4.2 **Legal implications**

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

4.3 **Contribution to Council Priorities**

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

4.4 **Risk Management**

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

4.5 **Equality Impact Assessment**

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

5. **Consultations with Others**

None

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

None

7. **Author of the Report**

Nicola Chick, Strategic Manager – Financial Services (s151 officer)
Tel No 01756 706418; Email: NChick@cravendc.gov.uk

8. **Appendices**

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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion 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
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"> 1. Statement prepared on threat of Fraud for review / update each year to include in AGS. 2. Risk register to be reviewed to include threat & harm of Fraud to all identified risks from services as part of the annual review 	<p>31 May 2017</p> <p>Commence December 2016, and annually thereafter as part of reviews.</p>
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
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. 	<p>April to June 2017</p> <p>Commence January 2017 and continue on regular basis</p> <p>Commence December 2106</p> <p>Commence December 2016</p>

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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
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
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
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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. 	<p>April – December 2017</p> <p>June – September 2017</p> <p>June – September 2017</p> <p>April 2017 – March 2018</p> <p>April 2017 – March 2020</p>
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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
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
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
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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
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
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
B4/2	The potential harm from fraud is communicated to customers / clients / stakeholders / employees to raise awareness and to educate them that fraud is not a victimless crime.	Red	Light Amber	Information to be placed in Core Brief for employees and on website for customers. IT already highlighting issues with Cyber crime.	Commence January 2017 & continually review as part of end/start of year process.
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
C1/2	The strategy identifies actions to address the key fraud and corruptions risks to which the organisation is exposed.	Red	Light Amber	Strategy will be: 1. Reviewed and updated to reflect key risks as a consequence of the review of the Risk register and current emerging risks. 2. Reviewed on an annual basis as part of the annual review of risks and completion of the annual governance statement.	September 2017 March 2018 onwards
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
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
C3/3	The strategy sets out how internal control measures will be used to prevent fraud occurring or to aid early detection.	Green	Green	Maintain – No Further Action.	N/A
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
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
C3/8	The strategy sets out the organisation's overall approach to recovery of losses resulting from the fraud, including the possibility of recovery of expenses for the cost of investigation etc.	Light Amber	Light Amber	Maintain – No Further Action At Present. Other actions may increase this score.	N/A
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
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
D1/2	The accountable person for the strategy regularly reviews the level of resources available to implement the strategy and considers whether that is appropriate for the current fraud risk profile. Reports on the conclusions are made to the audit committee or other equivalent body.	Dark Amber	Light Amber	Include as part of annual report update to Audit & Governance based on outcomes from annual review	April – June 2017 and annually thereafter.
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
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
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
D2/3	The organisation makes provision for training and development for in-house staff that undertake any role in delivering the counter fraud strategy.	Red	Light Amber	The Council has a training budget which is managed by HR. All training needs are identified as part of the Council's annual Personal Development Review process in which all staff participate. Identified training needs are funded from the HR budget. Additional funds can be made available if required.	April – June 2017 & March 2018 and ongoing

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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
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
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
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.

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion 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
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
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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
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
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.
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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
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
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
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
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
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

Cipfa Criteria		Current Score	Minimum Target Score	Action	Action Completion Date
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
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
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

Scoring -:

Red = Never or No

Dark Amber = Sometimes

Light Amber = Partially or Regularly

Green = Always or Yes or Always without Exception

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

24 January 2017

Dear Members

Results of certification work 2015-16

As the Council's appointed auditor, we acted as an agent of the Public Sector Audit Appointments (PSAA). The Local Audit and Accountability Act 2014 transferred the Audit Commission's responsibilities to make certification arrangements for specified claims and returns to PSAA. For 2015/16 the only claim or return within this regime was the Housing benefit subsidy return. This letter reports the findings from this work.

In 2015/16 the prescribed tests for our Housing benefits work were set out in the HBCOUNT module and BEN01 Certification Instructions issued by PSAA. For the Housing benefit subsidy return, on completion of the specified work we issue a certificate. The certificate states whether the claim has been certified either without qualification; without qualification following amendment by the Council; or with a qualification letter. Where we issue a qualification letter or the claim or return is amended by the Council, the grant paying body may withhold or claw-back grant funding.

The 2015/16 Housing benefits return was certified without qualification, following amendment by the Council. The table below details our findings.

Claim or return	Value of claim or return	Amended (1)	Qualified (2)
Housing benefit subsidy	£9,553,696	Yes – total subsidy decreased by £549 from £9,554,245.	No

- (1) Where an error was identified and it was possible to quantify the impact of the error across the whole population, the Council amended its return. Adjustments in 2015/16 related to errors identified in the inputting of information from supporting documentation. .

- (2) Where an error was identified in sample testing and it was not possible to quantify the error the matter was reported as an extrapolated error in a qualification letter to the Department. We did not report any extrapolated errors for 2015/16.

Fees

PSAA set an indicative fee for our work on the Council's Housing benefit subsidy return. This indicative fee, and the final fee charged for 2015/16, is detailed in the table below:

Claim or return	2015/16 indicative fee	2015/16 final fee	2014/15 final fee
Housing benefit subsidy	£7,060	£7,060	£12,670

Yours faithfully



Cameron Waddell

Partner

Mazars LLP

Our reports relating to the 2015/16 financial year are prepared in the context of Public Sector Audit Appointments Ltd's 'Statement of responsibilities of auditors and audited bodies.' Reports and letters prepared by appointed auditors and addressed to members or officers are prepared for the sole use of the Authority and we take no responsibility to any member or officer in their individual capacity or to any third party.

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Audit Services Report

Disabled Facilities Grants

2016/17

Report ref: C7/3

Report

Draft: 07/12/16
Final: 08/12/16



Contents

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Auditor:

J. Fearn

Distribution:

Name	Job Title
P. Shevlin	Chief Executive
W. Ashton	Environmental Services & Housing Manager

1 Background

- 1.1 This audit is being undertaken as part of the shared annual audit plan for 2016/17. Given the timing of the audit early in the 2016/17 financial year, review focused on those fully completed cases ie. from 2015/16.
- 1.2 As part of this review Audit Services identified the following key control objectives:
 - KCO1: Grant procedures comply with statutory requirements
 - KCO2: A central record is maintained of all applications received and relevant records are updated
 - KCO3: There is documentary evidence to support the assistance process
 - KCO4: Applications are legitimate and checks are in place to prevent the occurrence of fraud
 - KCO5: Applications are processed in a timely manner
 - KCO6: Works are inspected by qualified staff
 - KCO7: Transactions are calculated, valued and allocated correctly
 - KCO8: Performance is assessed
- 1.3 As reported to Policy Committee on 07/06/16, the total 2015/16 budget and quarter 4 outturn for Disabled Facilities Grants (DFGs), within the capital programme, was £528.9k and £249.3k respectively. Carry forward into 2016/17 for applications already approved was highlighted as being £59k and grant enquiries as at quarter 4 totalled £145.9k. Additional comments noted a 6% reduction in the number of grants compared to 2014/15 and a 14% reduction in spend, due to an increase, in part, in the amount of Registered Social Housing Providers contributions received.
- 1.4 Grant allocation to Craven District Council (CDC) in 2015/16 from the Better Care Fund (BCF) was £238.8k. The BCF creates a local single pooled budget to incentivize the NHS and local government to jointly plan and deliver services. Capital funding is made available for DFGs as part of the BCF. The grant is paid to upper tier host authorities, ie North Yorkshire County Council (NYCC) within this region, who allocate funding from the pooled budget to their respective housing authorities, or district councils, although the statutory duty is on the housing authorities, or district councils, to provide adaptations to qualifying disabled people. The Department of Communities & Local Government (DCLG) provides DFG allocations for all upper tier authorities together with further breakdowns for district council allocations.
- 1.5 The specific piece of legislation covering DFGs is the Housing Grants, Construction and Regeneration Act 1996: Mandatory Disabled Facilities Grant. The DFG is for the provision of adaptations to disabled people's homes to help them live independently in their own homes for longer. Eligibility is based on the applicant, or the person on whose behalf the application is being submitted, being the owner or tenant of the property who intends to occupy the property for the next 5 years. A needs assessment is carried out by NYCC's Occupational Therapy team and an application forwarded to CDC. Per legislation, the maximum amount which an authority may pay in respect of a DFG application is £30,000. The average grant approved by CDC in 2015/16 was £7.2k; the majority of adaptations relating to level access showers.

- 1.6 An optional chargeable support service is provided to applicants which includes form completion, drawing up of scheduled works and contract management. This service is currently contracted out to Craven Home Improvement Agency (HIA); a 10% technical fee being levied on the cost of the works plus VAT.
- 1.7 Review of demand for and supply of DFG's has not formed part of this audit.
- 1.8 Internal Auditing is an independent, objective assurance and consulting activity to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2 Audit Scope

2.1 The scope of the audit involved the review of full controls and consisted of examination of documentation as well as discussion with members of staff. Where sample testing was undertaken, this was carried out on 10 completed cases in 2015/16 from a total of 34 to determine the following:

- Official signed application forms are used
- Eligibility for DFGs is evidenced
- Multiple quotes for prospective works are evidenced
- The contractor selected to perform work is present on the HIA approved listing
- The grant awarded is justified
- Means testing is performed
- Managerial approval is obtained for application and grant assessment
- A formal offer of assistance is issued to the applicant
- A checklist is completed by the administrator
- The length of time to process an application is within expected timeframes
- The HIA and the applicant confirm their satisfaction with the work
- Payment requisitions are raised after satisfaction confirmation
- Payment requisitions are authorised
- Grant payments are correctly allocated on the financial information system
- Invoices are raised for contributions from the housing provider

3 Audit Opinion

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

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

- 3.2 Based on this report's findings, Audit Services have given a Significant Level of Assurance on the Internal Control Framework within the function in line with the new Public Sector Internal Audit Standards.
- 3.3 Of the 8 key control areas reviewed, listed in paragraph 1.2 above, 7 are being fully met. The remaining 1 is being partly met, ie. KCO7: Transactions are Calculated, Valued and Allocated Correctly. The key risk for this control is described in section 4 below. One recommendation has been made in total relating to KC7.
- 3.4 Audit testing was limited with regards to one test ie. that the contractor selected to perform work is present on the HIA approved listing. Responsibility for maintaining a list of preferred contractors is that of the HIA. A copy of the current listing was obtained, having been last updated in May 2016. Audit review noted that of the 10 sampled cases, 2 contractors did not appear on the current list. One contractor worked on 2 cases for which applications were received in the previous August and October and the other contractor worked on 1 case for which the application was also received in October. It has not been possible to therefore determine whether these contractors were listed at these times. It is understood that the HIA update their listing for the removal or addition of contractors, although this is not an area over which CDC have control. However, in determining assurance, the Auditor subsequently queried with the HIA whether they themselves are separately audited which identified that, given their being a part of Yorkshire Housing, audit services are provided by Price Waterhouse Coopers.
- 3.5 Review of the sampled files found them to be well structured and in good order. Procedure notes were clear, well written and the progress sheet for the administration of the grants an accurate reflection of these procedures. Both the procedures notes and progress sheet were such that these could be easily followed in the event of officer absence and thereby allow for business continuity. Sample testing on selected files of the sub controls listed in the audit scope at section 2 identified full compliance with all aspects of the DFG process.

4 Detailed Findings & Action Plan

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

Recommendations are prioritised as follows:

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

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

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

Ref	Findings	Risk	Recommendations and Management Response	Officer Responsible and Implementation Date
-----	----------	------	---	---

KC7: Transactions are calculated, valued and allocated correctly				
1	Managerial authorisation was absent from one interim invoice payment. Sampled cases reviewed since found correct payment authorisations in place. However, as procedure is for check and authorisation by the Housing Policy & Contracts Officer, via Agresso, and the Environmental Services & Housing Manager, via hard copy signature, there is no control preventing an invoice without Managerial authorisation from being paid on Agresso. The Housing Policy & Contracts Officer is also the officer who processes the grants.	No segregation of duties between the officer processing the grant and authorising the invoice on Agresso, potentially enabling invoices to be paid without authorisation from a Manager.	R1:Priority 2 Workflow should be amended so that it is the Environmental Services & Housing Manager who authorises invoices on Agresso Management Comment: Agreed	Environmental Services & Housing Manager 08/06/17

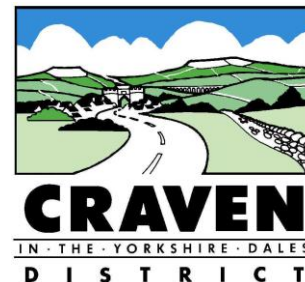
The agreed actions will be subject to a follow up review to establish whether they have been implemented.

Any queries or requests for further information regarding this report should be directed to Audit Services on 01423 500600 extension 58586.

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

Audit and Governance Committee 24 January 2017

Audit Services Progress Report as at 30 December 2016



Report of the Audit Services Manager – Shared Internal Audit Service

Ward(s) affected: All

1. **Purpose of Report**

- 1.1 To update Committee Members on the progress made against the 2016/17 Internal Audit plan up to 31st December 2016.

2. **Recommendations**

Members are recommended to:-

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

3. **Background Information**

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

4. **The Report**

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

4.2 **Breakdown of Current Position as at 31st December 2016 including b/fwd audits from 2015/16 Audit Plan**

2015/16 audits

2015/16 Audits	Audit Opinion	Current Status
Fraud Code of Practice	n/a	Final report issued
Treasury Management	Partial	Final report issued
Online Payments	Good	Final report issued
Refund Review	Good	Final report issued
Creditors	Good	Final report issued

<u>2016/17 audits</u>		
2016/17 Audits	Audit Opinion	Current Status
Licensing	Partial	Final report with Management
NFI	In progress	In progress
Money Laundering	In progress	In progress
Payroll inc use of Trent	Yet to be agreed	Draft report with Audit Services Manager on 16 th January
Disabled Facilities Grant	Significant	Completed.
Asset Rentals & Lettings Income	Yet to start	Q4 audit
Garden Waste Collection	Good	Completed
Planning Fees	Yet to start	Q4 audit
Cybercrime	Yet to be agreed	Draft report issued
Software Asset Management	In progress	In progress
Leisure Site Income	In progress	Q4 audit

- 4.3 The following table shows the progress against the 2016/17 operational plan for the period 1st April 2016 to 31st December 2016.

Audit Area	Total Days per approved Audit Plan 2016/17	Days spent as at 31st December 2016
Follow up Audit work	6	5
ICT	30	28
Management	20	16
Service Areas	85	56
NFI/Money Laundering	21	7
Fundamentals	35	30
Contingency	30	0
Contingency (CDC Discretion)	10	0
WIP 2015/16 audits:		
CIPFA Fraud Code	5	5
Creditors	3	3
Refunds Review	3	3
Online Payments	2	2
TOTAL	250	155

- 4.4 The current position on the 2016/17 Audit Plan as at 31st December 2016 is as follows:

Status of Audits	Number of Audits	Percentage of Plan
Final report issued	3	28%
Draft report issued	1	9%
Managers Review	1	9%
In progress	4	36%
Yet to start	2	18%
Total	11	100%

The audits shown in paragraph 4.3 do not take into account the additional 12 days owed to Craven District Council from the 2015/16 audit plan.

5. Priority Areas for the next 3 months to 31st March 2017

- 5.1 The priorities for the Audit team from 1st January to 31st March 2017 are:-

New Internal Audit Software

Training on the Risk Module has already taken place. Training on the Audit module will occur 23rd – 25th January 2017, after which the team will familiarise themselves with the MKInsight system via the training test area. Formal “go live” date is 1st April 2017. This is an off-the –shelf solution so implementation should be straightforward.

Recruitment

An auditor in the team will be leaving the Council on 5th February 2017 and we will therefore be recruiting to that role over the next few months. This will not have a detrimental effect on achievement of the Craven Audit Plan as this auditor has completed all of her assignments for this authority.

Completion of the Audit Plan

All Audits will be completed in line with the agreed plan. The Asset Rental and Lettings Income audit may require additional budget resource as this is a full service review. Discussions will take place with the Strategic Manager – Financial Services (s151 Officer) during quarter 4 to determine how much of the b/fwd 12 days owed to Craven from the 2015/16 Audit Plan will need to be used.

6. Conclusion

- 6.1 As at 31st December 2016, Audit Services are on track to deliver the agreed 2016/17 Audit Plan.

7. **Implications**

7.1 **Financial and Value for Money Implications**

None

7.2 **Legal implications**

None

7.3 **Contribution to Council Priorities**

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

7.4 **Risk Management**

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

7.5 **Equality Impact Assessment**

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

8. **Consultations with Others**

Strategic Manager Financial Services (S151 Officer

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

None

10. Author of the Report

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

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

11. Appendices

Internal Audit Plan 2016/17 Q3 Monitoring

APPENDIX 1

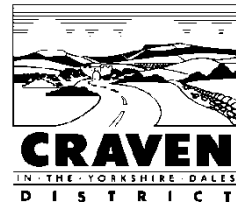
2016/17 QUARTER 3 MONITORING

Audits (includes audits brought forward 2015/16 and 2016/17 audits)	Approved Plan (Days)	Actual April-December (Days)	Comments (at time of writing)
2015/16 audits b/fwd			
Fraud Code of Practice	5	5	Final report issued
Treasury Management	0	0	Final report issued
Online Payments	2	2	Final report issued
Refund Review	3	3	Final report issued
Creditors	3	3	Final report issued
2016/17 audits			
Licensing	15	24	Final report with CDC Management for consideration
NFI	6	6	Audit report due Q4 when matched results are published
Money Laundering	15	1	Q4 audit in progress
Payroll inc use of Trent	15	12	Draft report currently being written. Will be discussed with client mid-January 2017
Disabled Facilities Grant	20	16	Audit completed and report discussed at A&G on 24 th January 2017
Asset Rentals & Lettings Income	15	0	Q4 audit yet to start. Additional days may be required.
Garden Waste Collection	20	16	Audit completed and report discussed at A&G on 24 th January 2017
Planning Fees	15	0	Q4 audit yet to start
Cybercrime	15	18	Draft report with CDC Management for consideration.
Software Asset Management	15	10	Testing ongoing.
Leisure Site Income	20	18	Testing ongoing. Draft report imminent
Contingency	30	0	Part of this pot may need to be reallocated to Asset Rentals audit
Contingency (CDC discretion)	10	0	Only to be used if instructed to by Strategic Manager – Financial Services S151 officer.
Management	20	16	Ongoing
Follow up work	6	5	Ongoing
TOTAL	250	155	

*** Key – Levels of Assurance**

Level	Definition
Significant	The system of internal control is designed to support the Councils corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good	There is generally a sound system of control designed to support the Council's corporate and service objectives. However, some improvements to the design or application of controls is required.
Partial	Weaknesses are identified in the design or inconsistent application of controls which put the achievement of some of the Council's corporate and service objectives at risk in the area reviewed.
None	There are weaknesses in control, or inconsistent non-compliance which places corporate and service objectives at risk in the area reviewed.

Audit and Governance Committee – 24th January 2017



Contract Procurement via A Local Framework Agreement

Report of Director of Services

Ward(s) affected: All

1. Purpose of the Report

- 1.1 To inform Members that the Council is seeking to develop a local framework agreement for the procurement of contractors to undertake building construction and small development works within Craven.

2 Recommendations

Members are recommended to:

- 2.1 Note the report.
- 2.2 Request a further report to a later Audit and Governance Committee outlining the progress of the development of a Local Framework Agreement for building construction and small development work.

3 Background

- 3.1 The procurement of contractors to undertake the construction of the Shared Ownership Housing pilot scheme at Burnroyd Avenue in Glusburn consisting of three units has highlighted procurement issues that Craven has suffered for some time and will continue to do so going forward for two reasons. Firstly, large developers are increasingly not tendering for smaller schemes because these do not fit their corporate strategy, and secondly the cost of construction continues to rise placing greater pressures on this Council's ability to achieve value for money. Here in Craven the latter is particularly relevant because our remoteness results in paying premiums.
- 3.2 The pilot scheme at Burnroyd Avenue was originally advertised through "YORbuild" which is the Construction Framework that has been developed to provide an efficient and collaborative approach to the procurement of Construction Projects within the whole of Yorkshire. This framework was used to avoid the traditional long-winded tendering processes and minimise the staff time and costs involved. The outcome of this exercise

Agenda Item 7

resulted in three bonafide tenders being returned with two tenderers declining. The three tenders submitted were in the range £400,000 - £500,000 and significantly above the available budget approved for the project of £300,000

Further interrogation of each tender confirmed that Craven has to pay a premium for travelling in particular which is effectively because of being remote from large parts of Yorkshire. This is exacerbated also because no local contractors are actually signed up to the YORbuild framework. The two tenderers that declined confirmed the theory regarding large developers and their corporate strategies.

- 3.3 The situation is not just limited to Yorkshire. Earlier in 2016 discussions with Birmingham City Council confirmed they had very similar problems and their solution was to establish a 4-year internal procurement process using a framework agreement to encourage small builders to develop sites with less than 15 units. Birmingham is the second largest city within the UK and includes a massive urban conurbation so if they have problems procuring contractors then Craven has very little chance.
- 3.4 As a follow up to the above a second procurement exercise has recently been completed utilising the Open Tender process via the YORtender electronic tendering platform on a 60%/40% price/quality split. Albeit far more time consuming it has resulted in more economically affordable tenders being returned at the following prices, with two tenders received from local contractors. The Council is consequently able to make a contract award within the available budget and the response to the second tender further supports the theory that there is sufficient local interest and that local contractors will provide more economically advantageous prices.

4 Framework Agreement

- 4.1 A framework is an agreement with suppliers to establish terms governing contracts that may be awarded during the life of the agreement. In other words, it is a general term for agreements that set out terms and conditions for making special purchases or call-offs. Frameworks can cover both goods, services and works, or a combination of each or all. Framework agreements are not normally a contract itself, this is formed by the subsequent placing of an order for a specific piece of work or call-off.
- 4.2 A framework can deliver a number of benefits including reduced transaction costs, continuous improvement within long term relationships, and better value and community wealth. A framework agreement allows the ability to award contracts without the need to re-advertise and re-apply the selection and award criteria, allowing all parties to save substantial time and resource in repeat bidding.
- 4.3 Framework agreements generally follow the same path to establish. Following an OJEU notice and a selection process based on financial and economic standing, and technical capacity, places on a framework are then

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awarded to a number of suppliers. After the pre-qualification process mini-competitions based on a mix of quality/price involving the selected suppliers is generally used to award a particular piece of work or call-off on the basis of the most economically advantageous bid.

- 4.4 The YORbulid framework agreement was established exactly as described above. The major downfall within that process was the degree of difficulty involved in terms of pre-qualification because it is a regional framework. The time and effort required to be awarded a place on the framework was significant and with no actual promise or certainty of any subsequent work put a lot of smaller contractors off taking part. Equally the selection criteria was too onerous and beyond the means of many smaller contractors. As a consequence none of the contractor's local to Craven hold a place on this framework and the Council is therefore disadvantaged. This could have implications for the local supply chain if local suppliers are excluded in favour of larger companies with little interest in local suppliers.
- 4.5 By developing the Council's own local framework the Council is promoting sustainable markets local to the Craven area. The process is within Office of Government Commerce (OGC) guidance and meets local government obligations.

5 Proposal

- 5.1 The proposal is therefore to establish a local framework agreement and encourage local construction companies to sign up. It is our intention to arrange a "breakfast briefing" in the first instance to invite and engage with a number of local contractors to firstly see if there is sufficient interest, and if there is discuss the requirements of pre-qualification to suit the needs of both the Council and attendees. Following this a formal OJEU process will be carried out using YORtender as the electronic platform to enable this. The pre-qualification criteria will be aligned to local requirements in order to suit smaller rural schemes of the nature that the Council needs to deliver but also taking account of any relevant terms and conditions within the existing Contract Procedure Rules. It is recommended that the standard term of 4 years is utilised.
- 5.2 The outcome will be to have at least six local contractors who can be called upon going forward to deliver in the first instance the programme of Shared Ownership Housing. The benefits will include significantly reduced lead in times, the provision of fair and reasonable rates and prices, and good quality workmanship. Effectively this will also result in the vast majority of investment being retained within and just around the district.
- 5.3 Thereafter and based on the success of actually building houses the framework will have the ability to be expanded to other related activities too. And ultimately other adjacent authorities will also have the right to use and similar to YORbuild this will provide the opportunity to command an access fee and generate some additional income.

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6 Financial Implications

- 6.1 Procurement costs going forward will be reduced because a local framework will be less expensive to operate than the regional version. No access fees will be required as they are now using YORbuild.
- 6.2 Some staff costs will be required to establish the local framework agreement but these will be absorbed within the existing A&CST staff budget.
- 6.3 Rates and prices for construction work will be cheaper because the Council will not have to pay a premium for national/regional contractors having to travel from far afield.
- 6.4 The cost of operating the framework agreement may be subsidised by charging other authorities who wish to use it going forward.

7 Legal Implications

- 7.1 The development of the local framework agreement will comply with EU requirements, the Public Contract Regulations 2015 and the Council's Contract Procedure Rules.

8 Contributions to Corporate Policies

- 8.1 The proposals in this report support the Council priorities of "Financial Resilience" by ensuring the Council remains sustainable and can continue to deliver essential front line services and "Enterprising Craven" by stimulating growth and opportunity amongst local contractors.

9 Equalities Impact Assessment

- 9.1 Since this report is not seeking to set or amend policy, the Council's Equality Impact Assessment procedure has not been followed.

10 Consultations with Others

- 10.1 No consultation has taken place and is not expected to be applicable.

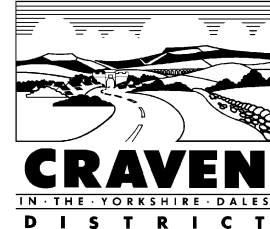
11 Author of the Report

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Audit and Governance Committee

24th January 2017

Exemptions Granted Under Contract Procedure Rules



Report of the Strategic Manager Financial Services

Ward(s) affected: All

1. **Purpose of Report** – To report on the exemptions granted from the Council's Contract Procedure Rules from July 2016 to December 2016.
2. **Recommendations** –
 - 2.1. Members are requested to note the exemptions granted from the Council's Contract Procedure Rules.
3. **Exemptions Granted**
 - 3.1. Under the Contract Procedure Rules it is recognised that under certain circumstances there are occasions when it 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 CPR 6.2 of the Contract Procedure Rules there are a number of circumstances in 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 six month period July 2016 to December 2016 there has been one exemptions granted. A summary of the exemptions can be found at Appendix A and Members are requested to note the exemption.
4. **Financial Implications** – There are no financial implications associated with this report.
5. **Legal Implications** – None.

6. **Contribution to Corporate Priorities**

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

7. **Risk Management** – There are no risks arising as a direct result of this report.

8. **Consultations with Others** None

9. **Access to Information: Background Documents** – Exemption Forms

10. **Author of the Report** – Matt Butterworth

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11. **Appendices**

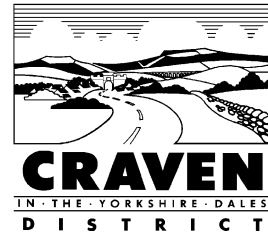
Appendix A - Summary of Exemptions granted from tendering under CPR 6.2 of Craven District Council's Contract Procedure Rules

Summary of Exemptions granted from tendering under CPR 6.2 of Craven District Council's Contract Procedure Rules

July 2016 - December 2016

Number	Date	Description	value	Exemption
1	09/08/16	Safety equipment for refuse collection vehicles	£7,200	<p>As yet no other company has developed the Brake Safe systems and it is was Craven that was chosen to trail the new system following the incident in Glasgow, as granted in accordance with CPR 6.2</p> <p>(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> <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

Audit and Governance Committee 24th January 2017



REGULATION OF INVESTIGATORY POWERS ACT 2000

Report of the Solicitor to the Council and Monitoring Officer

1. **Purpose of Report** – To advise the Committee on the Council's use of covert surveillance under the Regulation of Investigatory Powers Act 2000 since June 2016.
2. **Recommendations** – Members are recommended to note the content of the report.
3. **Report**
 - 3.1 The Council has a number of statutory functions which involve officers investigating the conduct of others with a view to bringing legal action against them. The majority of investigations are carried out openly but some may require the use of covert surveillance techniques or involve the acquisition of communications data.
 - 3.2 The Regulation of Investigatory Powers Act 2000 (RIPA) regulates the authorisation and monitoring of these investigations to safeguard the public from unwarranted intrusion of privacy and since November 2012, the Protection of Freedoms Act 2012 has required local authorities to obtain the prior approval of a magistrate for the use of covert surveillance.
 - 3.3 At its meeting on the 9th November 2015 and in order to meet the requirements of the revised Home Office Code of Practice, this Committee resolved that the Solicitor to the Council submit six monthly reports to the Committee on the Council's use of covert surveillance.
 - 3.4 Since June 2016, no covert surveillance has been authorised.
4. **Implications**
 - 4.1 **Financial and Value for Money (vfm) Implications** – There are no financial implications arising from this report.
 - 4.2 **Legal Implications** – These are set out in the body of the report.
 - 4.3 **Contribution to Council Priorities** – Not applicable.
 - 4.4 **Risk Management** – The Council must ensure that it is fully compliant with the legal requirements set out in RIPA otherwise its use of RIPA may be in breach of

the European Convention on Human Rights and the Human Rights Act 1998 and therefore at risk of challenge. This may lead to both financial and reputational risk.

4.5 **Equality Analysis** – The Council’s Equality Impact Assessment procedure does not apply to this report as there are no changes to any policy.

5. **Consultations with Others** – None

6. **Access to Information : Background Documents** – The Council’s Regulation of Investigatory Powers Act 2000 Policy Statement and Procedures document

7. **Author of the Report** – Annette Moppett, Solicitor to the Council and Monitoring Officer; telephone: 01756 706325; e-mail: amoppett@cravendc.gov.uk

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

8. **Appendices** – None

Audit & Governance Committee – 24 January 2017

Re-appointment Of The Independent Member To Audit and Governance Committee



Report of the Strategic Manager – Financial Services (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

- 1.1 To recommend to Council the re-appointment of Mr Greg Robinson as the independent member on Audit & Governance Committee

2. Recommendations

Members recommend to Council

- 2.1 That the role of Independent Member on Audit & Governance has worked well and should continue.
- 2.2 The re-appointment of Mr Greg Robinson as an Independent Member of the Audit and Governance Committee in a non-voting capacity for 3 years from May 2017.
- 2.3 That the position be unremunerated with the exception of travel and subsistence allowances as laid down in the scheme of members' allowances.

3. Background Information

- 3.1 At the Annual Council meeting on 5th June 2014 it was resolved that a suitably qualified and experienced person is co-opted to the Audit and Governance Committee in a non-voting capacity.
- 3.2 Greg Robinson was appointed to the role for a fixed term which ends in May 2017.

4. The Report

- 4.1 If the committee wishes to continue with the services of an independent member to assist them then a decision needs to be taken in good time before May 2017 on re-appointing / appointing to that role.
- 4.2 Feedback from members of the Audit & Governance Committee is that the independent member role has added value to the work of the Committee and

assisted members with their duties as members of the Committee and that they would like the role to continue.

- 4.3 All members of the committee have been canvassed and it is their unanimous view that if Greg Robinson is prepared to serve another term then they would like to recommend to Council that he is reappointed.

- 4.4 Based on the response from members the Strategic Manager – Financial Services (s151 officer) has approached Greg and he is prepared to serve a further term for 3 years commencing in May 2018.

5. Implications

5.1 Financial and Value for Money Implications

None other than travel and subsistence allowances.

5.2 Legal implications

In accepting an appointment an Independent person agrees to be bound by the Members' Code of Conduct.

5.3 Contribution to Council Priorities

Financial Resilience through appropriate procedures and practices.

5.4 Risk Management

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

5.5 Equality Impact Assessment

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

6. Consultations with Others

Members of Audit & Governance Committee, Monitoring Officer and Chief Executive.

7. Access to Information : Background Documents

None

8. Author of the Report

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9. Appendices

None