



## Audit and Governance Committee

Tuesday, 24 September 2019 at 6.30pm  
in the Belle Vue Suite, Belle Vue Offices, Skipton

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

Independent Person: Mr G Robinson

### AGENDA

1. **Apologies for absence** – To receive any apologies for absence.
2. **Minutes** – To approve the minutes of the meeting held on 25 June 2019.
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 Completion Report** – Report of the External Auditor.

Purpose of report – To present the Audit Completion Report for 2018/19.

#### REPORT TO FOLLOW.

6. **Statements of Accounts 2018/19** – Report of the Chief Finance Officer (s151 Officer).

Purpose of report – To present the Council’s Statement of Accounts 2018/2019.

#### REPORT TO FOLLOW

**7. Internal Audit: Progress Report – Report of the Audit Services Manager**

Purpose of report – To present an update on progress made against the 2019/20 Internal Audit plan.

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

Purpose of report – To present an Internal Audit report in relation to the Use of Agency Staff and Contract employees.

**9. Internal Audit – Implementation of Recommendations – Report of the Chief Finance Officer (s151 Officer)**

Purpose of report – To update Audit and Governance Committee on priority one internal audit recommendations outstanding, all those completed in the period and provide a summary of the numbers of priority two and priority three recommendations which have not yet been cleared.

**10. Risk Appetite Statement – Report of the Chief Finance Officer (s151 Officer)**

Purpose of report – To present the Risk Appetite Statement compiled by the Council's Risk Management Group in accordance with the Council's Risk Management Strategy.

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

**Agenda Contact Officer:**

Hannah Scales, Democratic Services and Scrutiny Officer

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**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.

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

## **AUDIT AND GOVERNANCE COMMITTEE**

25 June 2019

**Present** – The Chair (Councillor Hull) and Councillors Handley, Lis, Mercer, Noland and Place.

**Officers** – Chief Executive, Exchequer and Performance Manager, Solicitor to the Council and Monitoring Officer, External Audit Manager, Internal Audit Manager, Economic Development Manager and Democratic Services and Scrutiny Officer.

Apologies for absence were received from Councillors Barrett, Harbron and Wheeler and Independent Person, Greg Robinson.

Start: 6.30pm

Finish: 7.30pm

The minutes of the meeting held on 2 April 2019 were approved as a correct record and signed by the Chair.

### **Minutes for Report**

AC.350

#### **ANNUAL GOVERNANCE STATEMENT 2018/19**

The Exchequer and Performance Manager submitted a report which presented the Annual Governance Statement. The Chair emphasised the importance of the document as part of Internal Audit.

One Member commented on the phrasing of the action status for 'Arrangements to Secure Value for Money'. It was proposed that the words "this action has not yet started" replaced "not completed" in the report. The Committee considered that this was a more accurate reflection of the current position.

**Resolved** – That subject to the above amendment the Annual Governance Statement is approved.

AC.351

#### **ANNUAL INTERNAL AUDIT REPORT 2018/19**

The Internal Audit Manager submitted a report which presented the findings and conclusions from audit work carried out during the financial year of 2018/19. The Internal Audit Manager reminded Members that the Annual Internal Audit Report is required under the Accounts and Audit Regulations and the Public Sector Internal Audit Standards.

The Internal Audit Manager referenced the 3-year shared internal audit agreement with Harrogate Borough Council from 2018/19 and the 180 days purchased with an option of a further 20 days contingency or for a special piece of work. The Internal Audit Manager confirmed that the 20 extra days had not been used for 2018/19.

The Internal Audit Manager explained the structure and contents of the report, particularly the table of assurance levels at 5.4 of the report. It was explained that 75% of the audit work undertaken resulted in either significant or good assurance scores on the control environment in place. The Internal Audit Manager explained the shift to the audit of higher risk areas previously not audited being positive for the identification of risks with management.

Members thanked staff, particularly those in Internal Audit, for their hard work.

**Resolved** – That the Committee notes the contents of the report, particularly the opinion given based on audit work undertaken during 2018/19.

AC.352

**UPDATE ON THE COUNTER FRAUD AND CORRUPTION ARRANGMENTS ACTION PLAN – OUTSTANDING ACTIONS**

The Exchequer and Performance Manager submitted a report which updated the Committee on outstanding actions that required further work. The Exchequer and Performance Manager clarified the outstanding areas from the 2016 investigation in relation to the CIPFA Code, which were awaiting completion.

**Resolved** – That the Committee notes the elements of the Action Plan that require further work.

AC.353

**EXEMPTIONS GRANTED UNDER CONTRACT PROCEDURE RULES**

The Exchequer and Performance Manager presented a report in relation to five contracts awarded outside of the normal procedure rules. It was advised that in relation to contract servicing for the Pay and Display machines, this had been thoroughly investigated and there was no suitable, alternative service provider.

One Member expressed concern that the service provider for parking meters purchased by the Council needed to be more flexible, particularly so that the parking metres could be interchangeable. The Exchequer and Performance Manager provided an assurance that the investigation was thorough and all contracts were carefully investigated to ensure service provider flexibility, wherever possible.

**Resolved** – That the Committee notes the exemptions granted.

AC.354

**EXEMPTION FROM CONTRACT PROCEDURE RULES TO EXTEND AGREEMENT FOR PROVISION OF CIVIL ENGINEERING SUPPORT**

The Economic Development Manager submitted a report that requested an exemption from the Contract Procedure Rules to extend the arrangement with Pendle Borough Council for the provision of civil engineering services.

The Economic Development Manager emphasised the importance that funding from the Local Enterprise Partnership is spent within the deadline (December 2020). The Committee was advised that Pendle Borough Council had been assisting in delivering three externally funded projects to be completed within time-scale.

The Economic Development Manager requested an extension of the current arrangement to March 2022. The Committee considered the importance of continuity for the projects, the critical timescales for the delivery of those projects and the value for money element (as detailed in Appendix A to the report, marked exempt).

**Resolved** – That the request for an exemption from the Contract Procedure Rules to extend the arrangement with Pendle Borough Council until March 2022 is approved.

AC.355            **INTERNAL AUDIT – IMPLEMENTATION OF RECOMMENDATIONS**

The Exchequer and Performance Manager presented a report that updated the Committee on Priority one outstanding audit recommendations, completions and the number of recommendations not yet cleared.

The Exchequer and Performance Manager updated Members on the four amber status recommendations and seven completed recommendations.

The Solicitor to the Council and Monitoring Officer updated the Committee on a Priority one recommendation in relation to Licensing. Members were advised about the significant progress that had been made, 266 hard copy files cleansed, scanned and destroyed. It was advised that this particular Priority should achieve green status by the next meeting.

Councillor Lis asked that consideration be given to inviting the CIO & Assets and Commercial Services to the next meeting.

**Resolved** –That the Committee notes the contents of the report and appendices.

AC.356            **REGULATION OF INVESTIGATORY POWERS ACT 2000**

The Solicitor to the Council and Monitoring Officer submitted a report that advised the Committee on the Council's use of covert surveillance under the Regulation of Investigatory Powers Act 2000 (RIPA) since October 2018.

The Solicitor to the Council and Monitoring Officer highlighted the key changes to the RIPA Policy, largely due to advances in technology. The Committee was informed that since October 2018 no covert surveillance had been authorised.

**Resolved** – That the Council's revised RIPA Policy is approved.

**Minutes for Decision**

There were no items for decision.

Chairman.

## **Audit & Governance Committee – 24<sup>th</sup> September 2019**

### **Audit Services Progress Report as at 16<sup>th</sup> September 2019**



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 2019/20 Internal Audit plan up to 16<sup>th</sup> September 2019

#### **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 22 March 2019**

**2018/19 audits**

| <b>2018/19 Audits</b>                        | <b>Audit Opinion</b> | <b>Current Status</b> |
|----------------------------------------------|----------------------|-----------------------|
| Succession Planning                          | Good                 | Draft report          |
| Fraud – Flexi time and Overtime Arrangements | Good                 | Draft Report          |

**2019/20 Audits**

| <b>2019/20 Audits</b>         | <b>Audit Opinion</b> | <b>Current Status</b> |
|-------------------------------|----------------------|-----------------------|
| Financial Management System   | In progress          | In progress           |
| Treasury Management           | In Progress          | In progress           |
| Environmental Services Review | In progress          | In progress           |
| GIS Gazetteer                 | In progress          | In Progress           |
| Engine Shed Lane – Workshop   | In progress          | In Progress           |
| GDPR Review                   | In Progress          | In Progress           |

- 4.4 The following table shows the progress against the 2019/20 operational plan for the period 1<sup>st</sup> April 2019 to 16<sup>th</sup> September 2019.

| <b>Audit Area</b>    | <b>Total Days per approved Audit Plan 2019/20</b> | <b>Days spent as at 16<sup>th</sup> September 2019</b> |
|----------------------|---------------------------------------------------|--------------------------------------------------------|
| Follow up Audit work | 5                                                 | 0                                                      |
| ICT                  | 22                                                | 3                                                      |
| Management           | 15                                                | 0                                                      |
| Service Areas        | 115                                               | 3                                                      |
| Fundamentals         | 22                                                | 16                                                     |
| Duplicate Payments   | 1                                                 | 0                                                      |
| <b>TOTAL</b>         | <b>180</b>                                        | <b>22</b>                                              |

- 4.5 The current position on the 2018/19 Audit Plan as at 22 March 2019 is as follows:

| <b>Status of Audits</b> | <b>Number of Audits</b> | <b>Percentage of Plan</b> |
|-------------------------|-------------------------|---------------------------|
| Final report issued     | 0                       | 0%                        |
| Draft report issued     | 2                       | 17%                       |
| Managers Review         | 0                       | 0%                        |
| In progress             | 6                       | 50%                       |
| Yet to start            | 4                       | 33%                       |
| <b>Total</b>            | <b>12</b>               | <b>100%</b>               |

## **5. Priority Areas to 31<sup>st</sup> March 2020**

### **5.1 Completion of the Audit Plan**

All audits will be completed in line with the agreed plan.

## **6. Conclusion**

- 6.1 All Audits will be completed in line with the agreed plan. Update meetings will continue to be held with the Chief Finance Officer and s151 Officer, Financial Services to provide assurance that audit work is progressing as planned.



## 7. Implications

### 7.1 Financial and Value for Money Implications

None

### 7.2 Legal implications

None

### 7.3 Contribution to Council Priorities

The delivery of an Internal Audit Service contributes to  
Enterprising Craven – Facilitating economic growth across Craven.  
Resilient Communities – Creating sustainable communities across Craven.  
Financial Sustainability – ensuring a self-sustainable Council

### 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

Chief Finance Officer and s151 Officer, Financial Services

## 9. Access to Information : Background Documents

None

**10. Author of the Report**

Gill Hoyes, Auditor, 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 2019/20 April – 16<sup>th</sup> September 2019 Monitoring

**APPENDIX 1**

**Internal Audit Plan April – 16<sup>th</sup> SEPTEMBER 2019 MONITORING**

| Audits (includes audits brought forward 2017/18 audits) | Approved Plan (Days) | Actual April-Sept (Days) | Comments (at time of writing) |
|---------------------------------------------------------|----------------------|--------------------------|-------------------------------|
| <b>2018/19 audits</b>                                   |                      |                          |                               |
| Succession planning                                     | 15                   | 15                       | Draft report issued           |
| Fraud – Flexi time and overtime arrangements            | 15                   | 15                       | Draft report issued           |

**2019/20 audits**

|                                           |            |           |                   |
|-------------------------------------------|------------|-----------|-------------------|
| Treasury Management                       | 10         | 7         | Ongoing           |
| Belle View Square Service Charges         | 10         | 0         | Yet to start      |
| Financial Management System               | 12         | 9         | Ongoing           |
| Compliance with the apprenticeship scheme | 15         | 0         | Yet to start      |
| Engine Shed Lane – Workshop               | 15         | 3         | Ongoing           |
| GIS addressing system, Gazetteer          | 12         | 3         | Ongoing           |
| GDPR                                      | 10         | 1         | Ongoing           |
| Policy Management                         | 15         | 0         | Yet to start      |
| Councillors Choice                        | 10         | 0         | Yet to be decided |
| Follow up work                            | 5          | 0         | Ongoing           |
| Environmental services review             | C/fwd      | 5         | Ongoing           |
| Management                                | 15         | 0         | Ongoing           |
| Contingency                               | 50         | 0         | Ongoing           |
| Duplicate Payments                        | 1          | 0         | Ongoing           |
| <b>Total</b>                              | <b>180</b> | <b>28</b> |                   |

**\* Key – Levels of Assurance**

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



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### Distribution:

| <b>Name</b>   | <b>Position</b>                             |
|---------------|---------------------------------------------|
| Nicola Chick  | Chief Finance Officer (Section 151 Officer) |
| James Hordern | Accountancy Services Manager                |
| Rob Atkins    | Exchequer and Performance Manager           |

# 1 Background

- 1.1 In the 2017-18 financial year Craven District Council spent £1.4m on agency workers and external service contracts.
- 1.2 The rights of agency workers are governed by the Agency Workers Regulations (2010), which stipulates that if an agency worker spends 12 weeks on the same job with the same hirer, they are then entitled to the same basic terms and conditions as 'comparable workers' – i.e. employees doing the same job in the same workplace. These regulations cover agency workers supplied by a temporary work agency to a hirer. This includes most agency workers that people refer to as 'temps'. The regulations also cover agency workers supplied via intermediaries. The regulations do not cover the genuinely self-employed, individuals working through their own limited liability company, or individuals working on managed service contracts.
- 1.3 It is management's responsibility to develop and maintain sound systems of risk management, internal control and governance and for the prevention and detection of irregularities and fraud. Internal audit work should not be seen as a substitute for management's responsibilities for the design and operation of these systems.

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

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

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

## 2 Audit Scope

2.1 To review the use of agency and contract staff to look at compliance with Council policy.

## 3 Audit Opinion

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

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

3.2 This audit has been awarded a Partial Level of Assurance.



## 4 Detailed Findings & Action Plan

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

Recommendations are prioritised as follows:

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

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

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

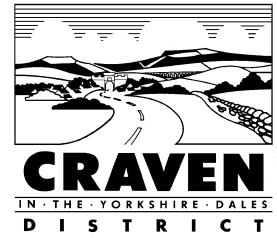
| Ref                                                                                           | Findings                                                                                                                                                                                                                                                                                                                                                                                      | Recommendation                                                                                       | Risk                                                                                                          | Management Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | Officer responsible and implementation date                                 |
|-----------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------|
| <b>To review a sample of agency/contract staff to look at compliance with Council policy.</b> |                                                                                                                                                                                                                                                                                                                                                                                               |                                                                                                      |                                                                                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |                                                                             |
| 1<br>(MK REF 273)                                                                             | <p>The current Procurement strategy is dated 2013 - 2017 and has yet to be updated. This document refers to a project on the procurement of agency staff that was due to be undertaken in the period 2013 - 2016. The Exchequer and performance manager does not believe that this review occurred.</p> <p>Additionally the Contract procedure rules were last updated in September 2015.</p> | <p><b>Priority 1</b></p> <p>The Authority need to update and review their procurement strategies</p> | <p>Failure to follow council policy could result in unexpected costs and financial loss to the authority.</p> | <p>The council is in the process of negotiating a new arrangement for procurement support with Procure North Yorkshire. A new Procurement Strategy will be developed in partnership with Procure North Yorkshire upon implementation of this agreement. This will cover procurement arrangements which apply to the procurement of agency staff (though not specific processes for specific type of role, which will remain the responsibility of our HR Team). The Contract Procedure Rules will subsequently be reviewed in reference to the refreshed strategy and to any changes in legislation.</p> | <p>Chief Finance Officer (Section 151 Officer)</p> <p>31st October 2019</p> |

| Ref               | Findings                                                                                                                                                                                                                                                                                                                                                                                               | Recommendation                                                                                                                                                                                                                                                                   | Risk                                                                                                   | Management Response                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | Officer responsible and implementation date                                       |
|-------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 2<br>(MK REF 274) | Of the 20 invoices sampled satisfactory explanations for the use of agency staff were received in all except 1 case where the manager had changed recently. This highlighted an issue with record keeping. The authority currently has no central log of procurement exercises for agency and contracted staff or any other procurement exercises where the value is below £5000.                      | <b>Priority 2</b><br><br>The authority needs to increase awareness of the Contract Procedure Rules with its managers. Training on the procurement process and contract procedure rules should be included in the induction process for all new staff with budget responsibility. | Failure to follow council policy could result in unexpected costs and financial loss to the authority. | The authority does currently maintain a central log of procurement exercises. All completed procurement exercises with a value of over £5000 should be included on the Contract Register. This includes contracts for agency staff. It may be that colleagues are not aware that this applies to agency staff contracts and the Finance Team are therefore not being notified. However this is explicitly required within the Contract Procedure Rules                                                                                                                                                                                                                                                                                                                                                  | Chief Finance Officer (Section 151 Officer)<br><br>29 <sup>th</sup> February 2020 |
| 3<br>(MK REF 275) | There did not appear to be a consistent approach across all service areas to the procurement methods used.<br><br>Additionally they should undertake a review of the types of staff that are used across all service areas and consider the use of council wide procurement exercises for some areas where similar staff may be being procured in different ways - for example bar and catering staff. | <b>Priority 2</b><br><br>The authority should develop a consistent approach to procurement across all service areas and use council wide procurement exercises and frameworks where appropriate                                                                                  | Failure to follow council policy could result in unexpected costs and financial loss to the authority. | We agree that the contract procedure rules should be followed consistently. In general we are cautious about requiring specific procurement methods, as colleagues must be free to choose the approach to procurement that will secure best value for the council for each contract (within the bounds defined by the Contract Procedure Rules). We agree that a more consistent and better defined approach to procuring agency staff would help to ensure transparency and value-for-money. We also agree that clearer general guidance for staff regarding appropriate procurement methods would improve clarity and consistency. However, this guidance will need to be developed following the negotiation of our new Procurement support agreement and subsequent review of Procurement Strategy. | Chief Finance Officer (Section 151 Officer)<br><br>31 <sup>st</sup> January 2020  |

| Ref               | Findings                                                                                                                                                                                          | Recommendation                                                                                                                 | Risk                                                                                                   | Management Response                                                                                                                                                                                                                                                                  | Officer responsible and implementation date                                       |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|
| 4<br>(MK REF 276) | There did not appear to be a consistent approach across all service areas to the procurement methods used. The authority should develop a consistent approach and communicate it to all managers. | <b>Priority 3</b><br><br>The authority should develop a consistent approach to procurement and communicate it to all managers. | Failure to follow council policy could result in unexpected costs and financial loss to the authority. | The Contract Procedure Rules are published on the Intranet and available to all staff. We agree that clearer procurement guidance for all staff should be developed following the negotiation of our new Procurement support agreement and subsequent review of Procurement Strategy | Chief Finance Officer (Section 151 Officer)<br><br>29 <sup>th</sup> February 2020 |

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

## Audit & Governance Committee – 24<sup>th</sup> September 2019



### Internal Audit – Implementation of Recommendations

Report of the Chief Finance Officer

Ward(s) affected: All

- 1 **Purpose of Report** – To update committee members on Priority 1 internal audit recommendations outstanding, all completions in the period and provide a summary of the numbers of recommendations that 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  
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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.

| 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 19/20 263 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                  | Green  | All sensitive Council documents have now been removed from Engine Shed Lane archives and collected by the service provider for conversion into a digital format.                                                                                                                                                                                                                                                                                   | DRN        | 27/07/19 |
| C7 08 - National Fraud Initiative (NFI) - Priority 1             | IA 19/20 319 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 performance reports that are presented to the quarterly Value for Money Clinics. A report on the NFI will be presented to CLT in October and the position subsequently reported to the Audit & Governance Committee.                                                                                                                                                                          | JH         | 07/08/19 |
| C7 04 - Licensing 2016/17 - Priority 1                           | IA 19/20 323 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  | 268 paper files that were held in the office have now been cleansed and scanned then destroyed. A date can be set once the corporate scanning project is complete for files held in Engine Shed Lane.                                                                                                                                                                                                                                              | TC         | 03/07/19 |
| C18 04 - Asset Rentals and Letting Income - Priority 1           | IA 19/20 402 Whilst the tenancy agreement may state that it is the tenant's responsibility to ensure these checks are undertaken, it would be considered as best practice for the council to obtain all relevant copies of the respective safety certificates to evidence compliance | C18 04 - Jun 2018    | Property Services    | Amber  | On track for delivery by the revised date of October 2019, checks being built in to updated management process.                                                                                                                                                                                                                                                                                                                                    | DM         | 09/08/19 |
| C18 10 - Debtors - Priority 1                                    | IA 19/20 420 Services should ensure they respond to finance within 7 days of receipt of outstanding debt email showing the action that has been taken to recover debt                                                                                                                | C18 10 - Sep 2019    | Financial Management | Amber  | The Debtors Officer continues to circulate a breakdown of outstanding debts to service managers. Legal Services are currently reviewing their requirements and these will then form part of an updated debt recovery process alongside the required response time of seven days. Details will be issued to appropriate debt holder staff by Finance. Responses will be monitored and retained in service for subsequent use by legal if necessary. | JH         | 07/08/19 |

## Appendix B – Audit Recommendations Completed in the Period

| 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 19/20 263 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                  | Green  |  | All sensitive Council documents have now been removed from Engine Shed Lane archives and collected by the service provider for conversion into a digital format.                                                                                                                                                                                                                                                                                                                                                                                                                              | DRN        | 27/07/19 |
| C18 05 - Software Asset Management - Priority 2                  | IA 19/20 407 Outstanding contract and licence agreement details should be pursued and the Core Applications spreadsheet subsequently completed with the relevant details   | C18 05 - January 2019   | ICT                  | Green  |  | Master contract register now completed and being maintained as a Business As Usual document.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | DM         | 09/08/19 |
| C18 10 - Debtors - Priority 2                                    | IA 19/20 416 Finance should undertake periodic monitoring to establish reasons why credit notes and cancelled invoices are required and appropriate action should be taken | C18 09 - September 2019 | Financial Management | Green  |  | Credit notes and cancellations for established systems are never actioned without a valid request from the Services and a monthly log of these is signed off each quarter by the Accountancy Services Manager. Additional training is offered where a need is identified. Due to the development of the new Trade Waste system and some Trade Waste files being incorrect, there may actually be an increase in CN in Q1 and Q2 of 2019/20. However, these are all valid corrections and no credit notes for any department will be actioned without justification and evidence being sought. | JH         | 07/08/19 |
| C18 12 - Health and Safety Arrangements - Priority 2             | IA 19/20 429 The due date for testing of portable appliances at Belle Vue Square should be clarified                                                                       | C18 12 - September 2019 | Property Services    | Green  |  | The original schedule was in error and PAT testing has been scheduled in the 2019 financial year, a revised schedule is now in place.                                                                                                                                                                                                                                                                                                                                                                                                                                                         | DM         | 09/08/19 |
| C18 12 - Health and Safety Arrangements - Priority 2             | IA 19/20 430 Testing of portable appliances at outlying sites should be arranged                                                                                           | C18 12 - September 2019 | Property Services    | Green  |  | A PAT testing schedule has been implemented.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  | DM         | 09/08/19 |

|            |                      |
|------------|----------------------|
| Version No | <b>AGENDA ITEM 9</b> |
|------------|----------------------|

|                                           |                                                                                                                                                                                                 |                    |                      |       |  |                                                                                                                                                                                                                                                                                                                                                                                                |    |          |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|-------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------|
| C18 06 - Transparency Agenda - Priority 3 | IA 19/20 411 The quarterly data, for all items, needs to be brought up to date, to the end of Q2. Going forward, the quarterly data needs to be maintained and updated on a more regular basis. | C18 06 - July 2019 | Financial Management | Green |  | All Financial quarterly publications are now up to date and processes are now in place to ensure that future data is made available on the website within allowed timescales. Responsibility for maintaining annual datasets has been considered but currently remains with the appropriate services. Should more information be required in future a corporate approach will be reconsidered. | JH | 23/07/19 |
|-------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|----------------------|-------|--|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|----------|



**Appendix C – Summary of Outstanding Audit Recommendations** - Recommendations are included where the original completion date was prior to July 2019.

|                                                           | Priority 1 | Priority 2 | Priority 3 | Total     |
|-----------------------------------------------------------|------------|------------|------------|-----------|
| B/F 1/4/19                                                | 13         | 13         | 7          | 33        |
| <u>Add</u> Reports at 2 April 2019 A & G Committee        |            |            |            |           |
| Property Valuations                                       | 0          | 0          | 0          | 0         |
| Housing Benefit                                           | 0          | 0          | 1          | 1         |
| Creditors                                                 | 0          | 2          | 0          | 2         |
| Debtors                                                   | 1          | 2          | 3          | 6         |
| Council Tax and Non Domestic Rates                        | 0          | 1          | 0          | 1         |
| Health and Safety Arrangements                            | 0          | 16         | 2          | 18        |
| Peer Review of Recommendations                            | 0          | 0          | 0          | 0         |
| Use of Social Media                                       | 0          | 1          | 0          | 1         |
|                                                           | 14         | 35         | 13         | 62        |
| <u>Less</u> Archiving approved at 2 April A & G Committee | 2          | 3          | 0          | 5         |
|                                                           | 12         | 32         | 13         | 57        |
| <u>Less</u> Archiving approved at 25 June A & G Committee | 7          | 9          | 3          | 19        |
|                                                           | 5          | 23         | 10         | 38        |
| <u>Less</u> completions in this period (see Annex B)      | 1          | 4          | 1          | 6         |
|                                                           | 4          | 19         | 9          | 32        |
| <u>Less</u> Not yet due                                   | 1          | 14         | 5          | 20        |
| <b>Outstanding Recommendations</b>                        | <b>3</b>   | <b>5</b>   | <b>4</b>   | <b>12</b> |

|                                    | Priority 1 | Priority 2 | Priority 3 | Total |
|------------------------------------|------------|------------|------------|-------|
| <b>Outstanding Recommendations</b> |            |            |            |       |
| <b><u>By Service Area</u></b>      |            |            |            |       |
| Financial Management               | 1          | 1          | 3          | 5     |
| Licensing                          | 1          | 2          |            | 3     |
| Parking Services                   |            | 1          |            | 1     |
| Planning & Building Control        |            | 1          |            | 1     |
| Property Services                  | 1          |            |            | 1     |
| Revenues and Benefits              |            |            | 1          | 1     |
|                                    | 3          | 5          | 4          | 12    |

**Outstanding Recommendations**  
**By year originally due to be implemented**

|         |   |   |   |    |
|---------|---|---|---|----|
| 2014/15 |   |   | 1 | 1  |
| 2015/16 |   |   |   |    |
| 2016/17 |   | 1 |   | 1  |
| 2017/18 | 2 | 3 | 3 | 8  |
| 2018/19 | 1 | 1 |   | 2  |
|         | 3 | 5 | 4 | 12 |

## Audit & Governance Committee 24<sup>th</sup> September 2019



### Risk Appetite Statement

Report of the Chief Finance Officer

Ward(s) affected: All

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

- 1.1 To inform members of the Audit and Governance Committee of the completion of the Risk Appetite Statement by the Council's Risk Management Group in accordance with the Council's Risk Management Strategy.

#### 2. **Recommendation**

- 2.1 That members approve the adoption of the Risk Appetite Statement.

#### 3. **Background**

- 3.1 The Council's Risk Management responsibility lies with the Chief Finance Officer as s151 Officer.
- 3.2 Arrangements for Risk Management are periodically reviewed by a group of Members and Officers (the Risk Management Group) and are reported to this committee.
- 3.3 The Council's approach to Risk Management is described in the Risk Management Strategy. Training in Risk Management is offered to all members and was last run by Amberwing Limited (risk management consultants) on 10<sup>th</sup> June 2019.
- 3.4 A key part of successfully managing risk is defining and agreeing a Risk Appetite Statement. This describes the levels of risk that are delegated to Officers when working to achieve the objectives agreed by The Council.
- 3.5 The Risk Management Group, in consultation with CLT and SLT, have completed a Risk Appetite Statement.
- 3.6 This Risk Appetite Statement balances the need to work efficiently to pursue the Council's objectives against the need to prevent and/or mitigate adverse outcomes for the council.
- 3.7 Activities involving risks outside of the thresholds defined in the Risk Appetite

Statement will be referred to this committee for approval.

#### **4. Implications**

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

This document sets the level of financial risk to be accepted in pursuing the Council's objectives.

##### **6.2 Legal implications**

This document sets the level of compliance risk to be accepted in pursuing the Council's objectives.

##### **6.3 Contribution to Council Priorities**

Adopting a Risk Appetite Statement allows the Council to work efficiently towards Council Priorities.

##### **6.4 Risk Management**

The report relates entirely to the Risk Management function.

##### **6.5 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.

#### **7. Consultations with Others**

Officers on the Council Leadership Team and Senior Leadership Team groups.

#### **8. Appendices**

Appendix I - 'Risk Appetite Statement'.

#### **9. Author of the Report**

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## Craven District Council

### Risk Appetite Statement

The organisation must take risks in order to achieve its aims and deliver the best possible outcomes for residents, particularly in light of sustained reductions in funding. Risks will be taken in a considered and controlled manner, and exposure to risks will be kept to a level of impact deemed acceptable by the council's Audit & Governance Committee.

The acceptable level may vary from time to time. Some specific risks above the agreed acceptable level may be accepted because:

- the likelihood of the risk occurring is deemed to be sufficiently low
- they have the potential to enable realisation of considerable reward/benefit
- they are considered too costly to control given other priorities
- the cost of controlling them would be greater than the cost of the impact should they materialise
- there is only a short period of exposure to them
- they are considered essential to the achievement of the council's aims and objectives

Planned activities resulting in risks outside of the agreed risk appetite profile are to be referred to Audit & Governance Committee for approval.

The Council's Risk Management Group has determined that

- The Council must be cautious about risks that could impact upon compliance with law and regulation or threaten the safety of staff, service users, partners, contractors and the public. As a consequence, it will endeavour to eliminate such risks or reduce them to a low level.
- The Council should be prepared to accept the risk of a small negative impact upon its financial position in order to achieve its overall goals, especially when achievement of those goals will help deliver substantial benefits to residents and/or realise significant longer term efficiencies.
- Delivery of the organisation's core operational services must be protected from the most adverse impact from risks, whilst recognising that pursuing improvements to services with a limited budget may at times result in some temporary medium-level disruption to those services.
- Damage to the organisation's reputation can undermine stakeholder confidence and be costly to remedy, so risks with a long-term reputational impact will be avoided.

The Council's current risk appetite profile is described below:

|                  |                                                                 |
|------------------|-----------------------------------------------------------------|
| Finance          | Moderate (loss of £10,001 - £100,000)                           |
| Compliance       | Cautious (small, short-term non-compliance)                     |
| Safety           | Cautious (minor injury, local intervention)                     |
| Service Delivery | Moderate (medium-level impact / moderate inconvenience)         |
| Reputation       | Moderate (moderate or short-to-medium term reputational damage) |