

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.

APPENDIX A - STATEMENT OF ACCOUNTS 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:

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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 – 24th September 2019

Statement of Accounts 2018/19



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

1. Purpose of Report

- 1.1 To present the 2018/19 Statement of Accounts.

2. Recommendations

- 2.1 Members are recommended to receive and approve the Statement of Accounts for 2018/19 (attached at Appendix A).

3. Background Information

- 3.1 The Accounts and Audit Regulations 2015 require Members approve the Council's audited statutory accounts by 31 July following the financial year-end.
- 3.2 The draft Statement of Accounts submitted to the auditor must be signed by the Council's Chief Financial Officer by 31 May. For 2018/19 they were signed by the Chief Finance Officer (s151 Officer).
- 3.3 The 2018-19 accounts have been produced under the requirements of International Financial Reporting Standards (IFRS) basis.

4. The Report

- 4.1 In line with changes implemented in the 2015 Accounts and Audit Regulations, the 2018/19 Unaudited Statement of Accounts was approved on the 31 May 2019 by the Chief Finance Officer (s151 Officer). The Audit and Governance Committee are now recommended to approve the final version as the Auditors - Mazars have completed their audit work.
- 4.2 The Council achieved the statutory deadline to approve the unaudited accounts by 31st May and for them to be made available for public inspection within the required timeframe. Along with other councils, the

target date to approve the certified accounts by 31st July has not been achieved this year due to a number of factors. These include adjustments to pension liability calculations as a consequence of a legal judgement that were beyond the control of both the council and auditors and several complex land and property asset revaluation adjustments. It has also been a transitional year for Finance with a change of Chief Finance Officer in the middle of the process and a number of staff taking on new responsibilities this year. However, while the changes identified by the audit exercise were complex in nature, they have been resolved satisfactorily and do not represent any significant weakness in the council's approach or ability to deliver a set of compliant accounts.

- 4.3 The Statement of Accounts represents the culmination of the formal financial reporting obligation placed upon the Council and the content of the Accounts as presented is largely prescribed by statutory and professional guidance.
- 4.4 The following points highlight the major movements in the Statement of Accounts for 2018/19, compared with 2017/18:
- Net Cost of Services has increased by £3.294m to £9.130m (2017/18: £5.836m restated).
 - There is a Deficit on the Provision of Services of £1.399m (2017/18: Surplus of £1.706m restated).
 - Total Reserves have decreased by £1.836m to £20.621m (2017/18: £22.457).
 - The General Fund balance has remained at £995k.
 - Earmarked reserves have increased by £0.876m to £7.218m (2017/18: £6.342m).
- 4.5 It is important that the Council has sound financial, governance and resources management arrangements in place to ensure that resources are available and used to support the Council's priorities, improve services and secure value for money for our tax payers.
- 4.6 Specifically in respect of financial statements members are expected to "exercise collective responsibility for, and prioritise, financial reporting and demonstrate robust challenge and scrutiny".
- 4.7 To assist councillors in this regard, an explanatory paper is attached at Appendix B. The Statement of Accounts also contains an explanatory foreword, which highlights the key issues arising from the financial year 2018/19, and considers these in the context of the council's future financial prospects. Councillors are asked to consider the Statement of Accounts in detail along with the supporting notes, and either raise issues with the Chief Finance Officer (s151 Officer) prior to the meeting so that a response can be prepared or discuss any such matters as necessary and appropriate at the meeting of the Committee.
- 4.8 The accounts were made available for public inspection and questions to the auditor from 3rd June until 12th July. No queries were received by the Council.
- 4.9 The Audit and Governance Committee are now recommended to approve

the final version as Mazars the Councils appointed auditor have completed their audit work.

- 4.10 The Annual Governance Statement (the draft copy of which was approved by this Committee at its meeting on 25th June 2019) must be added to the published version of the audited statement of accounts.

5. Implications

5.1 Financial and Value for Money Implications

None

5.2 Legal implications

It is a statutory requirement for the Council to produce its annual statement of accounts for approval by a relevant committee which for this council is Audit & Governance.

5.3 Contribution to Council Priorities

Financial resilience through appropriate procedures and practices

5.4 Risk Management

None

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

None

7. Access to Information : Background Documents

Annual statement of accounts 2018/19

8. Author of the Report

Richard Weigh, Chief Finance Officer (s151 officer)
Telephone: 01756 706418
E-mail: rweigh@cravendc.gov.uk

9. Appendices

Appendix A – 2018/19 Statement of Accounts - to Follow.
Appendix B – Explanatory paper to support the accounts.

APPENDIX A - THE STATEMENT OF
ACCOUNTS 2018/19

TO FOLLOW

Statement of Accounts 2018/19 – Explanatory Notes

1. Introduction

- 1.1 This paper supports the report and statutory Statement of Accounts presented to Audit and Governance Committee for approval. It provides explanations and commentary on the main issues within the accounts to facilitate robust scrutiny and challenge of the accounts prior to approval.
- 1.2 The purpose of the Statement of Accounts is to give the public, councillors, employees, other stakeholders and interested parties clear information about the Council's finances. In summary the accounts should show:
 - The cost of the services provided by the Council over the year
 - Where the money came from to pay for these services
 - The Council's assets and liabilities at the end of the financial year.
- 1.3 The accounts have been compiled using the "Code of Practice on Local Authority Accounting in the UK 2018/19: Based on International Financial Reporting Standards (the Code) published by the Chartered Institute of Public Finance and Accountancy (CIPFA).

2. Explanatory Foreword

- 2.1 The purpose of the Explanatory Foreword is to provide an easily understandable guide to the most significant matters reported in the accounts. It includes details of:
 - The statements included in the accounts.
 - A summary of the Councils revenue income and expenditure for the year and variances against the previous year's figures.
 - A summary of capital expenditure and how this was financed.
 - Changes to accounting policies and practice.
 - Any other significant matters.

3. Statement of Responsibilities for the Statement of Accounts

- 3.1 This statement sets out the various responsibilities for the accounts:
 - The Council's responsibilities under local government legislation.
 - The Chief Finance Officer legal and professional responsibilities.
- 3.2 This statement must be signed by the Chair of the meeting which approves the accounts and the Chief Finance Officer (s151).

4. Movement In Reserves Statement

- 4.1 This statement shows the movement in the year on the different reserves held by

the Council analysed into “usable reserves” (those that can be applied to fund expenditure or reduce local taxation) and other reserves or “unusable reserves”. The surplus or (deficit) on the provision of services line shows the true economic cost of providing the Council’s services. These are different from the statutory amounts that are required to be charged to the General Fund Balance for council tax setting purposes.

Description	2017/18 £000's restated	2018/19 £000's	Variance £000's	Comment
(Surplus) / Deficit on Provision of Services	(1,706)	1,399	3,105	Net Cost of Service increased by £3.294k. Offset by £79k decrease in other operating Expenditure and a £539k increase in Financing and Investment Income & Expenditure. Taxation and Non-specific grant income increased by £675k.
Other Comprehensive (Income) & Expenditure	(5,709)	438	(6,147)	£3.764m downwards revaluation of current assets. £2.360m on Impairment losses on NCA charged to the Revaluation Reserve..
Balance on Reserves at 31 March	22,457	20,621	(1,836)	Increase in the Unusable Reserves of £2.3m – made up of - decrease in the Revaluation Reserve £3m and an increase to the Capital Adjustment Account £0.683m. Movement in the Pension Reserve £0.168m. A reduction in the Usable Reserves – made up of - Reduction in the Capital Receipts reserve £0.335m and an increase in the Earmarked reserves £0.876m

5. **Comprehensive Income and Expenditure Statement**

5.1 The purpose of the Comprehensive Income and Expenditure Statement is to show the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation (council tax).

- Expenditure and income directly related to the services provided by the Council (Net total £9,130k).
- Expenditure and income not directly attributable to services but to the

Council as a whole (When added to the Net Cost of Services above this totals £11,261k).

- Income received in respect of general government grants and local taxation (Bringing the overall net total on provision of Services to £1,399k).
- Surplus or Deficit on revaluation of Non-Current Assets and impairments £2,975k
- Remeasurement of net defined benefit/ (liability) (pension fund) (£2,133k). Bringing the overall total of Comprehensive Income and Expenditure to £1,837k.

The total on this statement represents the net surplus or deficit on the Council's provision of services for the year

5.2 When considering this statement Councillors should note the following major variances between 2017/18 and 2018/19:

Description	2017/18 £000's restated	2018/19 £000's	Variance £000's	Comment
Enterprising Craven	759	1,069	310	£348k Pension costs due to in year costs and additional costs as a result of the Legal Judgement that has been outstanding Nationally.
Financial Sustainability	2,552	3,333	781	£559k Pension costs due to in year costs and additional costs as a result of the Legal Judgement that has been outstanding Nationally.
Resilient Communities	2,525	4,729	2,204	£1,136k Pension costs due to in year costs and additional costs as a result of the Legal Judgement that has been outstanding Nationally. £300k increase in depreciation costs.
Taxation and Non-Specific Grant Income	(9,187)	(9,862)	(675)	Capital Grants and other contributions increased by £346k. Council Tax by £112k and Retained Business rates increased by £217k.
Financing and Investment Income & Expenditure	65	604	539	Investment income increased by £(83)k and changes in Investment Properties Fair Value £649k.
(Surplus) or Deficit on revaluation of non-current assets	(3,966)	(202)	3,764	Upwards revaluation of Assets in 18/19 - £202k

Impairment Losses on Non-Current assets charged to the Revaluation Reserve	413	2,773	2,360	£2.7m downwards revaluation of current assets.
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- 5.3 Councillors will note that the restated Comprehensive Income and Expenditure of the Council has moved from a surplus of £7.415m at the end of 2017/18 to a deficit of £1.837m at the end of 2018/19 – the variances identified above make up the majority of this movement.

6. **Balance Sheet**

- 6.1 The purpose of the balance sheet is to show what the Council's assets and liabilities are at the end of the year.
- 6.2 Councillors may wish to note the following explanations for key variances when compared to 2017/18.

Description	2017/18 £000's Restated	2018/19 £000's	Variance £000's	Comment
Property Plant & Equipment.	33,257	32,728	(529)	Additons in year £2.973m, revaluations down £(2.651)m, depreciation £(1.737m)
Long Term Debtors	391	299	(92)	Loan to Craven College
Short Term Investments	10026	12000	1,974	Reclassification of Call accounts to investment from Cash Equivalents
Cash and Cash Equivalents	3,441	905	(2,536)	Reclassification of Call accounts from Cash Equivalents to investments
Short Term Creditors	(5,458)	(5,098)	360	Central Government bodies decrease by £138k, Other Public bodies and LA's increase by £751k and Other entities and individuals increase by

				£642k.
Other Long Term Liabilities	(21,150)	(20,982)	168	Pension Reserve movements in the liability
Usable Reserves	10,043	10,534	491	Reduction in Capital Receipts reserve of £335k offset by an increase to Earmarked Reserves of £876k.
Unusable Reserves	12,413	10,086	(2,327)	Increase in the Unusable Reserves of £2.3m – made up of - decrease in the Revaluation Reserve £3m and an increase to the Capital Adjustment Account £0.683m. Movement in the Pension Reserve £0.168m

7. **Cash Flow Statement**

- 7.1 The purpose of the cash flow is to show the inflow and outflow of cash as a result of transactions that have occurred between the council and third parties. The cash flow analyses these transactions between those associated with revenue operations and capital activities.
- 7.2 Councillors may wish to note the following explanations for key variances when compared 2017/18

Description	2017/18 £000's Restated	2018/19 £000's	Variance £000's	Comment
Net surplus or (deficit) on the provision of services	(1,706)	1,399	3,105	See Section 4.1
Movement in Pension Liability	(565)	1,965	2,530	
Investing Activities	(2,307)	(2,695)	(388)	Additions of PPE and some sale proceeds from PPE/Investment Properties & Intangible

				Assets.
Financing Activities	65	(1,939)	(2,004)	Reclassification of Call accounts and increased External borrowing for Capital Financing
Cash & cash equivalents	3,442	905	(2,537)	See Section 6.2

8. Statement of Accounting Policies

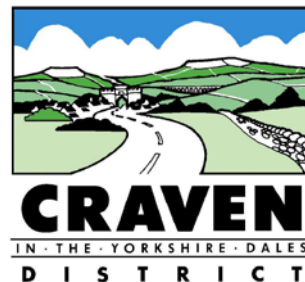
- 8.1 The purpose of the Statement of Accounting Policies is to explain the concepts or rules that have been used in preparing the accounts. The various policies have been chosen by the S151 Officer and Councillors need to satisfy themselves that these policies are reasonable – for example the frequency of asset re-valuations.

9. Explanatory Notes to the Statement of Accounts

- 9.1 The purpose of these notes, are to provide the reader of the accounts with more information on certain aspects. Accounting guidance determines what the notes are to contain although the Council is free to add additional information if it is felt that this will help interpretation.

Audit & Governance Committee – 24th September 2019

Audit Services Progress Report as at 16th 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 16th 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

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

2019/20 Audits

2019/20 Audits	Audit Opinion	Current Status
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 1st April 2019 to 16th September 2019.

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

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

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

5. Priority Areas to 31st 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 – 16th September 2019 Monitoring

APPENDIX 1

Internal Audit Plan April – 16th SEPTEMBER 2019 MONITORING

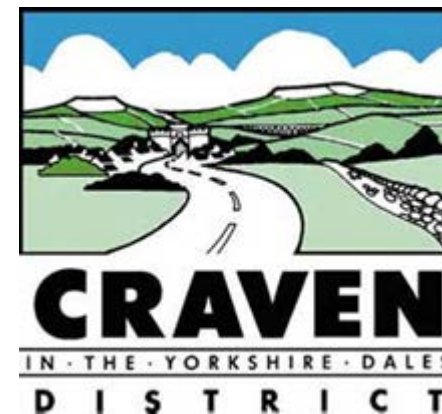
Audits (includes audits brought forward 2017/18 audits)	Approved Plan (Days)	Actual April-Sept (Days)	Comments (at time of writing)
2018/19 audits			
Succession planning	15	15	Draft report issued
Fraud – Flexi time and overtime arrangements	15	15	Draft report issued

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
Total	180	28	

*** 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 Services Report
Use of Agency Staff and Contract employees
Report ref: C10/2018

Report Issued Draft: 18/03/2019
 Final: 17/06/2019

Partial Level of Assurance

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Distribution:

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

3.2 This audit has been awarded a 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
To review a sample of agency/contract staff to look at compliance with Council policy.					
1 (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>Priority 1</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 (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.	Priority 2 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) 29 th February 2020
3 (MK REF 275)	There did not appear to be a consistent approach across all service areas to the procurement methods used. 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.	Priority 2 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) 31 st January 2020

Ref	Findings	Recommendation	Risk	Management Response	Officer responsible and implementation date
4 (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.	Priority 3 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) 29 th 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 – 24th 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**

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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 form 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

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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
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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
Outstanding Recommendations	3	5	4	12

	Priority 1	Priority 2	Priority 3	Total
Outstanding Recommendations				
<u>By Service Area</u>				
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 24th 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 10th 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)