



## Audit and Governance Committee

Monday, 21 December 2020 at 6.30pm

(Online meeting)

Due to Covid-19, this meeting will be held remotely and will be livestreamed here:

<https://www.youtube.com/channel/UCdfb6ZRbYnZ1-rRliLmjUwg>

(Copy and paste the link in your browser)

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

**Independent Person:** Greg Robinson

### AGENDA

1. **Apologies for absence** – To receive any apologies for absence.
2. **Minutes** – To approve the minutes of the meeting held on 21 September 2020.
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. **Confirmation of Final Certification - Statement of Accounts 2019/20** – Report of the Chief Finance Officer (s151 Officer)  
  
Purpose of report - To confirm the final certification of the 2019/20 Statement of Accounts, the Audit Completion Report and other related documents.
6. **Internal Audit – Implementation of Recommendations** – Report of the Chief Finance Officer (s151 Officer)  
  
Purpose of report - To update Committee members on outstanding internal audit recommendations outstanding and all completions in the period.
7. **Audit Services Progress Report** – Report of the Internal Audit Manager  
  
Purpose of report: To update the Committee on the progress made against the 2020/21 Internal Audit plan up to 9th December 2020.
8. **Regulation of Investigatory Powers Act 2000** – Report to the Solicitor to the Council (Monitoring Officer)  
  
Purpose of report - To advise the Committee of the Council's use of covert surveillance under the Regulation of Investigatory Powers Act 2000 since June 2019.
9. **Any other items** which the Chairman decides are urgent in accordance with Section 100B(4) of the Local Government Act, 1972.
10. **Date and Time of Next Meeting** – Monday, 22 March 2021 at 6.30pm.

**Agenda Contact Officer:**

Hannah Scales, Democratic Services and Scrutiny Officer  
Tel: (01756) 706235  
E-mail: [hscales@cravendc.gov.uk](mailto:hscales@cravendc.gov.uk)

## **AUDIT AND GOVERNANCE COMMITTEE**

21 September 2020

**Present** – The Chairman (Councillor Hull) and Councillors Barrett, Handley, Lis, Noland, Place and Independent Person Greg Robinson.

**Officers** – Chief Finance Officer (s151 Officer), Solicitor to the Council and Monitoring Officer, Finance Manager, Exchequer and Performance Manager, External Audit Engagement Lead, External Audit Manager, Internal Audit Manager and Democratic Services and Scrutiny Officer.

Apologies for absence were received from Councillors Wheeler, Mercer and Harbron.

Start: 6.30pm

Finish: 7.55pm

**Resolved** – That the minutes of the meeting held on 29 July 2020 were approved as a correct record subject to the minor amendment of the word 'External' to 'Internal' in minute AC.381.

### **Minutes for Report**

AC.383

#### **Statement of Accounts 2020/21**

The Chief Finance Officer introduced a report which presented the 2019/20 Statement of Accounts and the Audit Completion Report. Members were reminded of the review of year processes in relation to the production of the Statement of Accounts undertaken last year by the Finance department. Members were pleased to note that the department's efforts had been largely successful and the Council's Statement of Accounts were made available on 1 July 2020. The Statement of Accounts could not be formally certified due to national issues regarding pension liability and assets which the Chief Finance Officer assured would not impact or change the Statement of Accounts.

The Finance Manager presented Appendix B of the report which was an explanatory paper that supported the Statement of Accounts. The Finance Manager highlighted the key issues within the accounts and provided explanations and commentary. This included the movement in reserves statement, Income and Expenditure Statement, balance sheet and cash flow statement. The Finance Manager clarified the £4.3m increase in Unusable Reserves. The External Audit Manager introduced Appendix C and highlight key messages. Members were informed of the impending audit in relation to pension liability expected in October. The External Audit Lead updated Members on progress thus far and outstanding work.

**Resolved** – (1) That, the current status of the Statement of Accounts for 2019/20 is noted.  
(2) That, the Audit Completion Report is accepted.  
(3) That, the final authorisation of the Statement of Accounts 2019/20 is delegated to the Chief Finance Officer in consultation with the Audit and Governance Committee Chairman upon the formal conclusion of the audit of the Accounts subject to there being no material changes.

AC.384

#### **Risk Register Update**

The Exchequer and Performance Manager presented a report which detailed the changes made to the Council's risk registers in light of the Covid-19 pandemic. The Council's Risk Registers are reviewed annually by the Risk Management Group at the end of each financial year and are brought to the Audit and Governance Committee for monitoring. In light of the Covid-19 pandemic it was decided to complete an additional mid-year review of the Risk Register with specific reference to any additional risks resulting from Covid-19.

The Exchequer and Performance Manager highlighted the additional corporate and operational risks which included a specific risk in relation to CDC's co-ordination of the recovery phase for the pandemic. The Emergency Planning risk had been updated to reflect the potential need to co-ordinate a response to multiple concurrent emergencies. The Financial Resilience risk had also been updated to reflect the additional risks presented by a likely reduction in the council tax base and/or collection rates as a result of Covid-19, as well as action to recover from the temporary loss of fees and charges during the lockdown period.

**Resolved** – That, the new and increased risks resulting from the Covid-19 pandemic and measures in place to address them are noted.

AC.385

**Internal Audit: Review 2019/20**

The Internal Audit Manager introduced a report which presented the key findings and conclusions from audit work undertaken in 2019/20. Members were informed that 2019/20 was the second year of the three year Shared Internal Audit Service collaboration arrangement with Harrogate Borough Council. The Internal Audit Manager summarised the audit work undertaken and the assurance level awarded for each. Members were pleased to note that 100% of the audit work carried out was awarded a good or significant level of assurance and the overall audit opinion was satisfactory.

One member expressed concern in relation to the remaining audit not yet finalised and control over the audit programme to Committee had. The Internal Audit Manager assured Members that the audit would be completed in 2021 and communication was effective and often between parties.

**Resolved** – That, the contents of the report and opinion given based on the audit work undertaken during 2019/20 are noted.

AC.386

**Internal Audit: Progress Update 2020/21**

The Internal Audit Manager presented a report which updated Members on the progress made against the 2020/21 Internal Audit Plan up to 16 September 2020.

The Internal Audit Manager briefly detailed the work undertaken by Audit Services. Members noted that as agreed with Senior Management, the first 6 months of 2020 in relation to audit work were focussed on the business support grant work. This was in line with most other local authorities and was to be expected with the current situation. Audit work was due to resume in October 2020 and there was no expected significant impact on the plan due to the original allocation of days.

**Resolved** – That, the contents of the report and appendix are noted.

AC.387      **Appointment to Audit and Governance Committee Verbal Update**

The Chief Finance Officer verbally updated Members regarding the Independent Person's completed term. The Chief Finance Officer informed Committee he would liaise with the Independent Person and report back to Committee.

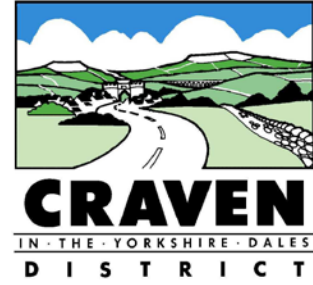
**Resolved** – That, the Chief Finance Officer will liaise with the Independent Person and report back to Committee.

**Minutes for Decision**

Chairman.

## Audit & Governance Committee – 21<sup>st</sup> December 2020

### Confirmation of Final Certification - Statement of Accounts 2019/20



Report of the Chief Finance Officer (s151 Officer)

Ward(s) affected: All

#### 1. Purpose of Report

- 1.1 To confirm the final certification of the 2019/20 Statement of Accounts, the Audit Completion Report and other related documents.

#### 2. Recommendations

- 2.1 Members are recommended to receive the papers enclosed and note the final certification of the Statement of Accounts for 2019/20.

#### 3. The Report

- 3.1 At the Audit & Governance Committee meeting in September, the council's accounts and draft auditor's report were presented for consideration. It was noted that there were two national issues, concerning pensions and fixed asset disclosures, that had not been finalised at that time.
- 3.2 The Committee agreed that the final certification of the Statement of Accounts could be delegated to the Chief Finance Officer, subject to there being no material changes to the version of the Accounts presented.
- 3.3 This report confirms that there have been no material changes to the final version of the Accounts and that the issues outstanding in September have been resolved. The 2019/20 Statement of Accounts were formally signed off on 27<sup>th</sup> November 2020, by the Chief Finance Officer and the Chair of Audit & Governance, as approved at the meeting of this committee on the 21<sup>st</sup> September.
- 3.4 As such the following documents are appended to this report;
  - Appendix A - Final Auditor's Report
  - Appendix B – Audit Follow-up Letter
  - Appendix C – Table showing movements between the Accounts presented in September and the final signed version.
  - Appendix D - Close Notice Please note the final audited version of the Statement of Accounts is now available on the Council's website but not attached again to the meeting agenda.

- 3.5 As previously reported, the Council improved its processes this year and produced its accounts on time and in compliance with the required legislation, regulation and accounting codes. The task of completing the accounts and indeed auditing them, was made more difficult this year as teams had to work remotely from the end of the financial year. However, it is of notable credit to the Craven finance team and others across the council and Mazars audit colleagues, that this was completed efficiently and effectively.

**4. Financial and Value for Money Implications**

- 4.1 None

**5. Legal implications**

- 5.1 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.

**6. Contribution to Council Priorities**

- 6.1 Financial resilience through appropriate procedures and practices

**7. Risk Management**

None

**8. Equality Impact Assessment**

- 8.1 The Council's Equality Impact Assessment Procedure **has been** followed.

**9. Consultations with Others**

None

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

Statement of Accounts 2019/20 – available on the Council's website.

**11. Appendices**

- Appendix A - Final Auditor's Report
- Appendix B – Audit Follow-up Letter
- Appendix C – Table showing movements between 21<sup>st</sup> Sept and final.
- Appendix D - Close Notice

**12. Author(s) of the Report**

Richard Weigh, Chief Finance Officer (s151 Officer)  
James Hordern, Finance Manager (Deputy s151 Officer)  
E-mail: [rweigh@cravendc.gov.uk](mailto:rweigh@cravendc.gov.uk) [jhordern@cravendc.gov.uk](mailto:jhordern@cravendc.gov.uk)

# Independent auditor's report to the members of Craven District Council

## Report on the financial statements

### Opinion

We have audited the financial statements of Craven District Council ('the Council') for the year ended 31 March 2020, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

In our opinion, the financial statements:

- give a true and fair view of the financial position of Craven District Council as at 31<sup>st</sup> March 2020 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities section of our report. We are independent of the Council in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property, plant and equipment and investment properties and pension fund property assets

We draw attention to note 4 and note 14 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's property, plant and equipment and investment assets and the valuation of the Council's share of North Yorkshire Pension Fund's property investment assets. As disclosed in note 4 and note 14 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Chief Finance Officer's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Chief Finance Officer has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Council's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



## **Other information**

The Chief Finance Officer is responsible for the other information. The other information comprises the Annual Governance Statement and information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## **Responsibilities of the Chief Finance Officer for the financial statements**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Chief Finance Officer is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20, and for being satisfied that they give a true and fair view. The Chief Finance Officer is also responsible for such internal control as the Chief Finance Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and prepare the financial statements on a going concern basis, unless the Council is informed of the intention for dissolution without transfer of services or function to another entity. The Chief Finance Officer is responsible for assessing each year whether or not it is appropriate for the Council to prepare its accounts on the going concern basis and disclosing, as applicable, matters related to going concern.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Matters on which we are required to report by exception under the Code of Audit Practice**

We are required by the Code of Audit Practice to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014;
- we make a recommendation under section 24 of the Local Audit and Accountability Act 2014; or
- we exercise any other special powers of the auditor under sections 28, 29 or 31 of the Local Audit and Accountability Act 2014.

We have nothing to report in these respects.

## **Conclusion on Craven District Council's arrangements for securing economy, efficiency and effectiveness in the use of resources**

### **Conclusion**

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in April 2020, we are satisfied that, in all significant respects, Craven District Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

### **Basis for conclusion**

We have undertaken our review in accordance with the Code of Audit Practice issued by the Comptroller and Auditor General, having regard to the guidance on the specified criterion issued in April 2020, as to whether the Council had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider in satisfying ourselves whether the Council put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2020.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Council had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

### **Responsibilities of the Council**

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

### **Auditor's responsibilities for the review of arrangements for securing economy, efficiency and effectiveness in the use of resources**

We are required under section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice requires us to report to you our conclusion relating to proper arrangements. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

## Use of the audit report

This report is made solely to the members of Craven District Council, as a body, in accordance with part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the members of the Council those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the members of the Council, as a body, for our audit work, for this report, or for the opinions we have formed.

## Certificate

We certify that we have completed the audit of Craven District Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.



Mark Dalton  
For and on behalf of Mazars LLP

5<sup>th</sup> Floor  
3 Wellington Place  
Leeds  
LS1 4AP

30 November 2020



Members of the Audit and Governance Committee  
 Craven District Council  
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 1 Broughton Road  
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 Email mark.dalton@mazars.co.uk

30 November 2020

Dear Members

### **Conclusion of pending matters– Audit completion report**

Following on from our recent meeting and as required by International Standards on Auditing (UK and Ireland), I am writing to communicate the conclusion of those matters that were marked as outstanding within the Audit Completion Report dated 16 September 2020.

The outstanding matters and the conclusions reached are detailed below:

Matter	Conclusion reached
Journal testing	We have completed our journals testing and have no matters to bring to your attention.
Capital Financing	We have completed our work on the capital expenditure and financing disclosure in note 33 and our review of the minimum revenue provision (MRP) and other than the minor disclosure errors at Appendix 2, we have no matters to bring to your attention.
Pension liability	We have received the requested assurances from the auditor of the North Yorkshire Pension Fund.  In addition, through liaison with the Pension Fund's Actuary, Management has provided the required assurances that the Council's pension liability includes provision for the McCloud remedy and that they do not expect the impact of the recent Goodwin case to be material.

	<p>However, as a result of a ‘material valuation uncertainty’ being disclosed in the Pension Fund’s accounts relating to its holding of property assets, it has become necessary for the Council to correspondingly reflect this uncertainty within its own accounts. This has subsequently been disclosed in the Council’s financial statements within Note 4. As the Council’s share of those assets as recorded on the balance sheet is material, this requires us to include an ‘emphasis of matters’ paragraph in our Audit Report. The wording of our emphasis of matter paragraph (covering this and the below referenced Property. Plant and Equipment uncertainty) is set out below.</p>
PPE, Heritage assets and Investment Property	<p>We have completed our work in relation to valuation, ownership and existence. In completing our work, we identified a small number of minor disclosure errors and a control deficiency. These are highlighted at Appendix 2 and Appendix 1 respectively.</p> <p>As highlighted previously a ‘material valuation uncertainty’ has been disclosed by the Council’s valuer in respect of the Council’s property and investment assets. This has subsequently been disclosed in the Council’s financial statements within Note 4 and 14. As the value of these assets as recorded on the balance sheet is material, this requires us to include an ‘emphasis of matters’ paragraph in our Audit Report. The wording of our emphasis of matter paragraph is set out below.</p>
Collection Fund	<p>We have completed our testing of the Collection Fund and associated notes. Other than the minor disclosure errors at Appendix 2, we have no matters to bring to your attention.</p>
Whole of Government Accounts (WGA)	<p>We have now received the National Audit Office’s Group Instructions for local authority 2019/20 audits and completed the work necessary in respect of these.</p> <p>We are therefore able to issue our audit completion certificate.</p>

Post balance sheet events	Our post balance sheet events review is now complete. There are no issues to report to the Committee.
Review and closure procedures	We have completed our final review and closure procedures and there are no matters to bring to your attention.

### **Emphasis of Matter Paragraph**

As described in the table above, due to the material valuation uncertainty disclosed in respect of the Council's property, plant and equipment and the Council's share of North Yorkshire Pension Fund's property investment assets we are required to include within our Audit Report an 'emphasis of matters' paragraph. We set out below our wording in this respect:

#### **Emphasis of Matter – Effect of the Covid-19 pandemic on the valuation of property, plant and equipment and investment properties and pension fund property assets**

We draw attention to note 4 and note 14 of the financial statements, which describes the effects of the Covid-19 pandemic on the valuation of the Council's property, plant and equipment and investment assets and the valuation of the Council's share of North Yorkshire Pension Fund's property investment assets. As disclosed in note 4 and note 14 of the financial statements, the Council's and Pension Fund's valuers included a 'material valuation uncertainty' declaration within their report as a result of the Covid-19 pandemic. Our opinion is not modified in respect of this matter.

If you wish to discuss these or any other points discussed at the meeting then please do not hesitate to contact me.

Yours sincerely



**Mark Dalton**  
Director

## Appendix 1 – Control deficiencies

### Description of deficiency

The valuer does not routinely provide management with details of market conditions sufficient for management to consider and / or challenge the impact on the valuation of assets not revalued in year. *The valuer does an annual high level review of general market conditions and enhanced this in year to cover an extended 5 year period in response to audit enquiries. In addition, further audit procedures were undertaken to gain our own assurance that such assets remain materiality fairly stated at the balance sheet date.*

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### Potential effects

Management (and the valuer) may not be sufficiently informed to assess whether assets not revalued in year remain materially fairly state at the balance sheet date.

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### Recommendation

The valuer should routinely provide management with details of market conditions sufficient for management to consider and / or challenge the impact on the valuation of assets not revalued in the year.

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### Management response

Although the valuer does carry out high level reviews of market and local conditions in order to ensure that, assets not revalued in the current year, are not likely to have significantly changed in value. This may not be sufficient in the current climate. Management were assured of the values and reflected the required valuations in year. The additional audit procedures did raise some questions regarding assets outside of the current year's programme but no amendments were required. This however, coupled with the likely impact of the CV-19 pandemic, means that more robust assessments of the Council's assets, not due for valuation, should be undertaken in future years.

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### Description of deficiency

Our review of the Council's debt impairment calculations have confirmed that these are not in accordance with the expected credit loss model as required under IFRS 9 and the CIPFA Code. Whilst we accept that this is unlikely to lead to a material error the need to comply with accounting standards remains.

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### Potential effects

The Council is failing to comply with the CIPFA Code. This may lead to the incorrect debt impairment figure being calculated and disclosed within the financial statements.

**Recommendation**

The Council should review its approach to the calculation of its debt impairment to ensure that this accords with the requirements of IFRS 9 and the CIPFA Code.

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**Management response**

The Council notes the recommendation and will review the relevant accounting policies and calculations for the 2020/21 Statement of Accounts.

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## **Appendix 2 – Unadjusted Misstatements**

As part of our early testing of land and building valuations, we noted calculation errors in two valuation reports. These errors resulted in property valuations being over-stated by £51,000 and these errors were corrected by the valuer. Given the nature of the error it has been extrapolated across the value of the untested land and buildings, and has resulted in an extrapolated error of £28,000 (net of the adjusted error above). Given the amount and nature of this extrapolated error, Management has not adjusted for this misstatement.

We have no other unadjusted misstatements to report.

## **Disclosure amendments**

As a result of our work, a number of amendments have been made to the other statements, notes and disclosures within the financial statements, the most significant of these are as follows:

- Notes 12.3 (commitments under capital contracts): this note has been amended to remove capital programme values in line with CIPFA Code requirements. Although the capital programme has been approved and the budget 'committed' this is not a contractual commitment;
- Note 12.4 (revaluations): several minor disclosure errors that have been corrected;
- Note 16 (financial instrument balances):
  - following an audit adjustment to investments, the financial assets investments in note 16 required amendment to ensure consistency with the investments note;
  - £0.103m included in the current debtors (relating to a loan to Craven College) required reclassifying as non-current; and
  - the addition of £0.332m of creditors omitted in error.
- Note 33 (capital expenditure and financing): several differences between note 33 and note 22.2 (capital adjustment account) required amendment - the largest being £0.630m in capital grants unapplied; and
- Collection Fund notes - several minor disclosures errors have been amended.

Description	2019/20 £000's 21st Sept A&G	2019/20 £000's FINAL	Variance	Comment
(Surplus) / Deficit On Provision of Services	(368)	(368)	-	
Other Comprehensive (Income) & Expenditure	(4,599)	(4,599)	-	
Balance on Reserves at 31st March	25,134	25,134	-	
Taxation and Non-Specific Grant Income	(10,079)	(10,078)	1	Rounding Correction
Financing and Investment Income & Expenditure	453	454	1	Rounding Correction
(Surplus) or Deficit on revaluation of non- current assets	(2,600)	(2,600)	-	
Impairment Losses on Non-Current assets charged to the Revaluation Reserve	440	440	-	
Property Plant & Equipment.	36,359	36,360	1	Rounding Correction
Long Term Debtors	98	98	-	
Short Term Investments	7,000	9,000	2,000	Originally classed a Short Term Investment as Long term.
Long Term Investments	3,018	1,018	(2,000)	Originally classed a Short Term Investment as Long term.
Cash and Cash Equivalents	4,282	4,282	-	
Short Term Creditors	(5,757)	(5,757)	-	
Other Long Term Liabilities	(19,995)	(19,995)	-	
Usable Reserves	14,527	14,527	-	
Unusable Reserves	10,607	10,607	-	
Movement in Pension Liability	1,452	1,452	-	
Investing Activities	(1,724)	(1,724)	-	
Financing Activities	2,000	2,000	-	
Cash & cash equivalents	4,282	4,282	-	



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30 November 2020

Dear Richard

**Notice of certification of completion of the audit of Craven District Council for the year ended 31 March 2020**

Following the Audit and Governance Committee approval of the accounts on the 21 September 2020, we are pleased to advise you that we have completed the audit of Craven District Council for the year ended 31 March 2020.

We issued an unqualified opinion and audit certificate on the accounts on 30 November 2020. On the same date we also issued an unqualified conclusion on your arrangements for securing value for money as required by the National Audit Office's Code of Audit Practice. We have not had to issue a report in the public interest under Section 24, Schedule 7 of the Local Audit and Accountability Act 2014.

Please note that Regulation 16 of the Accounts and Audit (England) Regulations 2015 requires you to publish (which must include publication on your website), a statement of the matters set out below, as soon as reasonably practicable after conclusion of an audit:

- that the audit has been concluded and that the statement of accounts is available for inspection by local government electors;
- the rights of inspection under section 25 of the Local Audit and Accountability Act 2014; and
- the address at which, and the hours during which, those rights may be exercised.

In addition, Regulation 10 of the Accounts and Audit (England) Regulations 2015, as amended by the Accounts and Audit (Coronavirus) (Amendment) Regulations 2020, requires you to publish, which must include publication on your website, not later than 30 November 2020:

- the statement of accounts together with any certificate or opinion entered by the local auditor in accordance with section 20(2) of the Act;
- the annual governance statement approved in accordance with regulation 6(3); and
- the narrative report prepared in accordance with regulation 8.

Please ensure that the published financial statements include the signed auditor's report.

We have provided Craven District Council with a copy of the financial statements for the year ended 31 March 2020 including our report on those statements. We outline below your responsibilities in respect of the use of our report.

Please ensure that you:

- only publish the financial statements accompanied by our report on those statements;
- only publish the financial statements accompanied by any ‘other information’ provided to us before we issued our report and specifically referred to in our report; and
- do not publish the financial statements accompanied by any other information not provided to us prior to issuing our report.

Please note that:

- the examination of the controls over the electronic publication of audited financial statements is beyond the scope of the audit of the financial statements and we cannot be held responsible for changes made to audited information after the initial publication of the financial statements and our report; and
- where you wish to publish or distribute the financial statements electronically, you are responsible for ensuring that the publication accurately presents the financial statements and our report on those financial statements. This responsibility also applies to the presentation of any financial information published in respect of prior periods.

Please feel free to contact me if you like clarification on any point.

Thank you again to you and your team for the support and cooperation in enabling us to complete the audit.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'M. Dalton', with a stylized flourish at the end.

Mark Dalton  
**Director**

**Audit & Governance Committee –  
21<sup>st</sup> December 2020**

**Internal Audit – Implementation of Recommendations**



**Report of the Chief Finance Officer**

**Lead Member – Councillor P. Mulligan**

Ward(s) affected: All

1. **Purpose of Report** – To update committee members on outstanding internal audit recommendations outstanding and all completions in the period.

2. **Recommendations** – Members are recommended to:

2.1 Note the contents of Appendix A – Internal Audit recommendations that were outstanding at the start of Q1 2020/21.

3. **Background Information**

During 2020/21, the focus of the Council's Internal Audit programme was updated to ensure that all financial relief in respect of the Covid-19 pandemic response was distributed appropriately.

There were 24 outstanding Internal Audit requirements prior to the start of 2020/21.

- 10 of these requirements were addressed in Q1 2020/21.
- 5 of these requirements were either no longer relevant or not yet due.
- 9 requirements remained outstanding.

Data was not collected during Quarter 2, due to the retirement of the Council's Performance Officer in July 2020, and limitations on resources due to the pandemic. A mini-restructure is being completed to increase the team's capacity and more efficient reporting arrangements are being implemented. A full report will be available for Quarter 3 and for Quarter 4 2020/21.

4. **Financial and Value for Money (vfm) Implications** – as highlighted for individual recommendations in Internal Audit Reports

5. **Legal Implications** – none

6. **Contribution to Council Priorities** – not applicable

7. **Risk Management** – as highlighted for individual recommendations in Internal Audit Reports

8. **Equality Analysis** – not applicable

9. **Consultations with Others**  
Senior Managers/Action Owners

## **AGENDA ITEM 6**

### **10. Background Documents**

### **11. Appendices –**

Appendix I – ‘Internal Audit recommendations that were outstanding at the start of Q1 2020/21’

### **11. Author of the Report**

Rob Atkins, Exchequer and Performance Manager  
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e-mail: [ratkins@cravendc.gov.uk](mailto:ratkins@cravendc.gov.uk)

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

Appendix I - Internal Audit recommendations that were outstanding at the start of Q1 2020/21

Priority	Description	Old Status	New Status	Description
1	IA 19/20 442 The Authority needs to update and review its procurement strategies	Amber	Green	The Authority has now updated all procurement strategies and policies and these have been approved by Council.
1	IA 19/20 323 Files should be reviewed and any personal and / or sensitive information removed from any historic files no longer required	Amber	Amber	No update.
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	Amber	Amber	No update.
2	IA 19/20 280 A reconciliation should be performed by an independent person between all Land Charges searches completed and all payments made for a sample period. The requirement for ongoing reconciliation should be based on the findings and accuracy of this data, and the level of risk this represents. The CIVICA transaction reference should be input onto the Land Charges excel database to aid this independent reconciliation.	Amber	Amber	No update.
2	IA 19/20 440 An annual statement of health & safety, including past performance, incident summary, any issues and outlining priorities for the upcoming year, should be re-introduced for reporting to the Council.	Amber	Amber	This has not yet been completed but is now planned for the end of 2020/21

Appendix I - Internal Audit recommendations that were outstanding at the start of Q1 2020/21

2	IA 19/20 447 Best value for money should be achieved in the service, the normal operations should be completed within normal working hours at unenhanced rates	Amber	Amber	Arrangements have been reviewed and the number of additional hours required were reduced - and particularly for agency workers. However it has been difficult to fully realise the benefits of this due to the additional requirements of responding to the covid-19 pandemic.
2	IA 19/20 421 A sundry debt policy should be introduced	Amber	Amber	The policy is being drafted. It is included in team and individual objectives and will be completed by the end of the financial year.
2	IA 19/20 302 The payment error should be corrected for the employee on iTrent. The format of the payslip should be amended to show the number of variable hours paid per position held.	Amber	Green	The data error has been corrected and the system upgrade to online payslips allows more flexible reporting.
2	IA 19/20 425 Procedure notes should be reviewed and updated as necessary; review and update being recorded using version history control.	Amber	Green	Health & Safety procedures are now documented and reviewed.
2	IA 19/20 426 Procedure notes, once updated, should be made available on the intranet.	Amber	Green	Health & Safety procedures documents are now available on the Intranet
2	IA 19/20 443 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.	Amber	Green	A procurement session is now included on the induction checklist for Managers. The revised procurement processes are available on the Intranet. Revisions to the processes were publicised to all staff via an online briefing and via Core Brief.
2	IA 19/20 414 Undertake process improvement work to determine whether there are avoidable delays in the process of coding and registering an invoice.	Amber	Green	This was completed and the resulting improvements can be seen in the Council's timely payment statistics which currently exceed the national target.
2	IA 19/20 444 The authority should develop a consistent approach to procurement across all service areas	Amber	Green	This is covered by the revised procurement policies which have been agreed and shared as described above.



Appendix I - Internal Audit recommendations that were outstanding at the start of Q1 2020/21

	and use council wide procurement exercises and frameworks where appropriate.			
2	IA 19/20 449 The draft Street Naming & Numbering Policy should be finalised and approved.	Amber	Green	This has been completed and was released March 2020.
2	IA 19/20 435 Delivery of Safety Cloud training should be progressed	Amber	Grey	This is no longer required as the Authority no longer uses Safety Cloud. Alternative processes have been put in place with training compulsory for staff with relevant responsibilities.
2	IA 19/20 470 Introduce a contract between Craven DC and the apprentice which complies with government guidance.	Grey	Grey	Not yet collected
3	IA 19/20 135 The Fair Debt Collection Framework should be reviewed in terms of sundry debt recovery strategy.	Amber	Amber	Strategy is being written and is around 70% complete. This is now set in team and individual objectives and will be completed this financial year.
3	IA 19/20 445 The authority should develop a consistent approach to procurement and communicate it to all managers (Agency Staff)	Amber	Amber	A procurement exercise to improve compliance for the procurement of agency staff is included on the new Procurement Strategy and in planned to start February 2021.
3	IA 19/20 343 The Procurement Card policy should be reviewed and updated. In light of some of the small errors noted elsewhere, we also recommend that the updated Policy is reiterated to card holders	Red	Amber	This has now been assigned to a Finance Officer and is included in objectives, to be completed by the end of the financial year 2021/22.
3	IA 19/20 315 Each system owner should review the data specification and where data is not captured; make arrangements to collect in preparation for the next exercise, so long as this is not too onerous	Amber	Green	This has been completed.

Appendix I - Internal Audit recommendations that were outstanding at the start of Q1 2020/21

3	IA 19/20 446 Use a formula to carry forward the timesheet balance to the new sheet. Consider using a monthly timesheet rather than weekly ones to reduce the carry forward action.	Grey	Green	This has been completed and shared.
3	IA 19/20 468 Undertake formal reporting of apprenticeship training within Craven DC either within the annual training and development report or as a separate report	Grey	Grey	Not yet collected
3	IA 19/20 469 Communicate to managers and staff about apprenticeship schemes covering upskilling of current employees	Grey	Grey	Not yet collected
3	IA 19/20 471 An Apprenticeship Policy should be introduced to define the scheme, both for "apprenticeship positions" and for upskilling of existing workforce	Grey	Grey	Not yet collected

## **Audit & Governance Committee – 21st December 2020**

### **Audit Services Progress Report as at 9th December 2020**



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 2020/21 Internal Audit plan up to 9th December 2020.

#### **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 At the current time given the requirement to dedicate all resources to the post verification checks, and subsequent investigation work during the first six months of the year, audit planning and fieldwork did not commence until October 2020.
- 4.3 At the time of writing the report, one audit has been completed to draft stage (Data Security), and s106 is ongoing. We have encountered delays in the

completion of the s106 report as responses have been slow from some service areas. This has been escalated to both the Chief Finance Officer and the Chief Executive.

- 4.4 The following table shows the progress against the 2020/21 operational plan for the period 1<sup>st</sup> April 2020 to 9th December 2021.

<b>Audit Area</b>	<b>Total Days per approved Audit Plan 2020/21</b>	<b>Days spent as at 16<sup>th</sup> September 2020</b>
Follow up Audit work	5	2
ICT	30	14
Management	20	8
Service Areas	59.5	7.5
Business Grant Post Checks	30	30
Fundamentals	11.5	1.5
Duplicate Payments	1	0
Contingency	20	20
Business Grant Investigation	3	3
<b>TOTAL</b>	<b>180</b>	<b>86</b>

## **5. Priority Areas to 31<sup>st</sup> March 2021**

### **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**

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

**11. Appendices**

Internal Audit Plan 2020/21 April – 9th December Monitoring

## APPENDIX 1

### Internal Audit Plan April – 3<sup>rd</sup> December 2020

Audits (includes audits brought forward 2017/18 audits)	Approved Plan (Days)	Actual April-Sept (Days)	Comments (at time of writing)
<b>2019/20 Audits</b>			
Policy Management	15	15	Draft report issued and recommendations agreed. Final report imminent.

### 2020/21 audits

Car Park Income	10	0	Due to start in January 2021.
Payroll	1.5 (originally 6)	1.5	Replaced with 3 days for Investigation, Increase s106 by 1.5 days.
Business Grant Investigation	3	3	Complete
Business Continuity/Disaster Recovery	15	2	Ongoing
Post Business Support Verification	30	30	Complete (includes contingency days)
Procurement Assurance/Contract Rules	10	0	Planning in progress
Risk Management Review	18	0	Yet to start
ICT Data Security	15	12	Draft Issued
Climate Change	10	0	Yet to start
S106	11.5	7.5	Ongoing
VAT	10	0	Planning in progress
Follow up work	5	2	Ongoing
Management/ Committee Meetings etc	20	8	Ongoing
Contingency	20	20	Complete
Duplicate Payments	1	0	Yet to start
<b>Total</b>	<b>180</b>	<b>86</b>	

**\* Key – Levels of Assurance**

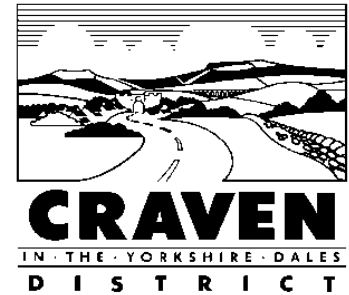
<b>Level</b>	<b>Definition</b>
Significant	The system of internal control is designed to support the Councils corporate and service objectives and controls are consistently applied in all the areas reviewed.
Good	There is generally a sound system of control designed to support the Council's corporate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



**Audit and Governance Committee –  
21<sup>st</sup> December 2020**

**REGULATION OF INVESTIGATORY  
POWERS ACT 2000**

**Lead Member for Internal Services**



**Ward(s) affected: All**

**1. Purpose of Report**

- 1.1 To advise the Committee of the Council's use of covert surveillance under the Regulation of Investigatory Powers Act 2000 since June 2019.

**2. Recommendations** – Members are recommended to note the content of the report.

**3. Report**

- 3.1 The Council has a number of statutory functions which involve officers investigating the conduct of others with a view to bringing legal action against them. The majority of investigations are carried out openly (or overtly) but some may require the use of covert surveillance techniques, or involve the acquisition of communications data.
- 3.2 The Regulation of Investigatory Powers Act 2000 (RIPA) regulates the authorisation and monitoring of these investigations to safeguard the public from unwarranted intrusion of privacy and since November 2012, the Protection of Freedoms Act 2012 has required local authorities to obtain the prior approval of a magistrate for the use of covert surveillance.
- 3.3 RIPA provides for the appointment of an Investigatory Powers Commissioner to oversee the manner in which public authorities carry out covert surveillance. In August 2018, an Inspector appointed by the Commissioner, conducted a desktop based documentary inspection of the Council's management of covert activities. The Inspector's findings were reported to this Committee on the 30<sup>th</sup> October 2018.
- 3.4 The Inspector did comment that *"it is important for key officers within the Council to maintain the knowledge and skills required to authorise and oversee the use of investigative powers, however remote the possibility that they will be used"*. Unfortunately, a planned training event had to be cancelled due to the Covid19 pandemic. A virtual session is being scheduled for early 2021.
- 3.5 At its meeting on the 9<sup>th</sup> November 2015 and in order to meet the requirements of the revised Home Office Code of Practice, this Committee resolved that the

Solicitor to the Council should submit regular reports to the Committee on the Council's use of covert surveillance.

- 3.6 Since the last report dated 25<sup>th</sup> June 2019, no covert surveillance has been authorised.

**4. Financial and Value for Money Implications**

- 4.1 There are no financial implications arising from this report.

**5. Legal Implications**

- 5.1 These are set out in the body of the report.

**6. Contribution to Council Priorities**

- 6.1 Not applicable.

- 6.2 **Impact on the declared Climate Emergency** – the report is to note and the subject of the report has no impact on the declared Climate Emergency.

**7. Risk Management**

- 7.1 The Council must ensure that it is fully compliant with the legal requirements set out in RIPA otherwise its use of RIPA may be in breach of the European Convention on Human Rights and the Human Rights Act 1998 and therefore at risk of challenge. This may lead to both financial and reputational risks.

**7.2 Chief Finance Officer (s151 Officer) Statement**

There are no financial implications.

**7.3 Monitoring Officer Statement**

It is important that appropriate training is provided for authorising officers and investigating officers. Training is overdue and will be re-scheduled before the end of the municipal year.

**8. Equality Impact Analysis**

- 8.1 The Council's Equality Impact Assessment procedure does not apply to this report as there are no changes to any policy proposed.

**9. Consultations with Others**

None.

**10. Background Documents**

- 10.1 Regulation of Investigatory Powers Act 2000 – Policy Statement and Procedures document;

10.2 Letter from the Investigatory Powers Commissioner dated 12<sup>th</sup> September 2018.

**11. Appendices**

None.

**12. 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.